

ELISA CORPORATION STOCK EXCHANGE RELEASE 28 APRIL 2005 AT 8.30am

## ELISA'S PRE-TAX PROFIT AMOUNTED TO EUR 39 MILLION

- The January-March pre-tax profit amounted to EUR 39 million (56). Revenue was EUR 333 million (333).
- Compared to the previous quarter, Elisa's number of subscriptions in mobile communications, exclusive of MVNO subscriptions, rose by approximately 55 000 subscriptions and the churn decreased from 39 to 34 per cent.
- The sales of broadband subscriptions continued robustly; the number of broadband subscriptions increased by approximately 47 000 from the beginning of the year
- The financial position remained stable: at the end of March, equity ratio was 49 per cent (49 per cent at the end of 2004) and net debt was EUR 489 million (462 million at the end of 2004)

In January-March, Elisa's key figures were:

<b>Income statement</b> EUR million	<b>Q1/2005</b>	<b>Q1/2004</b>	<b>1-12/2004</b>
Revenue	333	333	1 356
EBITDA	97*	120**	455***
EBIT	45	67	242
Profit before taxes	39	56	212
Earnings per share, EUR	0.23	0.28	1.10
CAPEX	42	44	181

\* Includes the EUR 8 million capital gain on the divestment of Yomi Software Ltd

\*\* Includes capital gains and received settlement total EUR 5m

\*\*\* Includes in addition to previous capital gain on old headquarters and change in calculating principles of the pension provision total EUR 23m

Figures describing the financial position and cash flow:

<b>Financial position</b>	<b>31 Mar 2005</b>	<b>31 Mar 2004</b>	<b>31 Dec 2004</b>
Net debt	489	660	462
Equity ratio, %	49	41	49
<b>Cash flow statement</b>	<b>Q1/2005</b>	<b>Q1/2004</b>	<b>1-12/2004</b>
Cash flow after investments	26	9	225

### CEO Veli-Matti Mattila:

#### “The number of Elisa's subscriptions soared”

“Elisa did well in the competition in early 2005. The increase in the number of mobile subscriptions by 55 000 and broadband subscriptions by 47 000 is significant in the ongoing fierce competition. Our market position strengthened more than expected both in the mobile communication and broadband market. This generated more expenses than anticipated.

We expect the competition to remain tight. We will put further emphasis on strengthening our market position. This may erode profitability in the short term. Therefore, we have set extra targets to streamline operations and improve profitability.

Third-generation mobile communication services are taking their first steps. The Ministry of Transport and Communications has been pondering whether ending the ban on bundling of 3G subscriptions and handsets is the right move to promote the new generation market. In Elisa's opinion, the ban on bundling could be lifted entirely and immediately from GSM subscriptions and handsets as well."

As of the beginning of 2005, Elisa Corporation shifted from Finnish Accounting Standards (FAS) to International Financial Reporting Standards (IFRS). The first interim report for the year 2005 has been prepared in accordance with IAS 34 regulations. On 8 April 2005, Elisa issued a stock exchange release which included the reconciliation of equity and result for the date of transition to IFRS, and principal comparative IFRS figures for 2004.

Information in this interim report is not audited.

## ELISA CORPORATION

Velipekka Nummikoski  
Vice President, Corporate Communication

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### Distribution:

Helsinki Stock Exchange  
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## Interim report for January-March 2005

### Market situation

The competitive situation remained fierce. Elisa invested heavily in sales and continued extensive marketing. The number of Elisa's own mobile subscriptions and those of service operators in Elisa's network has developed favourably. Prices for the average call minute rate of the mobile communication business continued to fall and usage of subscriptions increased. The robust demand for broadband subscriptions in the fixed network market prevailed, whereas the number and use of traditional subscriptions decreased.

### Revenue

EUR million	Q1/2005	Q1/2004	Change
Mobile communications	179	179	0%
Fixed network	162	164	-1%
Other businesses	21	23	-9%
Sales between segments	-29	-33	-12%
Total	333	333	0%

Elisa's revenue for January-March remained at the same level as the corresponding period in 2004. The revenue in the mobile business was affected by the lower interconnection fees and the fall in consumer prices, which was offset by the increased usage of subscriptions. Revenue for the fixed network business remained at the previous year's Q1 level.

### Performance

EUR million	Q1/2005	Q1/2004	Change
Mobile communications			
EBITDA	49	64	-23%
EBITDA, %	27%	36%	
EBIT	27	42	-36%
Fixed network			
EBITDA	40	55	-27%
EBITDA, %	25%	34%	
EBIT	13	27	-52%
Other businesses and corporate functions			
EBITDA	8	1	
EBIT	5	-3	
Group, total			
EBITDA	97*	120**	-19%
EBITDA, %	29%	36%	
EBIT	45	67	-33%

\* Includes the EUR 8 million capital gain on the divestment of Yomi Software Ltd

\*\* Includes capital gains and received settlement total EUR 5m

Elisa's EBITDA decreased by 19 per cent over the previous year. Reduced EBITDA was affected by the fall in prices of mobile communications and decreased volumes in the fixed

network business. In addition, EBITDA was eroded by sales costs relating to the enhanced number of subscriptions in mobile and broadband subscriptions.

Elisa revised its operational model, and has set objectives to improve profitability for the years 2006 and 2007.

EBITDA included a EUR 8 million capital gain on the divestment of Yomi Software Ltd. The contributions to the Elisa Pension Fund were at a lower level than in the corresponding period last year.

The group's other financial income and expenses totalled EUR -6 million (-10). Reduced financial expenses were mainly due to the decreased net debt.

Income taxes in the income statement amounted to EUR -6 million (-17). The tax base in Finland was altered from 29 to 26 per cent at the beginning of 2005.

The group's January-March result after taxes was EUR 33 million (40). The group's earnings per share (EPS) amounted to EUR 0.23 (0.28). At the end of March, the group shareholders' equity per share stood at EUR 6.07 (6.23 at the end of 2004).

### **Changes in corporate structure**

Elisa sold the entire share capital of Yomi Software Ltd, a 100 per cent subsidiary of Elisa, to Sysopen Digia Plc. The selling price was EUR 12.1 million, and Elisa was also released from a EUR 1.5 million debt liability. The sale forms part of Elisa's restructuring programme and releases capital tied up in business defined as Elisa's non-core business. Yomi Software is consolidated in Elisa until the end of March.

Elisa will transfer its personnel's statutory pension coverage to Varma Mutual Pension Insurance Company, and the supplementary pensions to Sampo Life Insurance Company Ltd as of 1 July 2005. At the same time, Elisa's Pension Fund will transfer its statutory pension liabilities and assets to Varma and supplementary pension liabilities and assets to Sampo Life.

In January, Elisa and IBM signed a letter of intent to allocate Elisa's application management services to IBM. According to the agreement, the employees responsible for the development and maintenance of Elisa's information systems will join IBM, and the responsibility for administering Elisa's present providers of application management will be assigned to IBM. The seven-year agreement came into force on 1 April 2005. On the same date, 150 Elisa employees joined IBM as established employees.

The merger of Liedon Puhelin Ltd into Lounet Ltd was entered in the Trade Register on 31 March 2005. Elisa previously owned 16.8 per cent of Liedon Puhelin. After this corporate arrangement, Elisa's holding in Lounet decreased from 50.2 per cent to 46.7 per cent. Lounet is consolidated in Elisa as a group company.

The merger of Kestel Ltd and Kesnet Ltd into Elisa was recorded in the Trade Register on 31 March 2005.

## Mobile business

	Q1/2005	Q1/2004	2004
Number of subscriptions, Finland*	1 438 452	1 319 007	1 383 515
Number of subscriptions, Estonia	235 650	173 550	225 500
Revenue/subscription**(ARPU),€	34.6	38.6	37.8
Churn**, %	33.5	47.4	33.7
Usage, million minutes*	714	596	2 498
Usage, min./subscription/mth**	158	150	156
SMS, million msg*	162	121	537
SMS, msg/subscription/mth**	36	31	34
Value-added services/revenue, %	15	13	14

\* Elisa's network operator in Finland, exclusive of MVNO subscriptions

\*\* Elisa's service operator

In Q1, the number of subscriptions of Elisa's network operator in Finland rose by 54 937. The number of subscriptions of Elisa's own service operator increased by approximately 68 000 subscriptions. The number of other service operators' subscriptions decreased by approximately 13 000. The reduction was mainly due to the abandoning of old prepaid subscriptions. The numbers do not include MVNO (Mobile Virtual Network Operators) subscriptions.

The call minutes per subscription of Elisa's own service operator rose by around 5 per cent, and the number of SMS messages increased by approximately 16 per cent over the previous year. The call minutes of the network operator rose by around 20 per cent and SMS messages by 34 per cent. The increased volume of the network operator was substantially affected by additional traffic generated by MVNOs.

Revenue per subscription (ARPU) decreased by approximately 10 per cent over the last year. This was mainly due to a fall in interconnection fees and consumer prices.

The business operations of Elisa's subsidiary in Estonia continued favourably. Revenue was EUR 19.0 million (15.4), EBITDA EUR 5.8 million (4.5) and EBIT EUR 3.5 million (2.3). At the end of March, there were 235 650 mobile subscriptions (173 550).

Elisa, Digita, MTV, Nelonen, Nokia, Sonera and YLE (The Finnish Broadcasting Company) started a mobile TV pilot in Finland in March. The companies are testing the viewing and receiving of TV programmes on mobile phones. In addition, the use of mobile TV services and consumers' user experiences are being surveyed.

Elisa developed two interactive services for mobile TV: IndicaTV and SnadiTV. These services enable companies, organisations and private individuals to provide content to TV channels. The programmes may be followed on smart phones equipped with a special accessory to receive mobile TV broadcasts.

## Fixed network business

Number of subscriptions	31.3.2005	31.3.2004	31.12.2004
Broadband subscriptions	269 232	148 270	222 307
ISDN channels	149 339	190 921	159 591
Cable TV subscriptions	200 864	186 097	198 447
Analogue and other subscriptions	626 740	669 192	640 072
Subscriptions, total	1 246 175	1 194 480	1 220 417

Brisk demand for broadband subscriptions continued in the first quarter. From the beginning of the year, the number of broadband subscriptions increased by 46 925. The annual growth was 120 962 subscriptions, equalling 82 per cent. The number of traditional subscriptions continued its steady decrease, as voice is shifting to the mobile network and data to broadband subscriptions. Elisa increased the availability of broadband connections in Northern Finland to 19 new municipalities.

At the beginning of March, the pricing principles of calling from a fixed network to mobile phones changed. This enabled more inexpensive calls from a fixed network to mobile phones for end-customers. The marketing and launching of Elisa Mobile Dial call agreements took place as planned.

If P&C Insurance Company Ltd appointed Elisa and Telenor to provide all of its communications services in the Nordic region. In Finland, the service provider is Elisa. This most important cooperative service agreement in the Nordic communications market provides seamless integration of the four Nordic countries and two telecommunications companies. The comprehensive service delivery agreement with If is built on a long-standing strategic partnership between Elisa and Telenor.

### Elisa's Annual General Meeting on 14 March 2005

In accordance with the proposal of the Board of Directors, Elisa's Annual General Meeting decided to pay a dividend of EUR 0.40 per share for 2004. The dividend approved by the Annual General Meeting was paid to shareholders listed in the company's shareholders register maintained by the Finnish Central Securities Depository Ltd on 17 March 2005.

The number of the members of the Board of Directors was confirmed at six (6), and the following members were re-elected for a one-year term ending at the close of the next General Meeting: Keijo Suila, Ossi Virolainen, Matti Aura, Pekka Ketonen, Mika Ihamuotila and Jussi Länsiö.

The Board of Directors, elected at the Annual General Meeting, held its organizing meeting on 14 March 2005. President and CEO Keijo Suila was re-elected as Chairman of the Board and Ossi Virolainen continues as the Deputy Chairman. Keijo Suila (Chairman), Mika Ihamuotila and Pekka Ketonen were appointed to the Committee for Remuneration Evaluation and Appointments. Ossi Virolainen (Chairman), Matti Aura and Jussi Länsiö were appointed to the Committee for Auditing.

KPMG Oy Ab, authorised public accountants, with APA Pekka Pajamo as the responsible auditor, was appointed the company's external auditor.

The Annual General Meeting authorised the Board of Directors to decide on increasing the company's share capital. The authorisation is valid for a year, and the aggregate number of new shares subscribed pursuant to the authorisation may total 28.3 million at the maximum.

The Annual General Meeting authorised the Board of Directors to acquire and assign treasury shares. The authorisation is valid for one year, and applies to a maximum of 6 888 000 treasury shares.

In accordance with Chapter 3a, Article 3a of the Finnish Companies Act, the Annual General Meeting approved the proposal of the Board of Directors to sell the shares in the joint book-entry account.

## Personnel

During January-March, the average number of people at Elisa was 5 426 (an average of 5 590 in 2004).

	31 Mar 2005	31 Mar 2004	31 Dec 2004
Mobile communications	1 604	1 545	1 477
Fixed network	2 924	3 456	3 015
Other businesses	604	902	814
Corporate functions	73	79	70
Total	5 205	5 982	5 376

The number of personnel as of 31 March 2005 does not include the Yomi Software staff of 258 people. The figures include the 150 people who joined IBM on 1 April 2005 when the application management was outsourced.

## Investments

EUR million	1-3/2005	1-3/2004	1-12/2004
Capital expenditures	42	44	181
- Mobile business	13	8	68
- GSM leasing liability buy-backs	4	19	20
- Fixed network business	24	16	88
- Others	1	1	5
Shares	3	0	61
Total	45	44	242

## Shifting to IFRS

In early 2005, Elisa shifted from Finnish Accounting Standards (FAS) to International Financial Reporting Standards (IFRS) in its consolidated reporting.

Elisa uses the exemptions allowed by the IFRS 1 standard for the retrospective application of single standards. The most significant exemption concerned business combinations carried out before the transition date. These acquisitions of subsidiaries and associates are consolidated at original cost or consolidation method. The IFRS 3 standard is applied to acquisitions subsequent to 1 January 2004. Impairment tests have been performed, and

no impairments are recorded in the balance sheet of the transition date nor are impairments booked in the balance sheet of the subsequently terminated financial period.

An exemption is used for pensions classified as defined benefit plans. According to this, the IAS 19 standard is not applied retrospectively, but at the date of transition, the liability of defined benefit plans are recognised in the opening balance sheet and at fair value valid at the time.

Revaluations of non-current assets were reversed. After the adjustment, the group's total non-current assets are based on original acquisition costs.

Assets leased through finance lease agreements less accumulated depreciation are booked under property, plant and equipment; and correspondingly, liabilities from the agreement are recognised as interest-bearing liabilities. Leases generated by finance lease agreements have been replaced by entries in financial expenses and repayment of debt. The interests of the finance lease agreements do not have a significant impact on financial income and expenses.

## Financial position

Elisa's financial position and liquidity remained stable. This was particularly affected by the positive performance. The group's January-March cash flow after investments amounted to EUR 32 million (36). The dividends for the financial period of 2004 were paid out starting on 24 March 2005. The total amount of dividends was EUR 56.8 million. In addition, the subsidiary Comptel paid EUR 3.6 million in dividends to others outside the parent company.

### Financial key indicators

EUR million	31 Mar 2005	31 Mar 2004	31 Dec 2004
Net debt	489	660	462
Gearing, %	55.0	87.4	50.6
Equity ratio, %	49.3	40.9	49.3
	Q1/2005	Q1/2004	1-12/2004
Cash flow after investments	26	9	225

### Valid finance arrangements

EUR million	Maximum amount	Use on 31 March 2005
Committed credit line	170	0
Commercial paper programme 1)	150	0
EMTN programme 2)	1 000	477

1) The programme is not committed

2) European Medium Term Note programme, not committed

### Ratings per long-term loans

Credit rating agency	Rating	Outlook
Moody's Investor Services	Baa2	Stable
Standard & Poor's	BBB	Stable

## Share

At the end of March, the company's total number of shares was 141 989 109. The market capitalisation on 31 March 2005 stood at EUR 1 857 million.

In January-March, a total of 40.3 million shares of the company were traded on the Helsinki Stock Exchange for an aggregate of EUR 514.3 million. The exchange was 28.4 per cent of the number of shares in the market.

The number of Elisa's A warrants for the year 2004 was 3 600 000 and B warrants for the year 2004 was 3 600 000. At the end of March, the market capitalisation of the warrants amounted to EUR 0.3 million.

## Treasury shares

The Annual General Meeting authorised the Board of Directors to acquire and assign treasury shares. The authorisation has not been used.

Shares	31 Mar 2005	31 Mar 2004	31 Dec 2004
Treasury shares owned by Elisa Corp.	0	0	0
Elisa shares owned by subsidiaries	210 672	781 563	210 672
Treasury shares, total	210 672	781 563	210 672
% of share capital and votes	0.15%	0.57%	0.15%
Shares owned by Elisa Pension Fund	202 263	267 363	202 263
% of share capital and votes	0.14%	0.19%	0.14%

## Major legal issues

The following changes have taken place in the legal processes after the publication of Elisa's annual report for 2004:

Elisa Matkapuhelinpalvelut Ltd submitted a claim for restitution and damages to Helsinki District Court regarding TeliaSonera Finland's and Sonera Mobile Networks' mobile communication interconnection fees. The claim applies to the period from 1 January 1997 to 31 August 2001. Elisa is demanding a total of EUR 300 million, of which the share of the exorbitant price is EUR 116.3 million and the rest is interest charges and compensation for damage. TeliaSonera Finland and Sonera Mobile Networks have informed Elisa Matkapuhelinpalvelut Ltd of a request to initiate arbitration proceedings.

The main hearing of the action for annulment regarding the Radiolinja shareholders' meeting in spring 2000 has taken place in Helsinki District Court. A ruling on the matter will be issued on 29 April 2005.

Estates of bankruptcies of Euroapaja Ltd and Euro-Tele Ltd have brought action against Elisa Matkapuhelinpalvelut Ltd by claiming a total of approximately EUR 1.7 million in compensation and interest regarding alleged unpaid subscription fees and marketing compensation in the mid 1990's. Elisa asserts the action is unfounded.

## **Events after the financial period**

In the redemption proceeding regarding the merger of Yomi Plc, pursuant to Chapter 14 Section 12 of the Finnish Companies Act, the arbitration court set the redemption price at EUR 7.30 per share on 7 April 2005. The redemption concerns 636 294 former shares of Yomi Plc. The parties are entitled to submit an appeal against the decision to the district court within two months.

Kolumbus launched a new international call service as of early April. The new 99559-prefixed international call functions in all fixed and mobile subscriptions.

At the beginning of April, Elisa and Kapiteeli Plc signed an agreement whereby Elisa sold office and telecom premises plus office and commercial premises in Tampere to Kapiteeli. Elisa's former office and telecom premises in Helsinki are also included in the transaction. The selling price totalled EUR 19.2 million, of which EUR 8 million is booked as capital gain. The transaction will be booked during the second quarter of 2005.

Elisa revised its operational model to increase customer orientation and effectiveness, in line with its strategic selections. Accordingly, the tasks and responsibilities of the members in Elisa's Executive Board will be reorganised. The changes will take effect on 2 May 2005.

Elisa will introduce a Vodafone Push Email service which will make sending and receiving email with a mobile phone easier. The service allows the user to automatically and securely transfer emails to a mobile phone.

## **Outlook for 2005**

The competition in the telecommunications market in Finland will continue to be tight. Usage of both the mobile and fixed network products will increase. Elisa aims to strengthen its market position.

The comparable revenue for 2005 is estimated to decrease slightly from the previous year owing to the new interconnection billing and a fall in prices. Due to the implemented and ongoing revamping of operations, the company's competitive edge will continue to improve and profitability will remain good.

The comparable EBITDA and EBIT for the second quarter of the year are estimated to remain at the same level as in the first quarter of 2005. The disposal of non-core assets and corporate restructuring will have a positive effect on the earnings per share.

The annual capital expenditures will amount to 13 per cent of the revenue at most, and the cash flow will continue to be clearly positive.

**BOARD OF DIRECTORS**

Figures are not audited

## CONSOLIDATED INCOME STATEMENT

EUR million	1-3 2005	1-3 2004	1-12 2004
<b>Revenue</b>	332,9	332,7	1356,0
Other operating income	11,2	6,6	27,0
Operating expenses	-247,0	-219,5	-928,2
<b>EBITDA</b>	97,1	119,8	454,8
Depreciation and amortisation	-52,4	-53,2	-213,2
<b>EBIT</b>	44,7	66,6	241,6
Share of associated companies' profit	0,7	0,0	1,3
Financial income and expenses	-6,5	-10,3	-30,4
<b>Profit before tax</b>	38,9	56,3	212,5
Income taxes	-5,9	-16,7	-53,2
<b>Profit for the period</b>	33,0	39,6	159,3
<b>Attributable to:</b>			
Equity holders of the parent	32,1	38,4	151,7
Minority interest	0,9	1,2	7,6
<b>Profit for the period</b>	33,0	39,6	159,3
<b>Earnings per share (EUR)</b>			
Basic	0,23	0,28	1,10
Diluted	0,23	0,28	1,10
<b>Average number of outstanding shares (1000 shares)</b>			
Basic	141 778	137 230	137 570
Diluted	141 778	137 230	137 570

**REVENUE BY BUSINESS SEGMENTS**

	1-3	1-3	1-12
<b>EUR million</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
Mobile	179,0	179,2	712,8
Fixed Network	161,5	164,3	653,6
Other Companies			
Comptel	14,5	12,5	59,7
Other Companies	6,4	10,1	48,7
Unallocated			2,4
Intra-segment sales elimination	-28,5	-33,4	-121,2
<b>Corporation total</b>	<b>332,9</b>	<b>332,7</b>	<b>1 356,0</b>

**EBITDA BY BUSINESS SEGMENTS**

	1-3	1-3	1-12
<b>EUR million</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
Mobile	49,2	63,7	227,0
Fixed Network	39,6	55,4	200,7
Other Companies			
Comptel	3,2	3,4	18,3
Other Companies	7,2	-0,4	2,0
Unallocated	-2,1	-2,3	6,8
<b>Corporation total</b>	<b>97,1</b>	<b>119,8</b>	<b>454,8</b>

**EBIT BY BUSINESS SEGMENTS**

	1-3	1-3	1-12
<b>EUR million</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
Mobile	26,7	42,2	138,1
Fixed Network	13,3	27,2	91,1
Other Companies			
Comptel	2,3	2,6	14,8
Other Companies	4,4	-1,6	-4,6
Unallocated	-2,0	-3,8	2,2
<b>Corporation total</b>	<b>44,7</b>	<b>66,6</b>	<b>241,6</b>

**CONSOLIDATED BALANCE SHEET**

	<b>31.3.</b>	<b>31.3.</b>	<b>31.12.</b>
<b>EUR million</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
<b>Non-current assets</b>			
Intangible assets	76,4	48,2	75,8
Consolidated goodwill	465,2	456,7	466,2
Tangible assets	706,9	776,9	724,2
Investments in associated companies	12,4	12,5	11,7
Other investments	9,8	8,1	10,4
Deferred tax receivable	42,3	129,3	42,5
Other receivables	50,4	41,3	46,5
	<u>1 363,4</u>	<u>1 473,0</u>	<u>1 377,3</u>
<b>Current assets</b>			
Inventories	14,9	13,7	15,1
Trade and other receivables	328,7	374,8	308,5
Cash and cash equivalents	114,7	67,8	162,8
	<u>458,3</u>	<u>456,3</u>	<u>486,4</u>
<b>Total assets</b>	<u><u>1 821,7</u></u>	<u><u>1 929,3</u></u>	<u><u>1 863,7</u></u>
<b>Equity attributable to equity holders of the parent</b>			
	860,6	712,8	883,5
<b>Minority interest</b>	28,9	71,4	31,0
<b>Total equity</b>	<u>889,5</u>	<u>784,2</u>	<u>914,5</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	29,7	36,3	29,8
Provisions	24,0	31,0	21,4
Interest-bearing debt	468,8	608,9	593,4
Other non-current liabilities	9,9	7,2	10,3
	<u>532,4</u>	<u>683,4</u>	<u>654,9</u>
<b>Current liabilities</b>			
Provisions	1,1	14,3	3,3
Interest-bearing debt	135,2	144,7	31,8
Current liabilities	263,5	302,7	259,2
	<u>399,8</u>	<u>461,7</u>	<u>294,3</u>
<b>Total equity and liabilities</b>	<u><u>1 821,7</u></u>	<u><u>1 929,3</u></u>	<u><u>1 863,7</u></u>

## STATEMENT OF CHANGES IN EQUITY

EUR million	Share		Treasury shares	Other reserves	Retained earnings	Minority interest	Total equity
	Share capital	issue premium					
Total equity at 31.12.2003	69,0	516,7	-24,7	3,4	110,0	73,3	747,7
Cash flow hedges							0,0
Other changes						-3,1	-3,1
Net profit for the period					38,4	1,2	39,6
<b>Total equity at 31.3.2004</b>	69,0	516,7	-24,7	3,4	148,4	71,4	784,2
Total equity at 31.12.2004	71,0	561,9	-3,1	3,0	250,7	31,0	914,5
Cash flow hedges				-0,1			-0,1
Treasury shares			-1,7		1,7		0,0
Dividend					-56,8	-3,6	-60,4
Other changes	-0,1				2,0	0,6	2,5
Net profit for the period					32,1	0,9	33,0
<b>Total equity at 31.3.2005</b>	70,9	561,9	-4,8	2,9	229,7	28,9	889,5

## RECONCILIATION OF NET PROFIT FOR COMPARISON PERIODS 2004

EUR million	1-3 2004	1-12 2004
Profit for the period before minority interest according to FAS	32,9	113,9
Effects of adopting IFRS:		
Reversal of goodwill amortisation	11,2	44,6
Employee benefits	1,2	10,7
Finance leases	-6,7	-9,6
Financial instruments	-0,6	0,5
Income tax	1,6	-0,8
IFRS adjustments, total	6,7	45,4
<b>Profit for the period according to IFRS</b>	<b>39,6</b>	<b>159,3</b>
<b>Attributable to:</b>		
Equity holders of the parent	38,4	151,7
Minority interest	1,2	7,6
	39,6	159,3

## RECONCILIATION OF EQUITY FOR COMPARISON PERIODS 2004

EUR million	1.1. 2004	31.3. 2004	31.12. 2004
<b>Total equity according to FAS</b>	699,1	730,5	851,0
Effects of adopting IFRS:			
Reversal of goodwill amortisation		11,2	44,6
Employee benefits	-24,0	-22,8	-13,5
Finance leases	4,7	-2,0	-4,9
Reversal of revaluations	-11,1	-11,1	
Financial instruments	0,9	0,5	1,1
Other adjustments	1,7	1,6	1,6
Income tax	3,2	4,8	3,6
IFRS adjustments, total	-24,6	-17,8	32,5
Equity holders of the parent	674,5	712,7	883,5
<b>Minority interest according to FAS</b>	77,4	75,7	33,6
IFRS adjustments	-4,1	-4,2	-2,6
Minority interest	73,3	71,5	31,0
<b>Total equity according to IFRS</b>	<b>747,8</b>	<b>784,2</b>	<b>914,5</b>

## CONSOLIDATED CASH FLOW STATEMENT

EUR million	1-3 2005	1-3 2004	1-12 2004
<b>Cash flow from operating activities</b>			
Profit before tax	38,9	56,3	212,5
Adjustments to profit before tax	51,5	62,4	199,7
Change in working capital	-30,1	-24,2	4,9
Cash flow from operating activities	60,3	94,5	417,1
Received dividends and interests and interest paid	-7,1	-22,7	-45,8
Taxes paid	-0,6	-5,2	-16,0
Net cash flow from operating activities	52,6	66,6	355,3
<b>Cash flow in investments</b>			
Capital expenditure	-40,6	-42,7	-171,4
Investments in shares and other investments	0,9	-0,4	-10,4
Proceeds from asset disposal	13,0	-14,7	51,4
Net cash used in investment	-26,7	-57,8	-130,4
<b>Cash flow after investments</b>	25,9	8,8	224,9
<b>Cash flow in financing</b>			
Sales of treasury shares			6,4
Change in interest-bearing receivables		0,1	24,3
Repayment of long-term debt	-15,0		-110,7
Change in short-term debt	0,5	-1,6	-15,3
Repayment of financing leases	-4,4	-6,7	-21,0
Dividends paid	-55,1		-13,0
Cash flow in financing	-74,0	-8,2	-129,3
Change in cash and cash equivalents	-48,1	0,6	95,6
Cash and cash equivalents at beginning of period	162,8	67,2	67,2
Cash and cash equivalents at end of period	114,7	67,8	162,8

**LIABILITIES**

	<b>31.3.</b>	<b>31.3.</b>	<b>31.12.</b>
<b>EUR million</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
<b>Mortgages, pledges and guarantees</b>			
Mortgages			
For own and group companies	19,0	77,5	27,6
Pledges given			
Pledges given as surety	0,9	23,6	0,2
Guarantees given			
For others		11,0	
Mortgages, pledges and guarantees total	19,9	112,1	27,8
<b>Derivative contracts</b>			
Forward contracts and swap agreements			
Nominal value of underlying instrument	11,8	14,7	13,5
<b>Leasing contracts and other commitments</b>			
Leasing commitments	17,3	20,6	18,3
Repurchase commitments	0,9	1,8	1,2
Real estate leases	73,1	72,8	77,2
Lease liabilities total	91,3	95,2	96,7
<b>Other commitments</b>			
Lease-leaseback agreement (QTE facility)			
Termination risk	21,4	25,3	22,8
Total value of the arrangement	156,6	166,0	149,8
Other commitments	5,2	5,1	9,1

## KEY FIGURES

EUR million	1-3 2005	1-3 2004	1-12 2004
Shareholders' equity/share, EUR	6,07	5,19	6,23
Net debt	489,3	660,4	462,2
Gearing	55,0 %	87,4 %	50,6 %
Equity ratio	49,3 %	40,9 %	49,3 %
Gross investments in fixed assets	42,0	43,9	180,6
of which finance lease investments	1,4	1,2	10,4
Gross investments as % of revenue	12,6 %	13,2 %	14,1 %
Investments in shares	2,9	0,4	61,1
Average number of personnel	5 426	5 909	5 590

### Formulae for financial indicators

$$\text{Gearing \%} = \frac{\text{Interest-bearing debt - cash and cash equivalents}}{\text{Total equity}} \times 100$$

$$\text{Equity ratio \%} = \frac{\text{Total equity}}{\text{Balance sheet total - advances received}} \times 100$$

$$\text{Net debt} = \text{Interest-bearing debt - cash and cash equivalents}$$

$$\text{Shareholders' equity/share} = \frac{\text{Equity attributable to equity holders of the parent}}{\text{Number of shares outstanding at end of period}}$$

$$\text{Earnings/share} = \frac{\text{Profit for the period attributable to equity holders of parent}}{\text{Average number of outstanding shares}}$$

## ACCOUNTING PRINCIPLES

This Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting. Accounting principles are described in detail in Elisais' comparative IFRS information for 2004, which was published in 8 April 2005. Press release is available on Elisa's website at [elisa.com](http://elisa.com).