

**ELISA'S INTERIM REPORT JANUARY-JUNE 2008**

**Second quarter 2008**

- Revenue was EUR 372 million (393)
- EBITDA excluding non-recurring items was EUR 109 million (116), EBIT EUR 57 million (67)
- Due to implementation of the new billing and CRM system EBITDA was affected negatively by the unexpected revenue adjusting item of EUR 4 million and expected decreasing implementation costs of EUR 4 million. These temporary implementation related items are not booked as non-recurring.
- Better than expected growth in mobile subscriptions affected EBITDA negatively by EUR 4 million
- Profit before tax amounted to EUR 38 million (67)
- Earnings per share was EUR 0.20 (0.31)
- Cash flow after investments grew by 59 per cent to EUR 59 million (37)
- Profitability from the second half of the year is expected to improve on the first half. The full year outlook is reiterated.
- Revenue per subscription (ARPU) in the mobile business improved from the previous quarter's EUR 25.9 to EUR 26.8
- Churn decreased to 13.3 per cent (15.6)
- The number of Elisa's mobile subscriptions increased by 77,700 during the quarter, of which 70,400 in Finland, due in particular to the new 3G customers, mobile broadband and prepaid subscriptions
- The number of fixed broadband subscriptions decreased by 3,000 on the previous quarter
- Net debt / EBITDA was 2.1x (1.5x at the end of 2007) and gearing 109% (71 at the end of 2007)

**January-June 2008**

- Revenue was EUR 739 million (772)
- EBITDA was EUR 213 million (241), EBIT EUR 110 million (146)
- EBITDA excluding non-recurring items was EUR 220 million (231), EBIT EUR 117 million (135)
- Cash flow after investments was EUR 125 million (55)
- Extra implementation costs of the new billing and CRM system and revenue adjusting items affected EBITDA negatively by EUR 20 million

Key indicators:

EUR million	4-6/2008	4-6/2007	1-6/2008	1-6/2007
Revenue	372	393	739	772
EBITDA	105	127	213	241
EBITDA excluding non-recurring items	109	116	220	231
EBIT	53	77	110	146
Profit before tax	38	67	90	131
Earnings per share, EUR	0.20	0.31	0.45	0.61
Capital expenditures	41	49	78	93

Financial position and cash flow:

EUR million	30.6.2008	30.6.2007	31.12.2007
Net debt	898	651	738
Net debt / EBITDA <sup>1)</sup>	2.1	1.4	1.5
Gearing ratio, %	109.3	59.7	71.3
Equity ratio, %	40.4	51.9	47.9

EUR million	4-6/2008	4-6/2007	1-6/2008	1-6/2007
Cash flow after investments	59	37	125	55

<sup>1)</sup> (interest-bearing debt – financial assets) / (EBITDA exclusive of non-recurring items x 4)

## **CEO Veli-Matti Mattila:**

### **“Elisa’s mobile subscriptions grew by nearly 80,000 – fuelled by our extensive 3G network and growing demand for mobile broadband**

The 3G market continues to enjoy dynamic growth, and mobile broadband especially is gaining more popularity. Despite the continued fierce competition, we believe in a more positive market development than previously predicted. Thus, we increase our estimate that there will be up to 1.6 million people using 3G services in Finland by the end of the year.

Bundling of 3G handset and subscription has been a popular way for consumers to efficiently use new mobile services. We believe that if legislation allowing 3G bundling will be made permanent, the significant positive impact to the development of the Finnish information society will continue.

Elisa’s share of the 3G market continues to be about 50 per cent. By the end of this year, Elisa’s 3G network will cover 250 locations and 85 per cent of the population, and most of the 3G network will have a speed of 5Mb/s.

We continue our long-term investments in the quality of service and customer satisfaction. The use of our new billing and CRM system is back to normal. We have initiated several actions to improve customer service, for example hiring more customer service employees. These measures resulted in shorter customer service queuing time and thus improved customer satisfaction. Customer churn decreased, and we gained almost 80,000 more mobile subscriptions.

Revenue and EBITDA developed as expected during the second quarter but temporary expenses increased. We also made decisions on additional measures in our savings programs, and the outlook is reiterated. We are determined to continue developing one Elisa and to improve our profitability according to our strategy.”

## **ELISA CORPORATION**

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Director, IR and Financial Communications  
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### **Distribution:**

Helsinki Stock Exchange  
Principal media  
[www.elisa.com](http://www.elisa.com)

## INTERIM REPORT JANUARY-JUNE 2008

The interim report has been prepared in accordance with the IAS 34 standard, "Interim reports". The information presented in this interim report is unaudited.

### Market situation

The base of mobile communications subscriptions and the use of data services have evolved favourably in Finland with 3G subscriptions comprising a significant proportion of new subscriptions. The use of services made available through 3G subscriptions has also increased. Another factor contributing to the growth has been the use of multiple terminal devices for different purposes, mobile broadband services and prepaid subscriptions. Churn has been at a normal level in relation to the market situation, and competition has been seen in services and in campaigning.

In the fixed network business the number and usage of traditional subscriptions continued to decrease at the same pace as in the previous quarters. The fixed broadband market is declining slightly, while the subscription growth is now in mobile broadband.

### Revenue, earnings and financial position

#### Revenue:

EUR million	4-6/2008	4-6/2007	1-6/2008	1-6/2007
Mobile communications	229	246	452	475
Fixed network	155	160	311	323
Inter-segment sales	-12	-13	-24	-26
Total	372	393	739	772

#### *Second quarter 2008*

Revenue decreased by 5 per cent mainly due to lower mobile interconnection fees as of the beginning of the year and lower roaming fees as of September 2007. Lower fees reduced revenue by EUR 14 million. Terminal equipment sales were also at a lower level. The extra revenue adjusting items in the second quarter also affected revenue negatively by approximately EUR 4 million.

The new fees affected the Mobile segment's revenue, which decreased by 7 per cent. The Fixed network segment's revenue decreased by 3 per cent driven by lower volumes in the traditional analogue network.

Customers invoicing continued to grow and it compensated for the lower interconnection and roaming revenues. The growth in customer invoicing was based on increasing usage of services, especially in 3G services and mobile broadband services.

#### *January-June 2008*

Elisa's revenue decreased by 4 per cent on last year mainly due to lower mobile interconnection and roaming fees, which reduced revenue by EUR 27 million. The Mobile segment's revenue decreased by 5 per cent and Fixed network segment's by 4 per cent.

The revenue adjusting items in January-June affected revenue negatively by approximately EUR 11 million.

**Earnings:**

EUR million	4-6/2008	4-6/2007	1-6/2008	1-6/2007
<b>Mobile communications</b>				
EBITDA	59	72	118	140
EBITDA-%	26	29	26	29
EBITDA excl, non-recurring items	61	72	122	140
EBITDA-%, excl, non-recurring items	27	29	27	29
EBIT	30	46	61	90
<b>Fixed network</b>				
EBITDA	47	56	97	105
EBITDA-%	30	35	31	33
EBITDA excl, non-recurring items	49	45	100	95
EBITDA-%, excl, non-recurring items	32	28	32	29
EBIT	24	33	52	59
<b>Corporate functions</b>				
EBITDA	-1	-2	-2	-3
EBIT	-1	-2	-2	-3
<b>Total</b>				
EBITDA	105	127	213	241
EBITDA-%	28	32	29	31
EBITDA excl, non-recurring items	109	116	220	231
EBITDA-%, excl, non-recurring items	29	30	30	30
EBIT	53	77	110	146

**Second quarter 2008**

Elisa's EBITDA declined by 17 per cent on the previous year. EBITDA excluding non-recurring items declined EUR 7 million or by 6 per cent. EBITDA was affected negatively by extra revenue adjusting item of EUR 4 million, which was related to implementation of the new billing and CRM system. Extra implementation costs of the new billing and CRM system continued and affected EBITDA negatively by approximately EUR 4 million. Due to stronger than expected growth in mobile subscriptions, sales related costs were EUR 4 million higher than expected.

Financial income and expenses totalled EUR -15 million (-11). Income taxes in the income statement amounted to EUR -6 million (-18).

Elisa's April-June earnings after taxes were EUR 32 million (49). The Group's earnings per share (EPS) amounted to EUR 0.20 (0.31). At the end of June, the Group's equity per share was EUR 5.17 (6.53 at the end of 2007).

**January-June 2008**

EBITDA declined by 12 per cent on the previous year. EBITDA excluding non-recurring items declined EUR 11 million or by 5 per cent. Implementation of the new billing and CRM system and revenue adjusting items affected EBITDA negatively by approximately EUR 20 million.

**Financial position:**

EUR million	30.6.2008	30.6.2007	31.12.2007
Net debt	898	651	738
Net debt / EBITDA <sup>1)</sup>	2.1	1.4	1.5
Gearing ratio, %	109.3	59.7	71.3
Equity ratio, %	40.4	51.9	47.9

  

EUR million	4-6/2008	4-6/2007	1-6/2008	1-6/2007
Cash flow after investments	59	37	125	55

<sup>1)</sup> (interest-bearing debt – financial assets) / (EBITDA exclusive of non-recurring items x 4)

### Second quarter

Elisa's financial position and liquidity remained good. Elisa's net debt increased from EUR 651 million to EUR 898 million mainly due to the extra dividend payment of EUR 158 million in October 2007 and capital repayment of EUR 284 million in March 2008. The April-June cash flow after investments increased by 59 per cent to EUR 59 million. The increase was contributed mainly by the change in net working capital.

### January-June 2008

Cash flow after investments increased by 127 per cent to EUR 125 million (55) on the previous year mainly due to the change in net working capital.

## Changes in corporate structure

In June, Elisa acquired the business operations of Electur. Electur's core business consists of identity management, one-off registration and entry management. Elisa will develop new solutions for its corporate customers' e-businesses by combining Electur's products and Elisa's ICT-services.

## Mobile communication business

Number of subscriptions	30.6.2008	30.6.2007	31.12.2007
Total number of subscriptions	2,772,600	2,564,800	2,657,400
- Subscriptions in Finland	2,437,900	2,257,300	2,334,600
- Subscriptions in Estonia	334,700	307,500	322,800

User-specific indicators <sup>1)</sup>	4-6/2008	4-6/2007	1-12/2007
Average revenue/subsription, €/month	26.8	30.2	30.0
Annualised churn, %	13.3	11.4	12.2
Outgoing calls, min/subsription/month	225	222	218
SMS, message/subsription/month	56	51	53
Non-voice services/revenue, %	19	19	19

Indicators on network usage <sup>2)</sup>	4-6/2008	4-6/2007	1-12/2007
Outgoing calls, million minutes	1,540	1,425	5,661
SMS, million messages	393	372	1,550

<sup>1)</sup> Elisa's service operators in Finland (excluding prepaid subscriptions)

<sup>2)</sup> Elisa's network operator in Finland

Elisa's network operator in Finland increased the number of its subscriptions by approximately 180,700 from a year ago. The increase was markedly due to the success of 3G service bundles, mobile broadband and prepaid subscriptions. The increase in subscriptions in the second quarter was approximately 70,400. The total number of subscriptions at the end of June was 2.4 million.

In the second quarter, the call minutes per subscription of Elisa's own service operators increased by 1 per cent to 225 (222) and the number of SMS messages increased by 10 per cent to 56 (51) on the corresponding period last year. Due to the increase in the number of subscriptions of Elisa's service operators, the total call minutes in the network grew by 8 per cent and the number of SMS messages increased by 6 per cent.

Mobile communication revenues decreased by 7 per cent given the lower interconnection fees and equipment sales. Revenue per subscription declined 11 per cent on the previous year to EUR 26.8 due to lower interconnection fees as of the beginning of the year and lower roaming fees as of September 2007.

In May 2008, Elisa decreased the mobile data roaming fee by approximately 30-50 per cent. The fee reduction concerns internet, MMS and WAP connections.

Elisa and other Finnish mobile operators have agreed on new interconnection fees for 1 January 2009 – 30 November 2009. The agreement is based on a deal made by the mobile operators on 19 February 2007. According to the deal the interconnection fees of the operators will be gradually equalised during 2007-2009 with the fees being equal effective 1 December 2009.

From 1 January 2009 – 30 November 2009, Elisa's interconnection fee for the mobile network will be 4.9 cents per minute, in 2008 the fee is 5.1 cents per minute. The equal interconnection fee enforced by the operators as of 1 December 2009 will be agreed separately later.

The mobile communication business of Elisa's Estonian subsidiary has been negatively affected by lower interconnection fees since November 2007. Revenue declined to EUR 26.4 million (29.4). However EBIT increased to EUR 7.3 million (6.4) and EBITDA to EUR 10.4 million (9.1), and the number of subscriptions increased by 27,200 to 334,700 (307,500). In the second quarter the growth was 7,300 subscriptions.

### Fixed network business

Number of subscriptions	30.6.2008	30.6.2007	31.12.2007
Broadband subscriptions	523,000	513,900	521,800
ISDN channels	50,500	70,900	70,800
Cable TV subscriptions	241,000	231,200	237,100
Analogue and other subscriptions	462,900	499,400	471,500
Total number of subscriptions	1,277,400	1,315,400	1,301,300

Elisa continued as the Finnish broadband market leader. Broadband growth has been taken by the Mobile business, which together with seasonality affected the amount of fixed broadband subscriptions in the second quarter. Year-on-year growth was 9,100, or 2 per cent.

The number of traditional subscriptions continued to decrease as voice calls shifted to the mobile communication network and data transfers to broadband subscriptions.

Cisco granted Elisa the "Service Provider Partner of the Year" prize. Elisa is one of Cisco's biggest partners in Finland and is devoted to the development of innovative communication solutions together with Cisco.

### Personnel

In January-June the average number of personnel at Elisa was 2,970 (3,396).

Personnel by segments:

	30.6.2008	30.6.2007	31.12.2007
Mobile communications	1,268	1,345	1,252
Fixed network	1,550	1,980	1,727
Corporate functions	36	39	36
Total	2,854	3,364	3,015

As of 1 June 2008, Elisa outsourced a part of the planning and documentation of Elisa's fixed network and material delivery to Eltel, Empower and Relacom. Due to the outsourcing, 47 employees transferred to the partners as established employees.

## Investments

EUR million	4-6/2008	4-6/2007	1-12/2007
Capital expenditures, of which	41	49	206
- mobile communication business	22	22	91
- GSM leasing liability buy-backs	0	0	2
- fixed network business	19	27	113
Shares	11	0	12
- of which achieved through an exchange of shares			5
Total	52	49	218

In May, Elisa acquired 3.5 per cent of the share capital of the regional telephone company, Vaasan Läänin Puhelin (VLP).

## Financing arrangements and ratings

Valid financing arrangements:

EUR million	Maximum amount	In use on 30.6.2008
Committed credit limits	300	95
Commercial paper programme <sup>1)</sup>	250	107
EMTN programme <sup>2)</sup>	1,000	636

1) The programme is not committed.

2) European Medium Term Note programme, not committed.

Long-term credit ratings:

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

## Share

Trading of shares	4-6/2008	4-6/2007	1-6/2008	1-6/2007
Shares traded, millions	94.4	78.3	177.2	171.0
Volume, EUR million	1 372	1 684	2 984	3 735
% of shares	57	47	107	103

Shares and market values	30.6.2008	30.6.2007	31.12.2007
Total number of shares	166,307,586	166,066,016	166,307,586
Treasury shares	7,688,629	8,049,976	8,049,976
Outstanding shares	158,618,957	158,016,040	158,257,610
Closing price, EUR	13.33	20.22	21.00
Market capitalisation, EUR million	2,114	3,195	3,323
Treasury shares, %	4.6	4.8	4.8

On 2 May, 2008, based on the Board of Directors' decision, Elisa transferred 361,347 shares to persons involved in the 2006 incentive program.

## The Board of Directors' authorisations

The Board of Directors has authorisation to decide on the distribution of funds out of distributable equity up to a maximum of EUR 250,000,000. The authorization is valid until the commencement of the next Annual General Meeting.

The Board of Directors has authorisation to issue shares and special rights. The authorisation is valid until 31 March 2010. A maximum aggregate of 50.0 million of the company's shares can be issued under the authorization. A total of 361,347 shares were issued on 2 May 2008.

The Board of Directors has authorisation to acquire treasury shares. The amount of shares that may be purchased under the authorisation is maximum 15,000,000. The authorisation is valid until August 31, 2009.

### **Significant legal issues**

TeliaSonera's claim for refund of benefit by unjust enrichment due to price difference based on TeliaSonera's own miscoding of the traffic which has risen to approximately EUR 4 million will be settled in arbitration. Elisa has disputed TeliaSonera's claim in its entirety.

There has been arbitration proceedings initiated to resolve the disputes between Elisa and IBM. The disputes relate to the implementation and maintenance of Elisa's billing and CRM system.

### **Substantial risks associated with Elisa's operations**

Risk management is part of Elisa's internal control system. It aims to ensure that risks affecting the company's business are identified, influenced and monitored. The company classifies risks into strategic, operational, insurable and financial risks.

#### *Strategic and operational risks:*

The telecommunications industry is under intense competition in Elisa's main market areas, which may have an impact on Elisa's business. The telecommunications industry is subject to heavy regulation. Elisa and its business are monitored and regulated by several public authorities. This regulation also affects the price level of some products and services offered by Elisa.

The rapid developments in telecommunications technology may have a significant impact on Elisa's business.

Elisa's main market is Finland, where the number of mobile phones per inhabitant is among the highest in the world, which means that growth in subscriptions is limited. Furthermore, the volume of phone traffic in Elisa's fixed network has decreased in the past few years. These factors may limit the opportunities for growth.

#### *Accident risks:*

The company's core operations are covered by insurance against damage and interruptions caused by accidents. Accident risks also include litigations and claims.

#### *Financial risks:*

In order to manage interest rate risk, the Group's borrowing and investments are diversified in fixed- and variable-rate instruments. Interest rate derivatives were used to manage interest rate risk.

Most of Elisa Group's cash flow is denominated in euros, which means that the exchange rate risk is minor.

The objective of liquidity risk management is to ensure the Group's financing in all circumstances. The Group's liquid assets, committed credit limits and investments totalled EUR 220 million at the end of June 2008 (EUR 317 million at the end of 2007).

Liquid assets are invested within confirmed limits to investment targets with a good credit rating.



The business units are liable for credit risk associated with accounts receivable. Credit risk concentrations in accounts receivable are minor as the customer base is wide. The company used credit derivatives to manage counterparty risks.

### **Events after the financial period**

There have been no significant events after the reporting period.

### **Outlook for 2008**

Competition in the Finnish telecommunications market remains challenging. The market is focusing increasingly on services. The use of mobile communications and mobile broadband products is continuing to rise. Elisa's aim is to further reinforce its position as the service leader.

Elisa's revenue, EBITDA and EBIT excluding non-recurring items are expected to be at the same level as in 2007. Profitability for the second half of the year is expected to be better than in the first half. The extra implementation costs of the billing and CRM system are expected to decrease and additional cost efficiency measures will be executed in the second half of the year. Strong growth in mobile subscriptions in the first half of the year and seasonality also contribute positively to profitability.

The contributory factors for long-term growth and profitability improvement include the 3G market growth and efficiency measures, which are continuing as expected.

Full-year capital expenditure is expected to be 10 to 12 per cent of revenue, and cash flow will substantially improve on the previous year due to factors such as change in net working capital.

### **BOARD OF DIRECTORS**

## CONSOLIDATED INCOME STATEMENT

EUR million	Note	4-6 2008	4-6 2007	1-6 2008	1-6 2007	1-12 2007
<b>Revenue</b>	1	<b>371,5</b>	393,4	<b>738,5</b>	771,8	1 568,4
Other operating income		<b>1,1</b>	13,7	<b>2,0</b>	14,9	21,0
Materials and services		<b>-169,2</b>	-179,7	<b>-327,7</b>	-354,3	-707,0
Employee expenses	7	<b>-41,7</b>	-48,2	<b>-87,0</b>	-92,2	-181,2
Other operating expenses		<b>-57,0</b>	-52,5	<b>-112,9</b>	-98,8	-201,8
<b>EBITDA</b>	1	<b>104,7</b>	126,7	<b>212,9</b>	241,4	499,4
Depreciation and amortisation	3	<b>-51,5</b>	-49,4	<b>-102,5</b>	-95,6	-197,4
<b>EBIT</b>	1	<b>53,2</b>	77,3	<b>110,4</b>	145,8	302,0
Financial income		<b>1,9</b>	4,4	<b>8,7</b>	7,7	27,9
Financial expense		<b>-17,3</b>	-15,1	<b>-28,9</b>	-23,0	-44,7
Share of associated companies' profit		<b>0,0</b>	0,1	<b>0,0</b>	0,1	0,0
<b>Profit before tax</b>		<b>37,8</b>	66,7	<b>90,2</b>	130,6	285,2
Income taxes		<b>-6,0</b>	-17,9	<b>-18,2</b>	-32,7	-64,9
<b>Profit for the period</b>		<b>31,8</b>	48,8	<b>72,0</b>	97,9	220,3
<b>Attributable to:</b>						
Equity holders of the parent		<b>31,7</b>	48,5	<b>71,7</b>	97,3	219,8
Minority interest		<b>0,1</b>	0,3	<b>0,3</b>	0,6	0,5
		<b>31,8</b>	48,8	<b>72,0</b>	97,9	220,3
<b>Earnings per share (EUR)</b>						
Basic		<b>0,20</b>	0,31	<b>0,45</b>	0,61	1,38
Diluted		<b>0,20</b>	0,31	<b>0,45</b>	0,61	1,38
<b>Average number of outstanding shares (1000 shares)</b>						
Basic		158 492	159 510	<b>158 375</b>	160 719	159 417
Diluted		158 492	159 510	<b>158 375</b>	160 719	159 417

## CONSOLIDATED BALANCE SHEET

	30.6. 2008	31.12. 2007
<b>EUR million</b>	<b>2008</b>	<b>2007</b>
<b>Non-current assets</b>		
Property, plant and equipment	618,3	637,3
Goodwill	776,2	773,6
Other intangible assets	188,8	194,5
Investments in associated companies	0,1	0,1
Available-for-sale investments	37,2	30,9
Receivables	10,0	7,3
Deferred tax assets	30,6	31,7
	<b>1 661,2</b>	<b>1 675,4</b>
<b>Current assets</b>		
Inventories	24,8	28,5
Trade and other receivables	345,5	454,8
Cash and cash equivalents	14,9	16,9
	<b>385,2</b>	<b>500,2</b>
<b>Total assets</b>	<b>2 046,4</b>	<b>2 175,6</b>
<b>Equity attributable to equity holders of the parent</b>	<b>819,7</b>	<b>1 033,4</b>
<b>Minority interest</b>	<b>1,7</b>	<b>2,0</b>
<b>Total equity</b>	<b>821,4</b>	<b>1 035,4</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	31,5	34,9
Provisions	6,7	7,3
Interest-bearing debt	671,5	627,3
Other non-current liabilities	21,2	24,6
	<b>730,9</b>	<b>694,1</b>
<b>Current liabilities</b>		
Trade and other payables	246,3	303,2
Tax liabilities	0,9	10,8
Provisions	5,3	4,1
Interest-bearing debt	241,6	128,0
	<b>494,1</b>	<b>446,1</b>
<b>Total equity and liabilities</b>	<b>2 046,4</b>	<b>2 175,6</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	1-6 2008	1-6 2007	1-12 2007
<b>Cash flow from operating activities</b>			
Profit before tax	90,2	130,6	285,2
Adjustments			
Depreciation and amortisation	102,5	95,6	197,4
Other adjustments	20,3	1,3	3,6
	<b>122,8</b>	96,9	201,0
Change in working capital			
Change in trade and other receivables	110,0	-19,6	-116,0
Change in inventories	3,6	9,7	10,0
Change in trade and other payables	-61,2	-49,9	6,5
	<b>52,4</b>	-59,8	-99,5
Financial items, net	-19,8	-2,6	-18,9
Taxes paid	-33,6	-36,9	-82,2
<b>Net cash flow from operating activities</b>	<b>212,0</b>	128,2	285,6
<b>Cash flow from investing activities</b>			
Capital expenditure	-77,4	-90,5	-203,7
Purchase of shares	-10,0	-4,3	-6,2
Proceeds from asset disposal	0,4	21,9	38,2
<b>Net cash used in investing activities</b>	<b>-87,0</b>	-72,9	-171,7
<b>Cash flow before financing activities</b>	<b>125,0</b>	55,3	113,9
<b>Cash flow from financing activities</b>			
Purchase of treasury shares		-85,6	-85,6
Proceeds from treasury shares		1,7	1,7
Proceeds from long-term borrowings	80,0	350,0	350,0
Repayment of long-term borrowings	-30,0	-44,2	-44,2
Change in short-term borrowings	109,9	-25,0	67,0
Repayment of finance lease liabilities	-2,0	-3,7	-6,7
Dividends paid and capital repayment	-284,9	-243,0	-401,4
<b>Net cash used in financing activities</b>	<b>-127,0</b>	-49,8	-119,2
<b>Change in cash and cash equivalents</b>	<b>-2,0</b>	5,5	-5,3
Cash and cash equivalents at beginning of period	16,9	22,2	22,2
<b>Cash and cash equivalents at end of period</b>	<b>14,9</b>	27,7	16,9

**STATEMENT OF CHANGES IN EQUITY**

EUR million	Share capital	Share premium	Treasury shares	Other reserves	Reserve for invested non-restricted equity	Retained earnings	Minority interest	Total equity
<b>Balance at January 1, 2007</b>	83,0	530,4	-81,3	422,1		353,4	4,7	<b>1 312,3</b>
Available-for-sale investments				4,7				<b>4,7</b>
Items recognised directly in equity				4,7				<b>4,7</b>
Profit for the period						97,3	0,6	<b>97,9</b>
<b>Total recognised income and expense for the period</b>				4,7		97,3	0,6	<b>102,6</b>
Dividends						-242,9	-0,4	<b>-243,3</b>
Purchase of treasury shares			-85,6					<b>-85,6</b>
Sales of treasury shares			1,2			0,2	0,2	<b>1,6</b>
Share-based compensation						1,4		<b>1,4</b>
<b>Balance at June 30, 2007</b>	83,0	530,4	-165,7	426,8		209,4	5,1	<b>1 089,0</b>
<b>Balance at January 1, 2008</b>	83,0		-165,8	403,9	535,7	176,6	2,0	<b>1 035,4</b>
Available-for-sale investments				-1,8				<b>-1,8</b>
Items recognised directly in equity				-1,8				<b>-1,8</b>
Profit for the period						71,7	0,3	<b>72,0</b>
<b>Total recognised income and expense for the period</b>				-1,8		71,7	0,3	<b>70,2</b>
Capital repayment					-284,9			<b>-284,9</b>
Dividends							-0,6	<b>-0,6</b>
Share-based compensation			7,0			-5,7		<b>1,3</b>
<b>Balance at June 30, 2008</b>	83,0		-158,8	402,1	250,8	242,6	1,7	<b>821,4</b>

## NOTES

### BASIS OF PREPARATION

The Interim consolidated financial statements are in compliance with IAS 34 "Interim Financial Reporting".

The Interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) effective at the time of preparing and adopted for use by European Union.

The accounting principles applied in the Interim report are the same as those applied in the

Consolidated financial statements at 31 December 2007. This Interim consolidated financial statements should be read in conjunction with the 2007 Consolidated financial statements.

### 1. BUSINESS SEGMENT INFORMATION

4-6/2008		Fixed	Unallocated		Group
EUR million	Mobile	Network	items	Eliminations	Total
External sales	225,1	146,4			371,5
Inter-segment sales	4,0	8,5		-12,5	0,0
Revenue	229,1	154,9		-12,5	371,5
EBITDA	58,7	46,5	-0,5		104,7
EBIT	29,8	23,9	-0,5		53,2
Financial income and expense			-15,4		-15,4
Share of associated companies' profit			0,0		0,0
Profit before tax					37,8
Investments	21,7	19,0			40,7
4-6/2007		Fixed	Unallocated		Group
EUR million	Mobile	Network	items	Eliminations	Total
External sales	241,7	151,7			393,4
Inter-segment sales	4,4	8,5		-12,9	0,0
Revenue	246,1	160,2		-12,9	393,4
EBITDA	72,4	55,9	-1,6		126,7
EBIT	46,0	32,8	-1,5		77,3
Financial income and expense			-10,7		-10,7
Share of associated companies' profit			0,1		0,1
Profit before tax					66,7
Investments	21,8	26,8			48,6

**Elisa Corporation**

**1.1. - 30.6.2008**

*Unaudited*

<b>1-6/2008</b>		<b>Fixed</b>	<b>Unallocated</b>		<b>Group</b>
EUR million	<b>Mobile</b>	<b>Network</b>	<b>items</b>	<b>Eliminations</b>	<b>Total</b>
External sales	444,3	294,2			738,5
Inter-segment sales	7,7	16,9		-24,6	0,0
Revenue	452,0	311,1		-24,6	738,5
EBITDA	118,4	96,7	-2,2		212,9
EBIT	60,8	51,8	-2,2		110,4
Financial income and expense			-20,2		-20,2
Share of associated companies' profit			0,0		0,0
Profit before tax					90,2
Total assets	1 408,1	542,5	95,8		2 046,4
Total liabilities	137,4	135,1	952,5		1 225,0
Investments	42,5	35,8			78,3
<b>1-6/2007</b>		<b>Fixed</b>	<b>Unallocated</b>		<b>Group</b>
EUR million	<b>Mobile</b>	<b>Network</b>	<b>items</b>	<b>Eliminations</b>	<b>Total</b>
External sales	465,9	305,9			771,8
Inter-segment sales	9,2	16,9		-26,1	0,0
Revenue	475,1	322,8		-26,1	771,8
EBITDA	139,5	105,1	-3,2		241,4
EBIT	89,7	59,2	-3,1		145,8
Financial income and expense			-15,3		-15,3
Share of associated companies' profit			0,1		0,1
Profit before tax					130,6
Total assets	1 394,3	592,4	121,1		2 107,8
Total liabilities	145,2	153,6	720,0		1 018,8
Investments	41,6	51,8			93,4
<b>1-12/2007</b>		<b>Fixed</b>	<b>Unallocated</b>		<b>Group</b>
EUR million	<b>Mobile</b>	<b>Network</b>	<b>items</b>	<b>Eliminations</b>	<b>Total</b>
External sales	959,7	608,7			1 568,4
Inter-segment sales	20,2	33,5		-53,7	0,0
Revenue	979,9	642,2		-53,7	1 568,4
EBITDA	299,5	206,0	-6,1		499,4
EBIT	194,8	113,4	-6,2		302,0
Financial income and expense			-16,8		-16,8
Share of associated companies' profit			0,0		0,0
Profit before tax					285,2
Total assets	1 516,6	571,9	87,1		2 175,6
Total liabilities	174,9	162,3	803,0		1 140,2
Investments	92,8	113,6			206,4

## Elisa Corporation

1.1. - 30.6.2008

Unaudited

### 2. ACQUISITIONS

Elisa acquired 51 per cent of the shares of Kuntokompassi Oy on February 29, 2008. Kuntokompassi offers corporate and personal training services. Kuntokompassi was consolidated with the Group since March 2008. If the acquisition had been made as of the beginning of the financial period 2008, it would not have had any major impact in Group's revenue or earnings for the period.

Elisa acquired all shares of Electur Oy on June 6, 2008. Electur's core business consists of identity management, one-off registration and entry management. The result of Electur will be consolidated with the Group since July 2008. If the acquisition had been made as of the beginning of the financial period 2008, it would not have had any major impact in Group's revenue or earnings for the period.

The total acquisition cost was EUR 4.3 million, of which EUR 1.2 million effected in cash flow. The business combinations resulted in goodwill EUR 2.6 million.

### 3. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

EUR million	Property plant and equipment	Goodwill	Other intangible assets
Cost, 1 January 2008	2 171,8	773,6	353,1
Additions	65,9	2,6	14,2
Disposals	-4,7		
Reclassifications			
30 June 2008	2 233,0	776,2	367,3
Accumulated depreciation/amortisation, 1 January 2008	1 534,5		158,6
Depreciation for the period	82,6		19,9
Disposals and reclassifications	-2,4		
30 June 2008	1 614,7		178,5
Net carrying amounts:			
1 January 2008	637,3	773,6	194,5
30 June 2008	618,3	776,2	188,8

Commitments to purchase property, plant and equipment and intangible assets amounts to EUR 18.4 million as at 30 June 2008.

### 4. INVENTORIES

Write-downs of inventories amounting to EUR 1.5 million were recognised at 30 June, 2008 (EUR 1.5 million, 31 December, 2007)



**Elisa Corporation****1.1. - 30.6.2008***Unaudited***5. EQUITY****Treasury shares**

	Shares pcs	Nominal value EUR	Holding, % of shares and votes
Held by the Group, 31 December 2007	8 049 976		
Payment of incentive plan A 2006	-361 347		
Treasury shares held by the Group, 30 June 2008	7 688 629	3 838 730	4,62 %

**Capital repayment**

On 18 March, 2008 Elisa's Annual General Meeting decided of a capital repayment of 1,80 euros per share. The total capital repayment amounts to 284,9 million euros and payment started on 31 March, 2008.

**6. ISSUANCES AND REPAYMENTS OF BONDS**

No bonds have been issued during the first half of 2008.

**Repayments of Bonds**

EUR million	Nominal value	Interest rate Nominal	Effective	Maturity date	Book value
EMTN programme 2001 / EUR 1,000 million IV/2002	30,0	euribor + 0,93%	5,773 %	8.4.2008	30,0
<b>Total of repayments</b>	30,0				30,0

The unused amount of EUR 1,000 million EMTN program is EUR 364 million as at 30 June 2008.

**7. RELATED PARTY TRANSACTIONS**

Related party transactions with associated companies	1-6/2008
Sales	0,0
Purchases	0,2

## 8. OPERATING LEASE COMMITMENTS

	30.6. 2008	31.12. 2007
EUR million		
Due within 1 year	20,6	20,6
Due after 1 year but within 5 years	39,4	42,6
Due after 5 years	18,4	21,1
<b>Total</b>	<b>78,4</b>	<b>84,3</b>

## 9. CONTINGENT LIABILITIES

	30.6. 2008	31.12. 2007
EUR million		
Pledges given		
Pledges given as surety	0,8	1,3
Guarantees given		
For others (*)	39,4	42,3
<b>Pledges and guarantees given, total</b>	<b>40,2</b>	<b>43,6</b>

### Other commitments

Repurchase commitments	0,1	0,2
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### Contingent liabilities in QTE-arrangement

#### Lease-leaseback agreement (QTE facility)

Total value of the arrangement	128,8	137,9
Termination risk	11,4	14,5

\*) EUR 38.1 million is related to hedging of the guarantor bank in the QTE-arrangement

## 10. DERIVATIVE INSTRUMENTS

	30.6. 2008	31.12. 2007
EUR million		
Interest rate swaps		
Nominal value	150,0	150,0
Fair value recognised in the balance sheet	-6,3	-3,0
Credit default swaps (*)		
Nominal value	41,9	45,6
Fair value recognised in the balance sheet	2,9	1,0

\*) CDS is related to hedging of the guarantor bank in the QTE-arrangement

## 11. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have taken place after the balance sheet date.

## KEY FIGURES

EUR million	1-6 2008	1-6 2007	1-12 2007
Shareholders' equity per share, EUR	5,17	6,86	6,53
Interest bearing net debt	898,1	650,6	738,4
Gearing	109,3 %	59,7 %	71,3 %
Equity ratio	40,4 %	51,9 %	47,9 %
Return on investment (ROI) *)	16,3 %	17,0 %	18,3 %
Gross investments in fixed assets	78,3	93,4	206,4
of which finance lease investments	0,9	2,2	2,7
Gross investments as % of revenue	10,6 %	12,1 %	13,2 %
Investments in shares,	12,6	5,1	12,4
Average number of employees	2 970	3 396	3 299

\*) rolling 12 months profit preceding the reporting date

## Formulae for financial indicators

Gearing %	$\frac{\text{Interest-bearing debt - cash and cash equivalents}}{\text{Total equity}} \times 100$
Equity ratio %	$\frac{\text{Total equity}}{\text{Balance sheet total - advances received}} \times 100$
Return on investment % (ROI)	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Total equity + interest bearing liabilities (average)}} \times 100$
Net debt	Interest-bearing debt - cash and cash equivalents
Shareholders' equity per share	$\frac{\text{Equity attributable to equity holders of the parent}}{\text{Number of shares outstanding at end of period}}$
Earnings/share	$\frac{\text{Profit for the period attributable to equity holders of parent}}{\text{Average number of outstanding shares}}$