

elisa

Interim Report

1 April 2005 – 30 June 2005

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 - President and CEO Veli-Matti Mattila
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Q2 2005 Report

President and CEO Veli-Matti Mattila



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Elisa Q2 2005

- Q2 2005 and financial highlights
- Review on the mobile and fixed network businesses
- Development of operations
 - Integration of One Elisa
 - Share exchange offer to Saunalahti shareholders
- Future Outlook



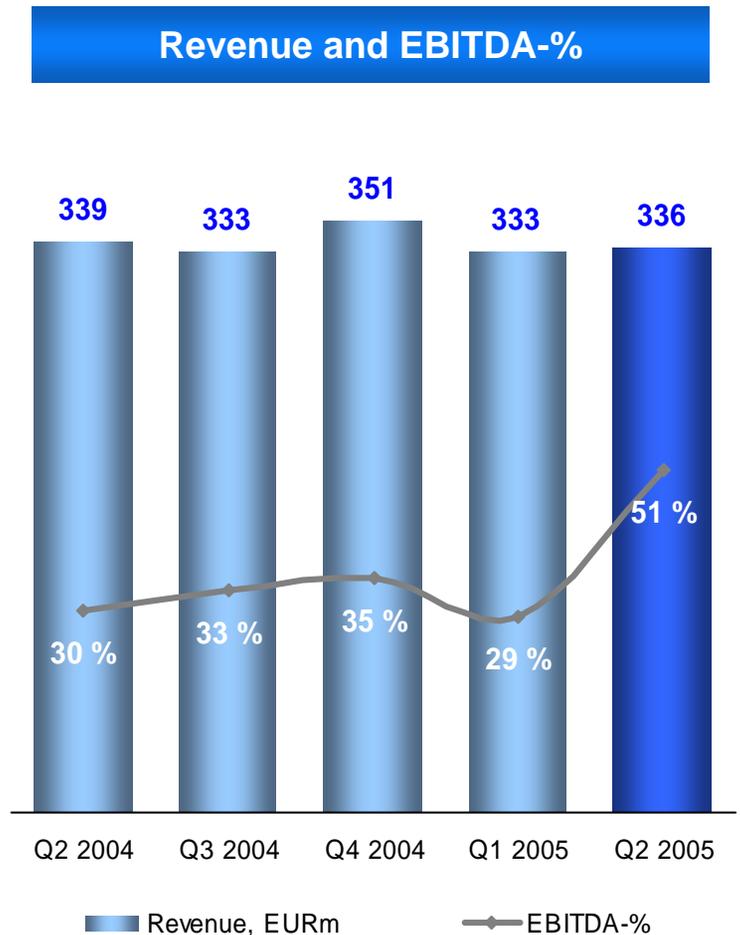
Elisa Q2 2005 highlights

- Elisa continued its success in fierce competition, market position strengthened
- Elisa will improve its market position further with the Saunalahti transaction
- Fierce competition and price erosion continued
- Simplification of company structure proceeded well
- Financial position strengthened



Operative result as expected

- Revenue EUR 336m (339)
- EBITDA EUR 170m (102)
 - One-off items improved EBITDA by EUR 86m
- Operative EBITDA EUR 84m
 - Q1 2005 comparable EBITDA EUR 86m
- EBIT EUR 118m (48)
- Pre-tax profit EUR 113m (41)
- EPS EUR 0.66 (0.20)



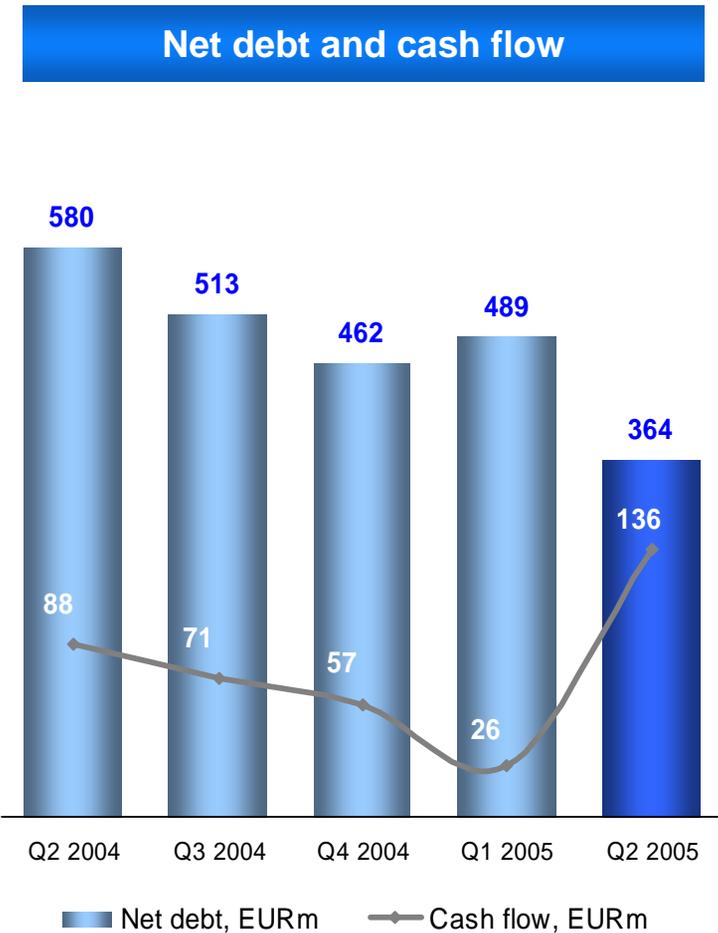
Income statement

EUR million	Q2 2005	Q2 2004	2004
Revenue	336	339	1356
EBITDA	170	102	455
<i>EBITDA-%</i>	<i>51%</i>	<i>30%</i>	<i>34%</i>
EBIT	118	48	242
<i>EBIT-%</i>	<i>35%</i>	<i>14%</i>	<i>18%</i>
Pre-tax profit	113	41	213
<i>Pre-tax profit-%</i>	<i>34%</i>	<i>12%</i>	<i>16%</i>
Net result	95	29	159



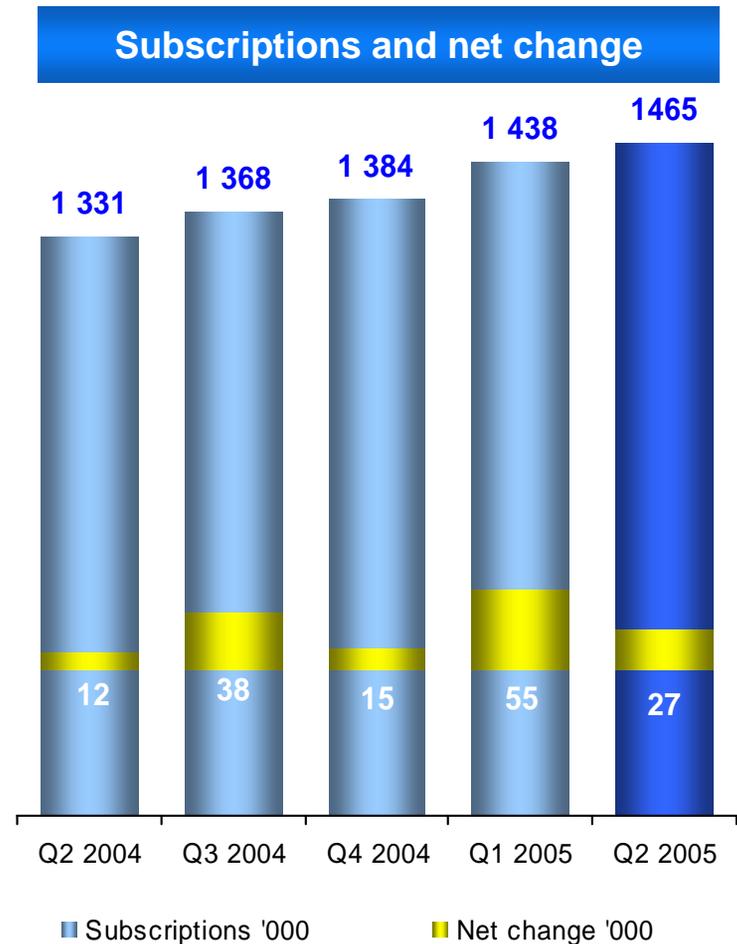
Financial position strengthened

- Cash flow EUR 136m (88)
 - One-off income improved cash flow
- Net debt EUR 364m (581)
- CAPEX EUR 46m (33), 14% of revenue (10)
- Equity ratio 55% (43)



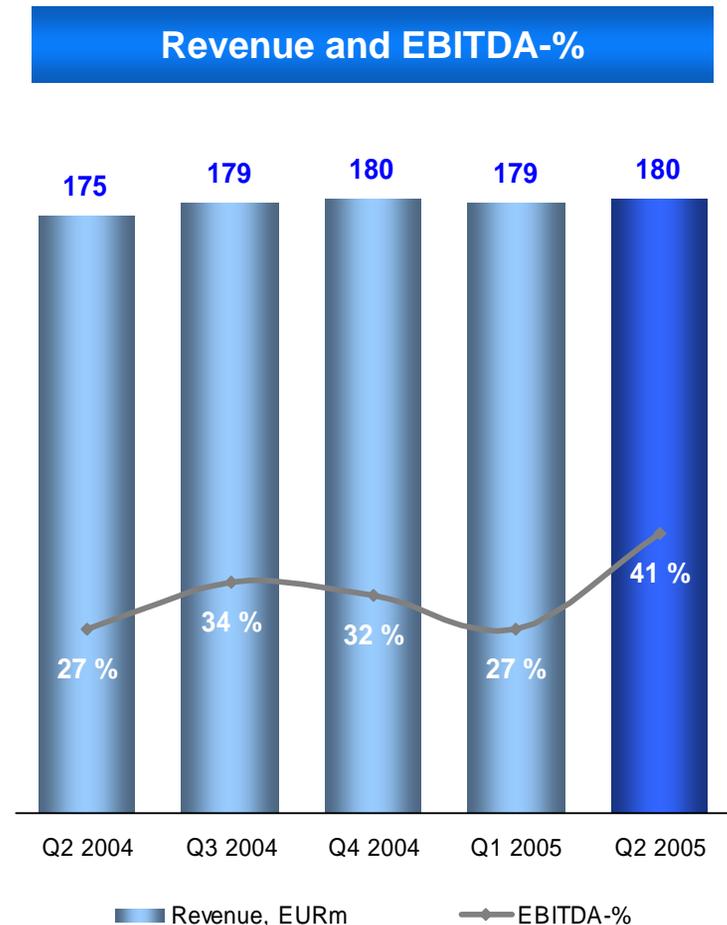
Growth in mobile subscriptions continued

- Net adds 26,600 in Q2
 - Strengthened market position
- Continued fierce competition
 - Churn 32.3% (29.4)
 - Price erosion continues, ARPU EUR 33.8 (38.2)
- Growth in network usage
 - MOU grew by 29% and SMS 34%
 - Growth in own service provider's numbers 12% and 9%, respectively



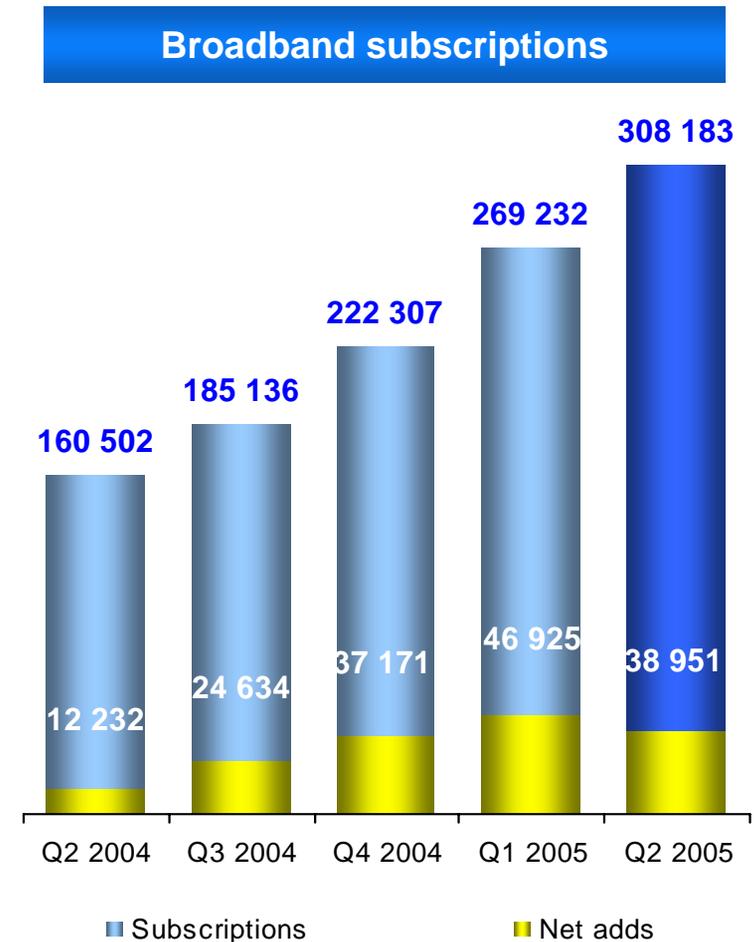
Volume growth compensated for price erosion

- Revenue EUR 180m (175)
- EBITDA EUR 74m (47), 41% of revenue (27)
 - Operative EBITDA EUR 46m, 26% of revenue
- EBIT EUR 52m (25), 29% of revenue (14)
 - Operative EBIT EUR 24m, 13% of revenue



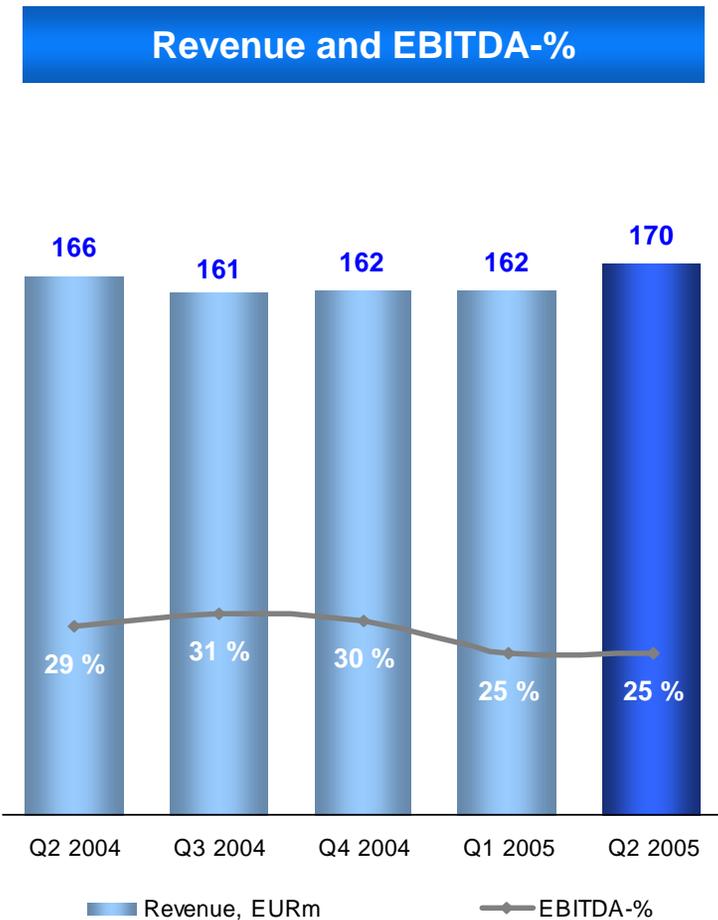
Strong broadband sales continued

- ADSL subscription growth 92% yoy
- Net adds 39,000 in Q2
- Stronger market position, especially outside the capital region
- Decrease in analogue lines continued as expected

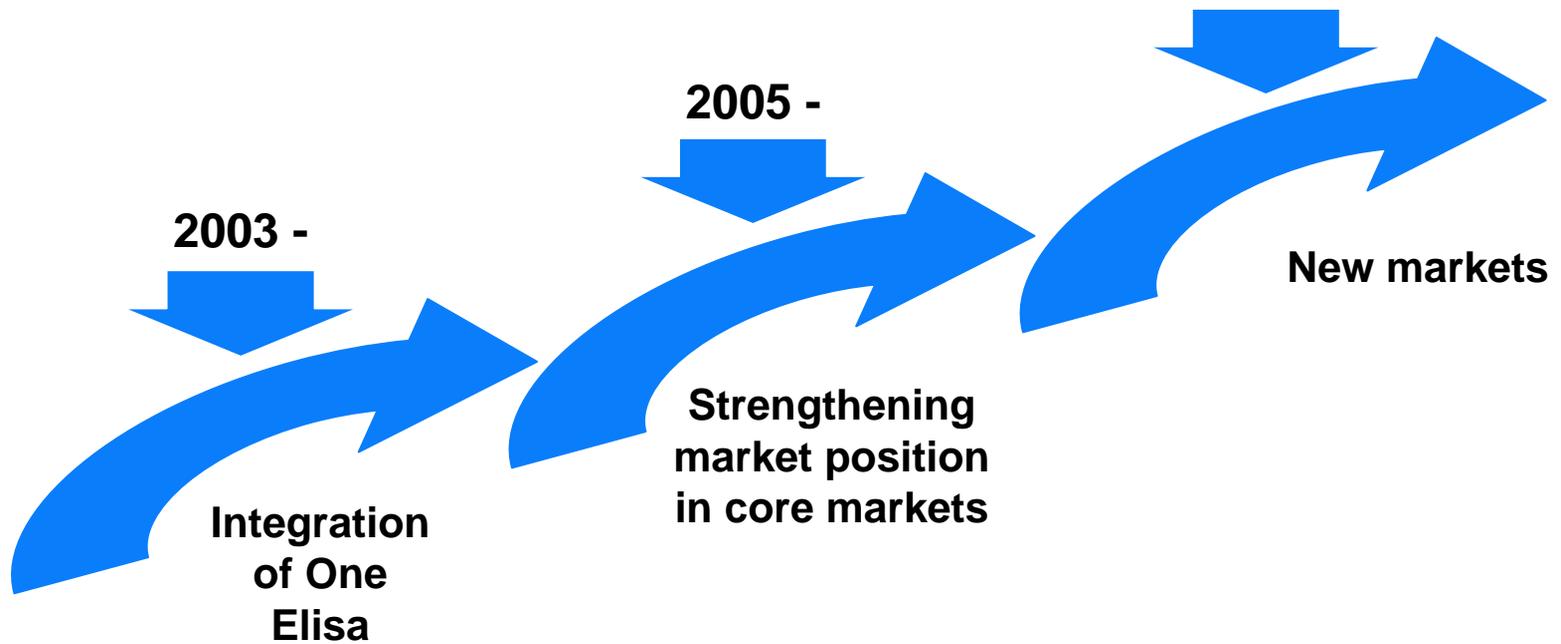


Broadband connection fees hit profitability

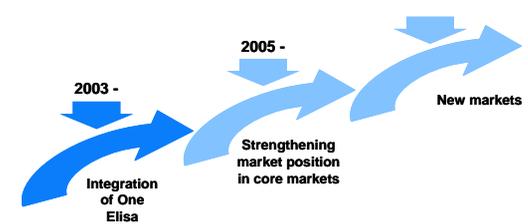
- Market activities and price erosion affected profitability
- Revenue EUR 170m (166)
- EBITDA EUR 43m (48), 25% of revenue (29)
- EBIT EUR 17m (21), 10% of revenue (13)



Elisa strategy



Operational priorities



Significant profitability improvement

- Sale of real estate
- Personnel reductions
- Ongoing cost cutting programs

Customer orientation

- Change in operational model
- New services: Elisa Mobi and Vodafone Pushmail
- A citizen certificate stored on SIM card
- Improvement in call centre services: short response time

Simplification of structure

- Sale of Comptel shares
- Tikka Communications to Elisa group

New Elisa Mobi

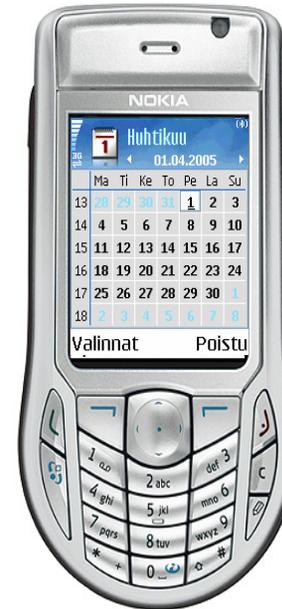
- Handset and services form a seamless product
- Services integrated in the handset's menu functions
 - Internet, e-mail, news, weather, TV, radio, camera and pictures, messages, ringing tones, ...
- Currently tailored in Nokia 3230, other terminals will follow
- Operator independent, access to Elisa mobile portal
- Consumers main customer segment



New services: Vodafone Push Email



- Real-time, secured services for e-mail, calendar and address book to handset
- Operates in all countries, where Elisa has a GPRS or 3G roaming agreement
- Operator independent service
- Currently available in Nokia 6600, 6630, 6680, SonyEricsson P900 and P910i, other terminals will follow during the autumn

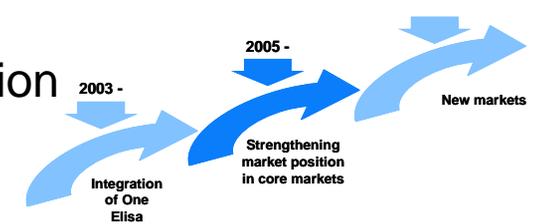


Mobile handset subsidies in 3G

- The Ministry of Transport and Communications proposes that the prohibition on bundling 3G mobile phones and subscriptions will be removed
- The proposal would enable a 24-month SIM-lock
- The law would take effect in early 2006
- Elisa's strong retail chains and 3G network will give customers clear benefits
- As the leading promoter of this initiative Elisa continues discussions to remove the prohibition on bundling GSM phones and subscriptions as well

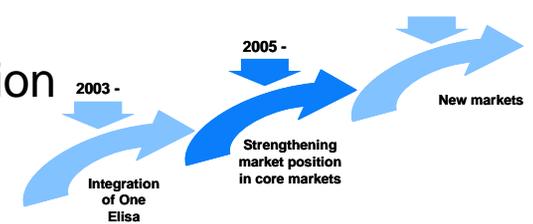


Saunalahti transaction



- The combination of the businesses creates a bigger and more competitive Finnish operator in all customer segments
- Elisa will support Saunalahti's competitive business model
- The combination will offer significant scope for increasing shareholder value
 - synergy benefits and further growth opportunities
- Synergy benefits estimate EUR 70m, for example:
 - networks
 - IT-systems
 - procurement
- Synergy benefits will be realized in full from the beginning of 2007
 - significant part already in 2006 (networks)
 - integration of businesses possible in 2006
 - rest of the benefits from the integration from the beginning of 2007
- EPS effect negative in 2006, positive from 2007 onwards

Execution on progress



- Preliminary information has been given to the Finnish competition authority
- The processing time is from one to three months
- Share exchange offer is estimated to start by the end of August and conclude by the end of year, prospectus will be published before the share exchange period begins

Outlook for 2005

- Keen competition will continue
- Elisa continues to strengthen its market position
- Comparable revenue at 2004 level – competitiveness will improve and profitability remains good
- No major changes in H2 comparable EBITDA and EBIT compared to H1 levels
 - Assumption: MVNO traffic, especially from Saunalahti, will increase significantly
 - Estimates do not include effects of Saunalahti transaction
- CAPEX maximum 13% of revenue and cash flow clearly positive



Financial performance

CFO Tuija Soanjärvi



Q2 2005 financial highlights

Income statement

EUR million	Q2 2005	Q2 2004	2004
Revenue	336	339	1356
Other income from operations	87*	3	27
Operating expenses	-253	-241	-928
EBITDA	170	102	455
Depreciations	-52	-53	-213
EBIT	118	48	242
Share of acc.companies result	1	0	1
Net financial items	-6	-7	-30
Pre-tax profit	113	51	213
Taxes	-18	-12	-53
Net result	95	29	159

* Includes non-recurring items of EUR 86 million



Non-recurring items in Q2

EUR million	Q2 2005	Q1 2005
Reported EBITDA	170	97
Damage compensation from TeliaSonera	30	
Damage compensation to Finnet	-2	
Capital gain on real estate	15	
Effect of Comptel deal*	40	
Adjustment to Yomi Software PPA**	-4	
IFRS adjustment of pension liabilities	13	
Provision of restructuring program	-6	
Capital gain of Yomi Software***		8
Adjustment of Comptel and Yomi Software results		3
Non-recurring items, total	86	11
Operative EBITDA	84	86

* Effect of result included. Sale of shares tax free ** Adjustment to Yomi's original Purchase Price Allocation according IFRS *** Sale of shares tax free



Comparable revenue of 2004

Revenue drivers in 2005

- + Increase in mobile subs
- + Increasing usage in mobile
- + Increasing MVNO traffic
- + Growing broadband business
- Price erosion in mobile and fixed
- Volume and usage in fixed analogue subs

EUR million	2004
Elisa	1,356
Comptel	-60
Yomi Software	-17
Internal revenue	20
Revenue excluding divested companies	1,300

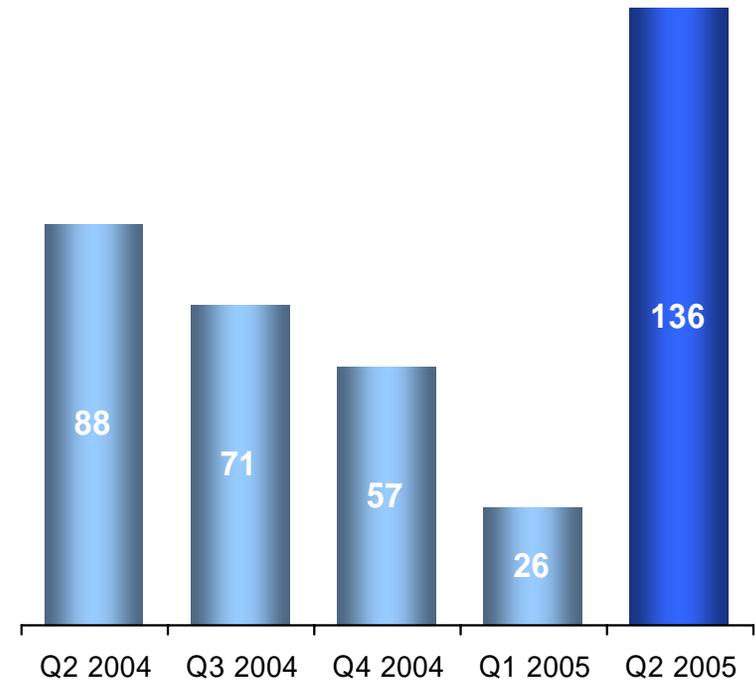
Divested and acquired companies effect on 2005 revenue	
Comptel	5 months
Yomi Software	3 months
Tikka Communications	7 months



Positive one-offs increased cash flow

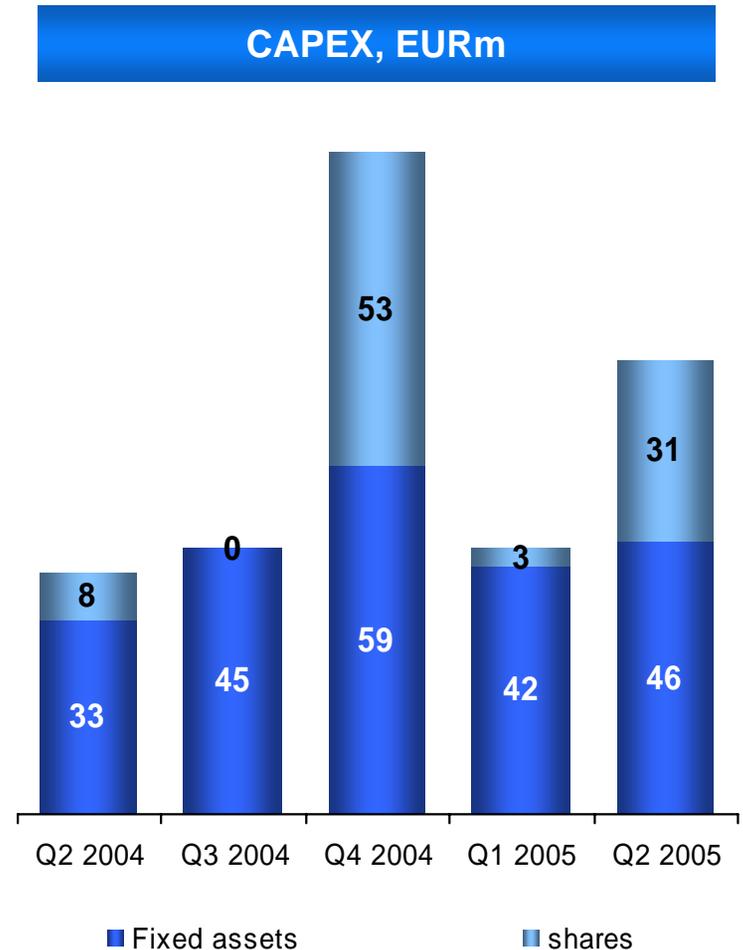
- Positive one-off items in Q1 and Q2 2005
- Positive operative cash flow

Cash flow after investments, EURm



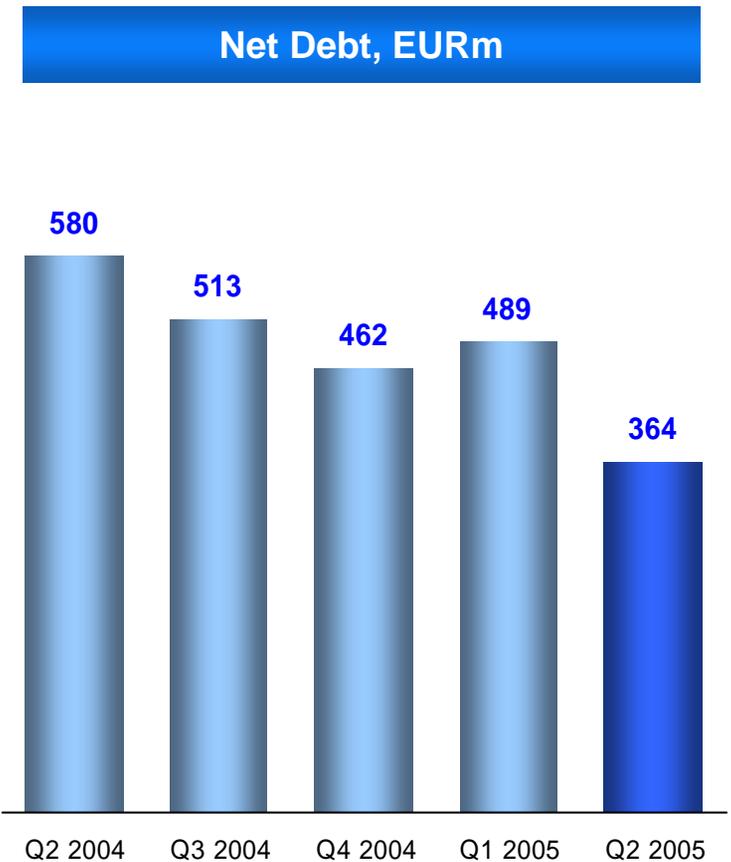
Q2 CAPEX 14% of revenue

- CAPEX includes
 - Financial leases
 - Real estate EUR 7m
 - Share acquisitions
 - Tikka EUR 31m
- Investments in fixed assets
 - Mobile EUR 22m
 - Fixed line EUR 23m
 - Other EUR 1m



Net debt in Q2

- Cash Flow EUR 136m in Q2
- Changes in debt structure
 - Pension loans paid back EUR 64m
 - Bond buy-backs EUR 6m



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Interim Report

1 April 2005 – 30 June 2005

Consolidated Cash flow statement

CONSOLIDATED CASH FLOW STATEMENT

EUR million	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004
Cash flow from operating activities					
Profit before tax	113	39	65	50	41
Adjustments to profit before tax	-11	47	34	57	46
Change in working capital	8	-26	18	-16	27
Cash flow from operating activities	109	60	117	92	114
Received dividends and interests and interest paid	-4	-7	-5	-11	-8
Taxes paid	-2	-1	-5	0	-6
Net cash flow from operating activities	103	53	107	81	101
Cash flow in investments					
Capital expenditure	-38	-41	-54	-41	-33
Investments in shares and other investments	-14	1	-2	0	-8
Proceeds from asset disposal	85	13	6	31	29
Net cash used in investment	33	-27	-50	-10	-13
Cash flow after investments	136	26	57	71	88
Cash flow in financing					
Sales of treasury shares			6		
Change in interest-bearing receivables	0	0	-1	0	25
Repayment of long-term debt	-70	-15	-110		-1
Change in short-term debt	-2	1	0	0	-14
Repayment of financing leases	-4	-4	-5	-6	-4
Dividends paid	-5	-55	-3	0	-9
Cash flow in financing	-82	-74	-112	-6	-3
Change in cash and cash equivalents	54	-48	-55	65	85

Financial situation

FINANCIAL SITUATION

(EUR million)

	30 Jun 2005	31 Mar 2005	31 Dec 2004	20 Sep 2004	30 Jun 2004
Interest-bearing debt					
Bonds and notes	458	463	467	570	571
Loans from the Pension fund	0	64	75	80	80
Loans from financial institutions	1	0	0	2	2
Financial leases	63	61	68	69	70
Committed credit line	0 1)	0	0	0	0
Others	13 2)	15	14	10	10
Interest-bearing debt, total	534	604	625	730	733
Security deposits	1	1	1	0	0
Securities 3)	139	67	96	129	114
Cash and bank	30	48	67	89	39
Interest-bearing receivables	170	116	164	218	153
Net debt 4)	364	489	462	513	580

- 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 minority shareholders in Radiolinja (EUR 2,6m) and Yomi (EUR 3,1m) deposits in the Financial Services Office (EUR 7,2m).
- 3) Securities consists money-market instruments.
- 4) Net debt is interest-bearing debt less cash and interest-bearing receivables.