

# Elisa Corporation Interim Report

1 April 2003 – 30 June 2003



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# Q2 2003 Report

President and CEO Veli-Matti Mattila



# Elisa Q2 2003

- Financial Highlights
- Highlights per Business Area
- Decisions and Short-term activities
- Outlook for 2003



# Q2 2003 Highlights

- Revenue down EUR 391m (406),
- Pre-tax profit improved EUR 7m (-10),  
– but core business profitability decreased slightly
- EPS improved EUR 0,27 (-0,26)

No one-off items, except Q2 2003 EPS include tax credit booking



# Q2 2003 Highlights

- Stable financial position
  - but profitability is not at satisfactory level
- Operative CAPEX 10% of revenue



# Elisa Mobile

- Revenue stable
- Profitability decreased from Q2 2002
- Number of subscriptions increased 5% (1,357,000)



# Fixed Network

- Revenue down slightly but profit stable
- Narrowband channels down 7%
- Number of Broadband channels doubled (market leader)
- Strengthened position in call center and ICT solutions for corporate customers





# Germany

- Business is according to plan
- Losses have narrowed
- Corporate customer growth 40%

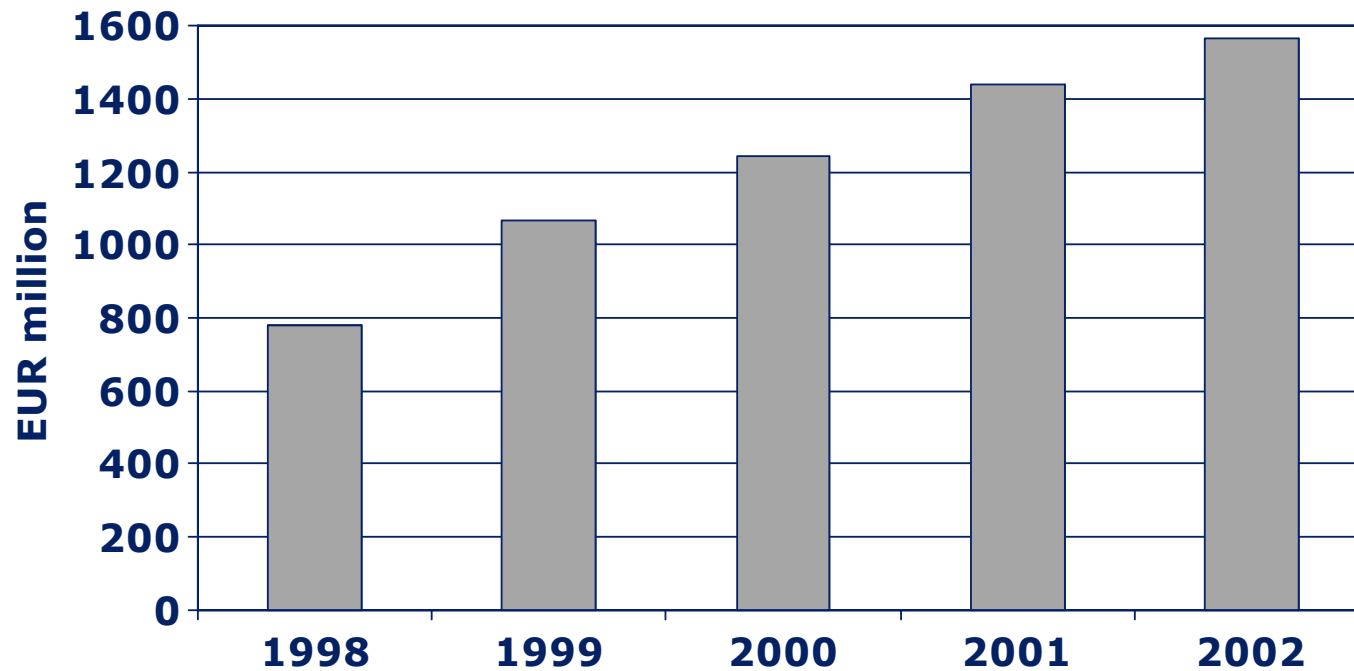


# Already Taken Decisions and Actions

- New management team
- Reduction of headquarter costs
  - restructuring of corporate staff
  - move to less expensive and more effective facilities
- Improved cost efficiency
- Integrated key account sales
- Strategy review process started



# Steady Strong Growth



**ca 20% per annum**



# Short-term Activities

Focused ambitions:

1. Improved ***profitability***
2. Strong ***customer*** orientation
- 3. Simplification*** of the structure of Elisa Group

Irrespective of the market



# Outlook 2003

- Revenue slightly less than 2002
- Clean EBITDA and result improving
- Operative CAPEX below 15% of revenue
- Management committed to improve Elisa's competitiveness for 2004



# Key Figures and Financial Position

CFO Vesa-Pekka Silaskivi



# Elisa Group's Q2 2003 P&L

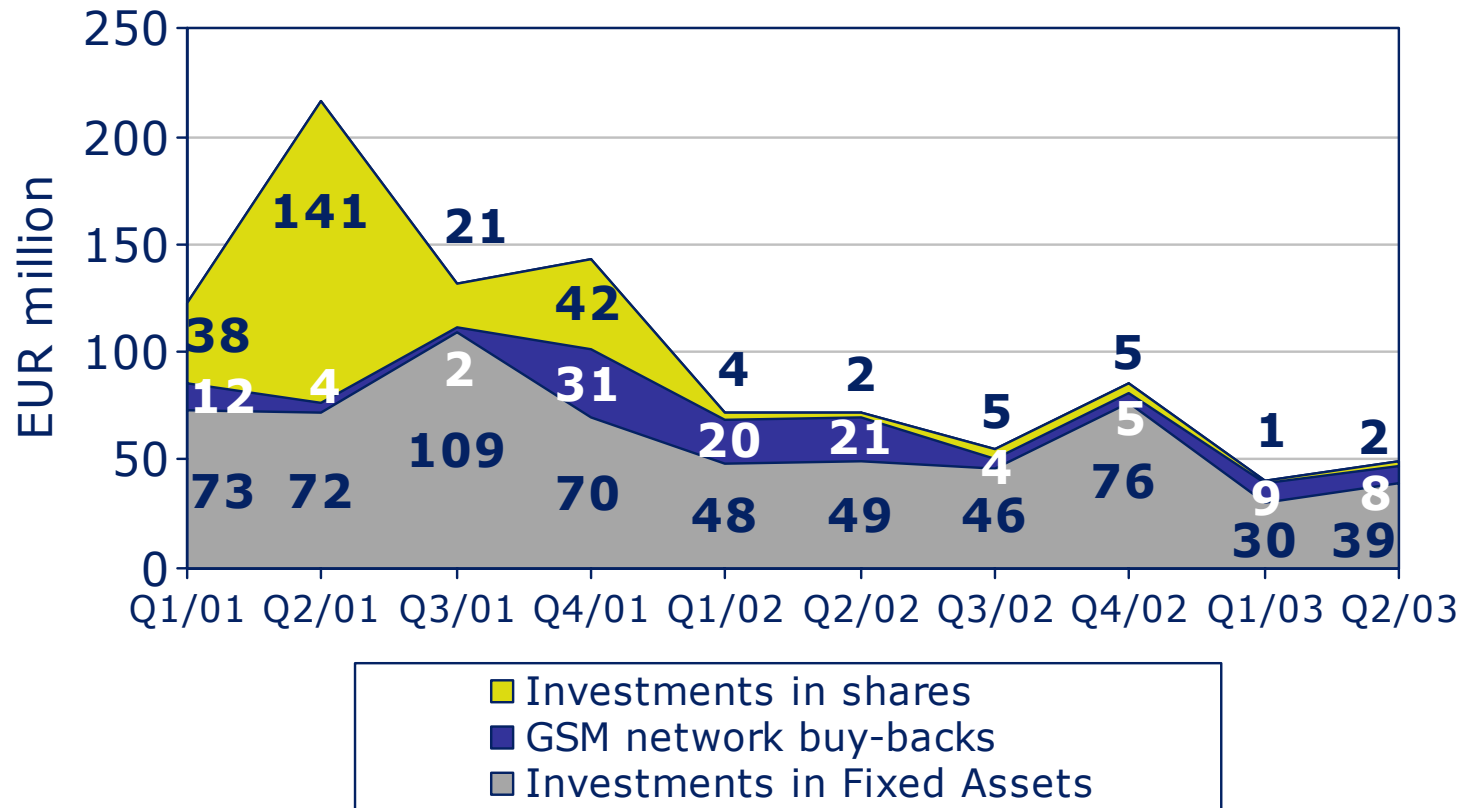
Elisa Group EURm	Excl. one-off items*			Q2/03	Q2/02	2002
	Q2/03	Q2/02	2002			
<b>Revenue</b>	<b>391</b>	<b>406</b>	<b>1563</b>	<b>391</b>	<b>406</b>	<b>1563</b>
Other income from operations	9	1	18	9	1	92
<b>EBITDA</b>	<b>97</b>	<b>86</b>	<b>342</b>	<b>97</b>	<b>86</b>	<b>333</b>
<i>EBITDA margin</i>	25 %	21 %	22 %	25 %	21 %	21 %
Depreciation	-66	-64	-255	-66	-64	-255
Goodwill depreciation	-14	-16	-55	-14	-16	-55
Write-downs					-38	-71
<b>EBIT</b>	<b>17</b>	<b>6</b>	<b>32</b>	<b>17</b>	<b>-32</b>	<b>-48</b>
<i>EBIT margin</i>	4 %	1 %	2 %	4 %	-8 %	-3 %
Share of associated comp. result	0	-3	-5	0	-3	-5
Net financial items	-10	-13	-50	-10	-13	-50
<b>Pre Tax Profit</b>	<b>7</b>	<b>-10</b>	<b>-23</b>	<b>7</b>	<b>-48</b>	<b>-103</b>

\*Q2 2003 does not include any major one-off items, no effect on EBIT

Q2 2002 one-off items: GSM and City Network writedown of EUR 32m, German writedowns of EUR 6m

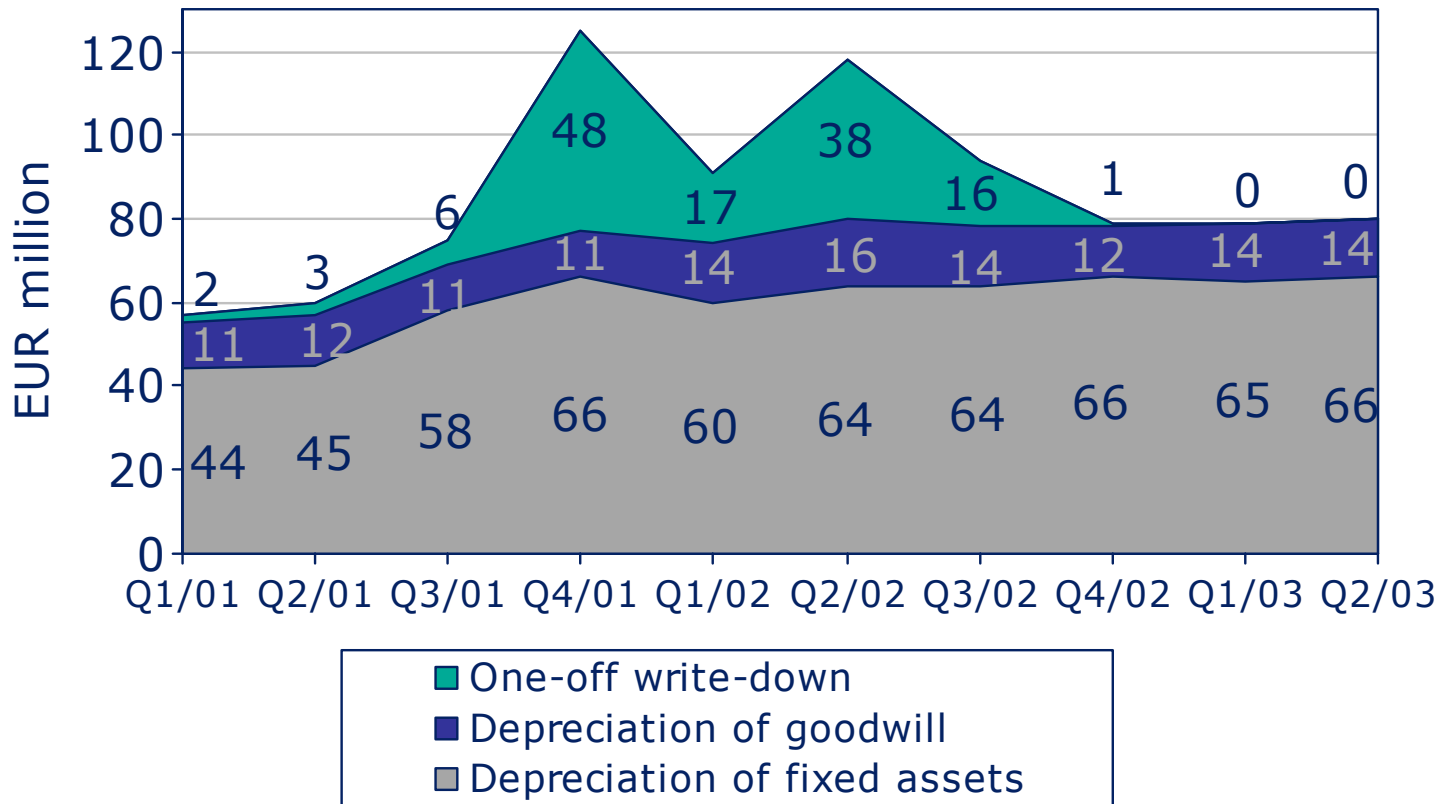


# Operative CAPEX of Sales was 10%

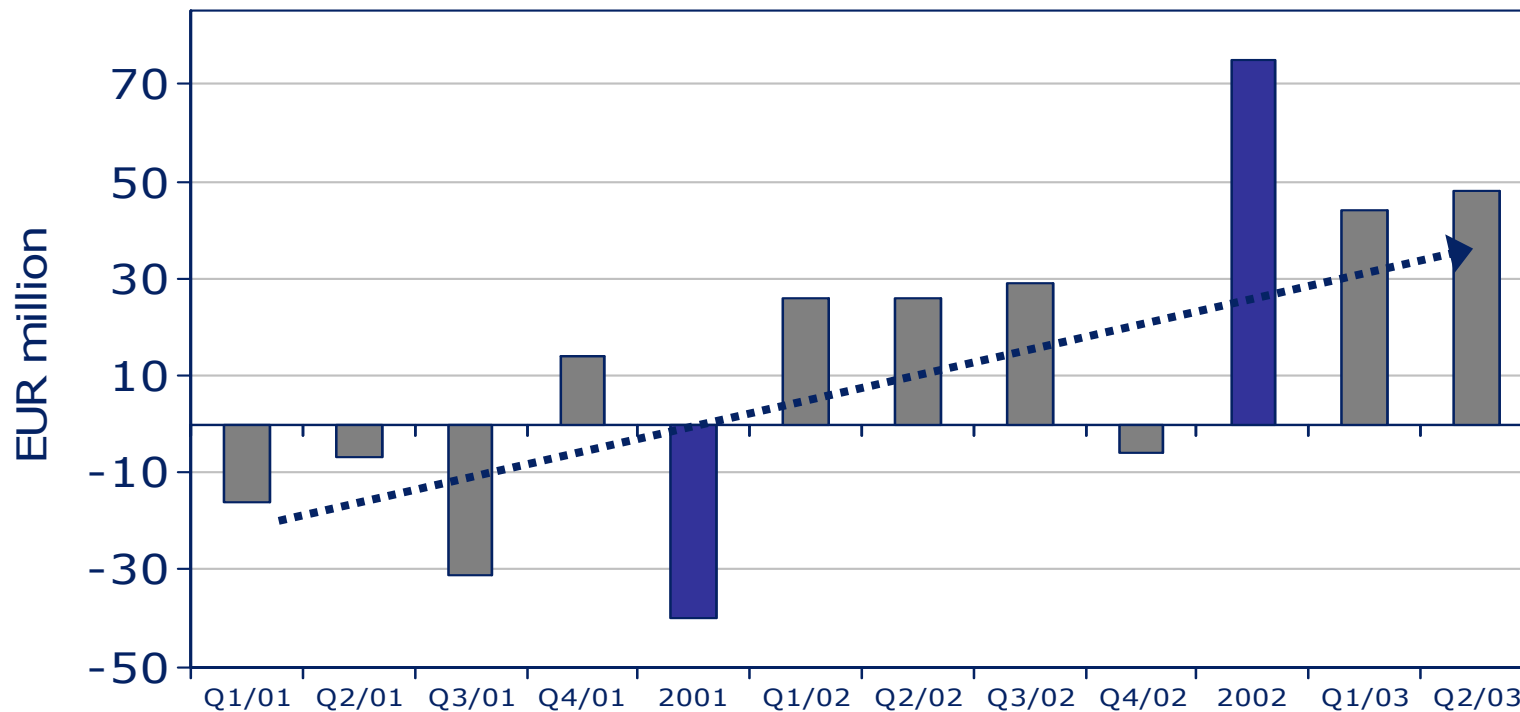




# Write-Downs and Depreciations



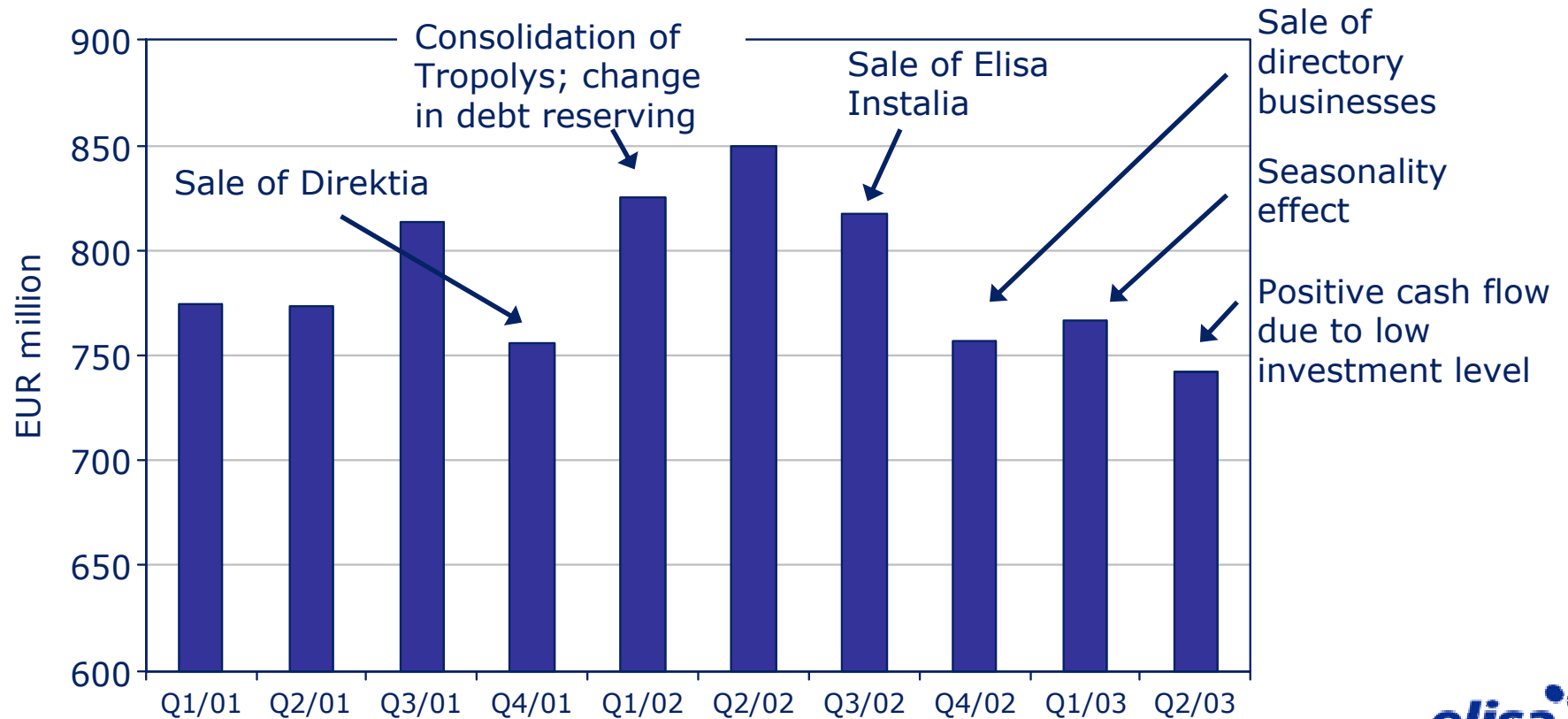
# Operative Cash Flow was EUR 48m



Operative Cash flow = clean EBITDA – net financial items –  
CAPEX (excl. GSM network buy-backs)



# Positive Cash Flow Lowered Net Debt

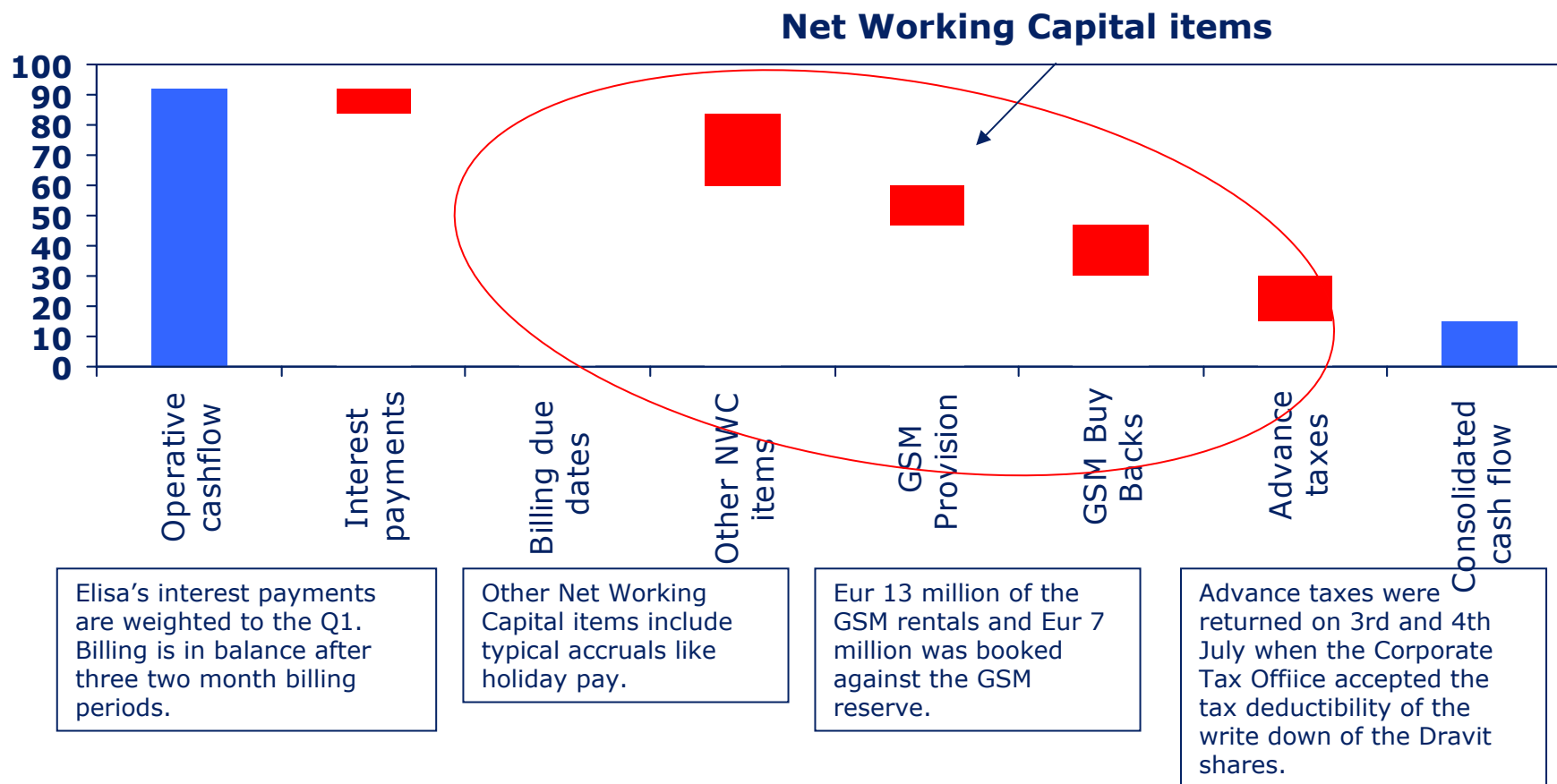


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1 April 2003 – 30 June 2003



# Appendix: Operative Cash Flow Versus Consolidated Cash Flow H1 2003



# Elisa Mobile's Key Figures

Elisa Mobile's key figures, EURm	Q2/03	Q2/02	%	2002
Revenue	190	192	-1 %	739
Clean EBITDA	49	56	-13 %	117
Clean EBITDA-%	26 %	29 %		16 %
Leasing adj. EBITDA	56	66	-15 %	229
Leasing adj. EBITDA-%	29 %	34 %		31 %
CAPEX	29	43	-33 %	145
CAPEX excl. network buy-backs	21	22	-5 %	96
Oper CAPEX / sales	11 %	11 %		13 %
No. of Subscriptions in Finland *	1 356 881	1 289 016	5 %	1 342 417
ARPU, EUR **	41,7	43,5	-4 %	42,2
Churn **	13,4 %	12,7 %		15,7 %
Minutes of use, million *	575	541	6 %	2 087
Minutes of use / subs / month **	146	141	4 %	136
No. of SMS, million *	112	107	5 %	422
No. of SMS / subs / month **	29	27	7 %	27
Value added services / revenue	13 %	11 %		12 %

\* Network operator

\*\* Service operator

# Key Figures of Elisa Group

<b>Elisa Group EURm</b>	<b>Q2/03</b>	<b>Q1/03</b>	<b>Q4/02</b>	<b>Q3/02</b>	<b>Q2/02</b>	<b>Q1/02</b>	<b>Q4/01</b>	<b>Q3/01</b>	<b>Q2/01</b>
Revenue	391	371	385	388	406	384	386	389	331
EBITDA	97	85	118	51	86	78	183	91	75
<i>EBITDA-%</i>	25 %	23 %	31 %	13 %	21 %	20 %	47 %	23 %	23 %
Clean EBITDA	97	85	88	84	86	86	97	91	77
<i>Clean EBITDA-%</i>	25 %	23 %	23 %	22 %	21 %	22 %	25 %	23 %	23 %
EBIT	17	7	39	-43	-32	-13	58	16	15
Clean EBIT	17	7	10	6	6	12	19	22	31
<i>Clean EBIT-%</i>	4 %	2 %	3 %	2 %	1 %	3 %	3 %	6 %	9 %
Pre-Tax Profit	7	-5	26	-56	-49	-25	44	-1	3
Clean Pre-Tax Profit	7	-5	-3	-7	-11	0	5	5	3
<b>Financial position</b>									
Net debt	742	767	757	817	850	825	802	814	773
Equity ratio	40 %	38 %	38 %	35 %	38 %	38 %	40 %	40 %	39 %
Net debt / EBITDA	2	2,2	2,2	2,4	2,45	2,7	2,3	2,5	2,6
Net interest coverage	8,9	8,1	7	6,7	7,2	6,8	8,8	7,3	6,8
Gearing	91 %	97 %	95 %	105 %	102 %	94,1 %	88,4 %	96,7 %	91,1 %
<b>Investments</b>									
in fixed assets	47	39	81	50	70	68	71	111	76
in shares	2	1	5	5	2	4	42	21	141
Total	49	40	86	55	72	72	113	132	217

# Key Figures of Elisa Group (cont.)

<b>Business Areas</b>	<b>Q2/03</b>	<b>Q1/03</b>	<b>Q4/02</b>	<b>Q3/02</b>	<b>Q2/02</b>	<b>Q1/02</b>	<b>Q4/01</b>	<b>Q3/01</b>	<b>Q2/01</b>
<b>Elisa Mobile</b>									
Revenue	190	175	185	188	192	174	180	185	170
ARPU, EUR	41,7	38,5	41,3	43,0	43,5	41,4	42,7	44,2	45,3
Churn, %	13,4	14,4	21,2	14,0	12,7	18,2	14,4	15,5	13,9
Subscriptions	1 356 881	1 348 183	1 342 417	1 301 621	1 289 016	1 348 710	1 356 204	1 295 280	1 281 577
Clean EBITDA	49	42	37	50	55	52	47	58	47
<i>Clean EBITDA-%</i>	26 %	24 %	20 %	27 %	29 %	30 %	28 %	33 %	27 %
Leasing adjusted EBITDA	56	49	43	57	66	63	60	71	60
<i>Leasing adj. EBITDA-%</i>	29 %	28 %	23 %	30 %	34 %	36 %	35 %	41 %	34 %

## **Fixed network**

Revenue	175	170	174	177	181	203	209	191	121
Subscriptions, total	1 181 008	1 184 222	1 184 938	1 141 658	1 142 755	1 147 000	1 137 000	1 152 000	735 570
Broadband subscriptions	93 677	81 781	71 855	58 974	43 865	36 000	27 000	19 000	11 623
ISDN channels	222 153	229 252	237 263	249 667	260 015	269 000	276 000	272 000	219 147
Clean EBITDA	50	52	56	57	52	52	63	52	32
<i>EBITDA-%</i>	29 %	31 %	32 %	32 %	29 %	26 %	27 %	27 %	26 %

## **Germany**

Revenue	35	32	32	31	28	27	14	14	13
Clean EBITDA	1	-1	-1	-9	-4	-8	-9	-9	-5
<i>Clean EBIT-%</i>	3 %	-2 %	-2 %	-20 %	-14 %	-30 %	-64 %	-34 %	-39 %



# Q2 2003 Key Figures per Business Area

## Elisa Mobile

Service- and  
network operators  
Intra-SBA sales  
Group bookings  
**Total**

Revenue		EBITDA		EBIT		Clean EBITDA		Clean EBIT	
Q2/03	Q2/02	Q2/03	Q2/02	Q2/03	Q2/02	Q2/03	Q2/02	Q2/03	Q2/02
190	192	49	56	22	5	49	56	22	31
				-10	-10			-10	-10
<b>190</b>	<b>192</b>	<b>49</b>	<b>56</b>	<b>12</b>	<b>-5</b>	<b>49</b>	<b>56</b>	<b>12</b>	<b>21</b>

## Fixed network

Service operator  
Network operator  
Intra-SBA sales  
Group bookings  
**Total**

160	175	7	9	-2	-3	7	9	-2	3
77	80	43	41	25	17	43	41	25	17
-62	-57			-1				-1	
<b>175</b>	<b>198</b>	<b>50</b>	<b>50</b>	<b>22</b>	<b>13</b>	<b>50</b>	<b>50</b>	<b>22</b>	<b>19</b>

## Germany

Carrier-business  
Mäkitorppa GmbH  
Group bookings  
**Total**

35	28	1	-4	-7	-12	1	-4	-7	-6
	0		0		0		0		0
				-2	-8			-2	-8
<b>35</b>	<b>28</b>	<b>1</b>	<b>-4</b>	<b>-9</b>	<b>-20</b>	<b>1</b>	<b>-4</b>	<b>-9</b>	<b>-14</b>

## Other companies

Comptel  
Other companies  
Group bookings  
**Total**

17	14	2	1	2	0	2	1	2	0
11	8	0	-8	-2	-9	0	-8	-2	-9
0				-1	-1			-1	-1
<b>28</b>	<b>22</b>	<b>2</b>	<b>-7</b>	<b>-1</b>	<b>-10</b>	<b>2</b>	<b>-7</b>	<b>-1</b>	<b>-10</b>

## Group functions\*

10	10	-5	-9	-8	-10	-5	-9	-8	-10
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## Elisa Group

Business areas total  
Inter-SBA sales  
**Group total**

438	450	97	86	17	-32	97	86	17	6
-47	-44								
<b>391</b>	<b>406</b>	<b>97</b>	<b>86</b>	<b>17</b>	<b>-32</b>	<b>97</b>	<b>86</b>	<b>17</b>	<b>6</b>

\*) headquarter staff, centralized R&D and group internal services