

elisa

Interim Report

1 July 2005 – 30 September 2005

Q3 2005 Report

President and CEO Veli-Matti Mattila



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Elisa Q3 2005

- Q3 2005 and financial highlights
- Review of the mobile and fixed network businesses
- Saunalahti transaction
- Q4 2005 outlook

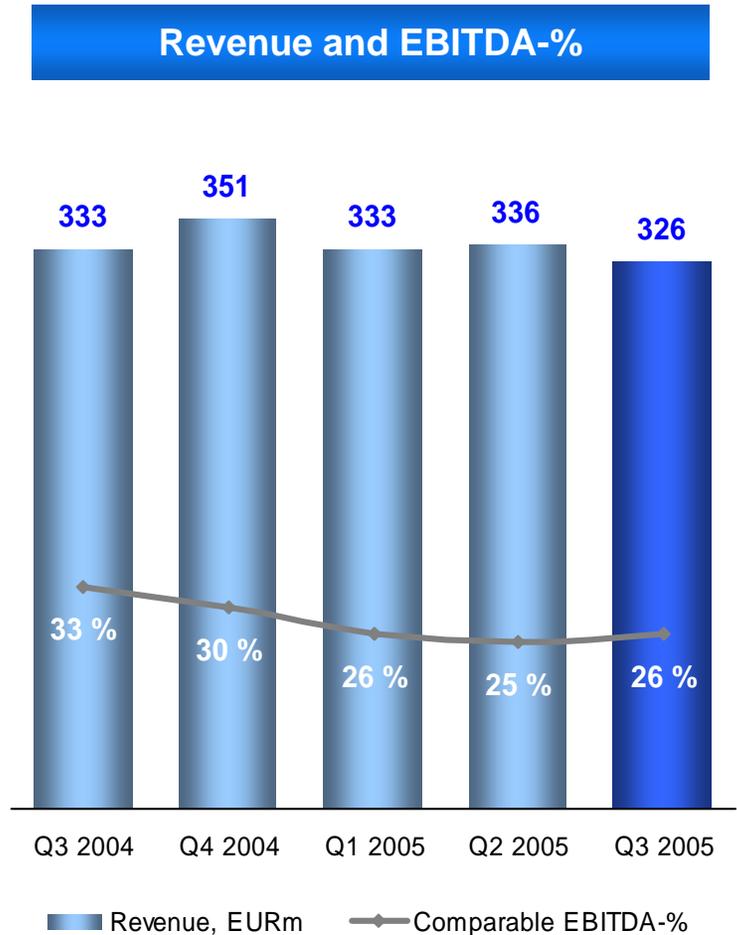


Elisa Q3 2005 highlights

- Elisa further strengthened its market position, with growth continuing in both mobile and broadband subscriptions
- Competition authorities approved the Saunalahti deal
- EBITDA and EBIT in line with guidance
- Competition environment and change in revenue structure put pressure on profit development
- Financial position remained strong

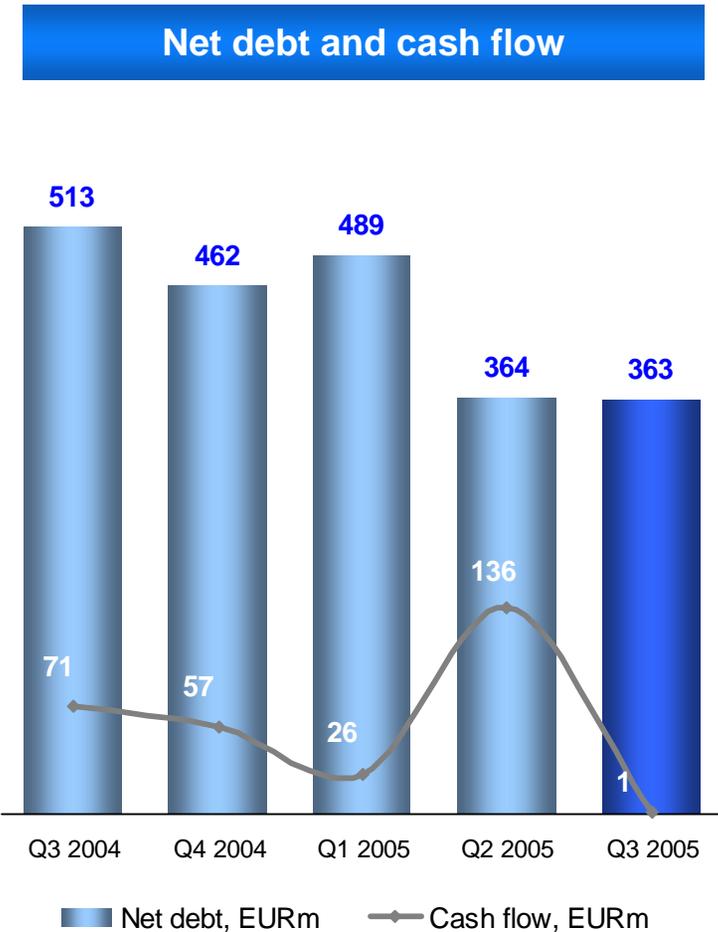
Profitability in line with guidance

- Revenue EUR 326m (333)
 - sale of non-core businesses reduced revenue
 - comparable revenue increased slightly
- EBITDA EUR 85m (112)
- EBIT EUR 33m (57)
- Pre-tax profit EUR 28m (50)
- EPS EUR 0.15 (0.27)



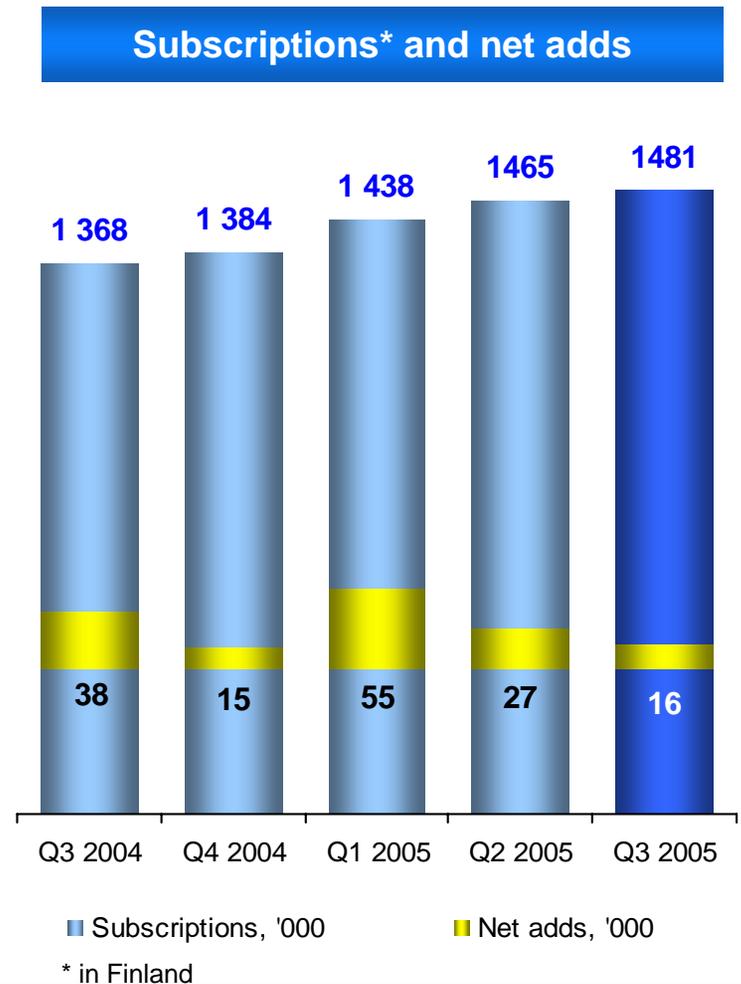
Strong financial position

- Cash flow EUR 1m (71)
 - lower profit, seasonality in NWC, interest payment and purchase of Tikka Communications shares
- Net debt EUR 363m (513)
- CAPEX EUR 45m (45), 14% of revenue (14)
 - investments in additional capacity due to Saunalahti traffic
- Equity ratio 55% (44)



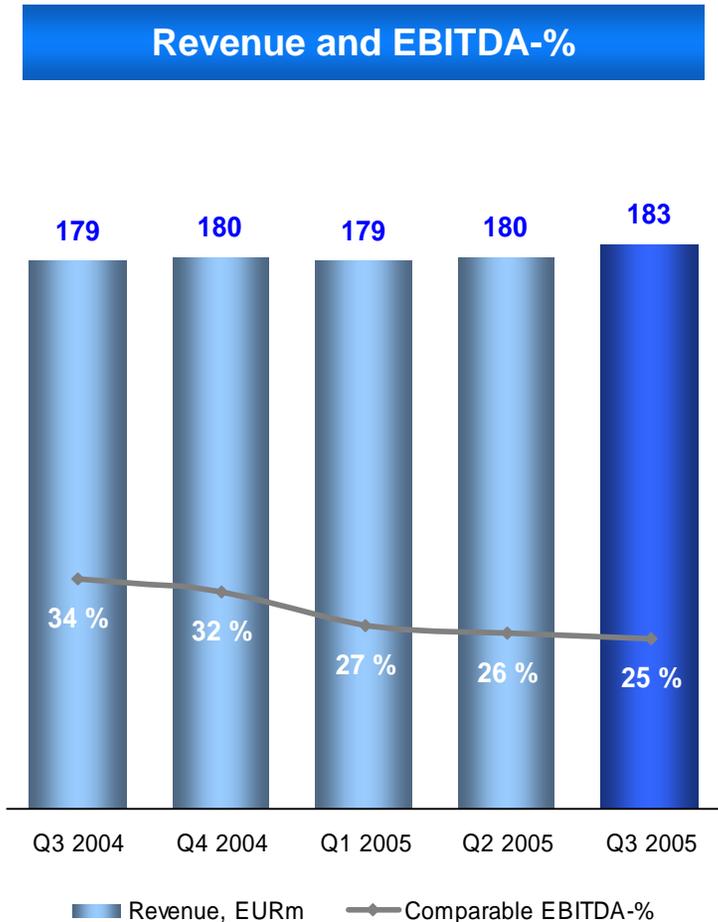
Growth in subscriptions, lower churn

- Net adds 16,000 in Q3
- Total amount of subscriptions in Elisa's network about 2 million
- Continued fierce competition
 - churn 27.2% (21.6)
 - ARPU EUR 31.2 (37.5)
- Growth in network usage
 - MOU grew by 48% and SMS 62% due to increased Saunalahti traffic
 - growth in own service provider's numbers 11% and 12%, respectively



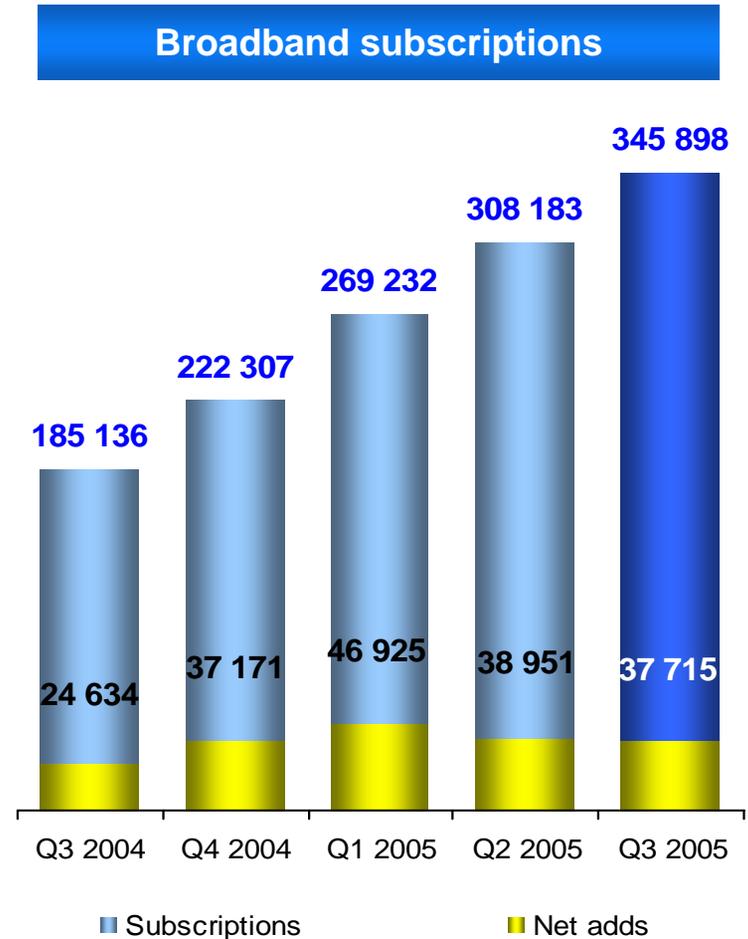
Volume growth compensated for price erosion

- Revenue EUR 183m (179)
 - growth due to increased Saunalahti traffic
- EBITDA EUR 46m (60), 25% of revenue (34)
 - decrease in average minute prices faster than cost adaptation
- EBIT EUR 24m (36), 13% of revenue (20)



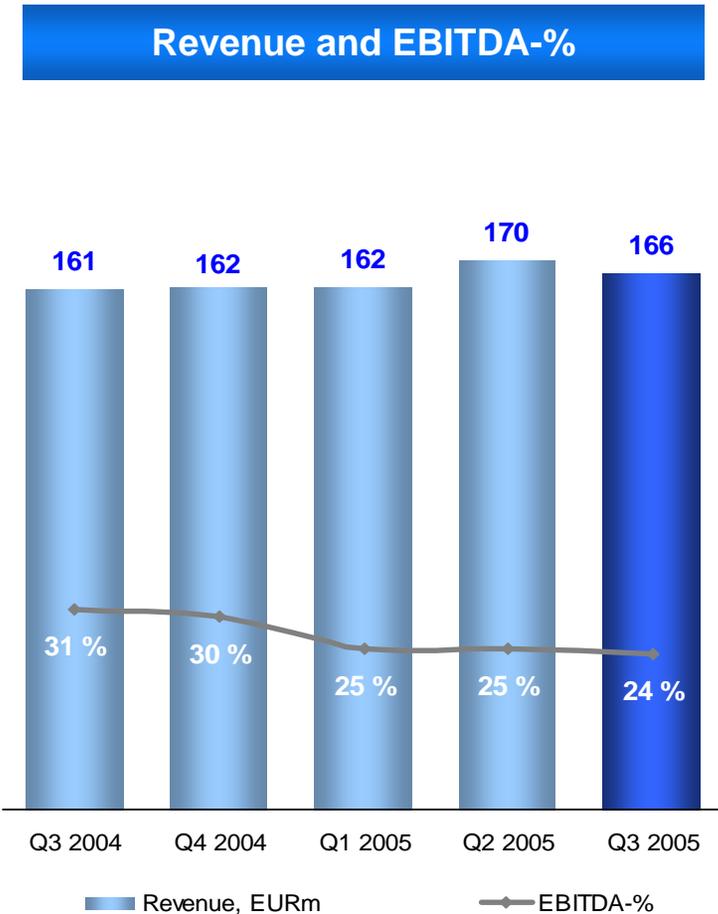
Market leadership in broadband strengthened

- ADSL subscriptions growth 87% yoy
- Net adds 38,000 in Q3
- Elisa strengthened its market position
- Decrease in analogue lines even stronger than earlier

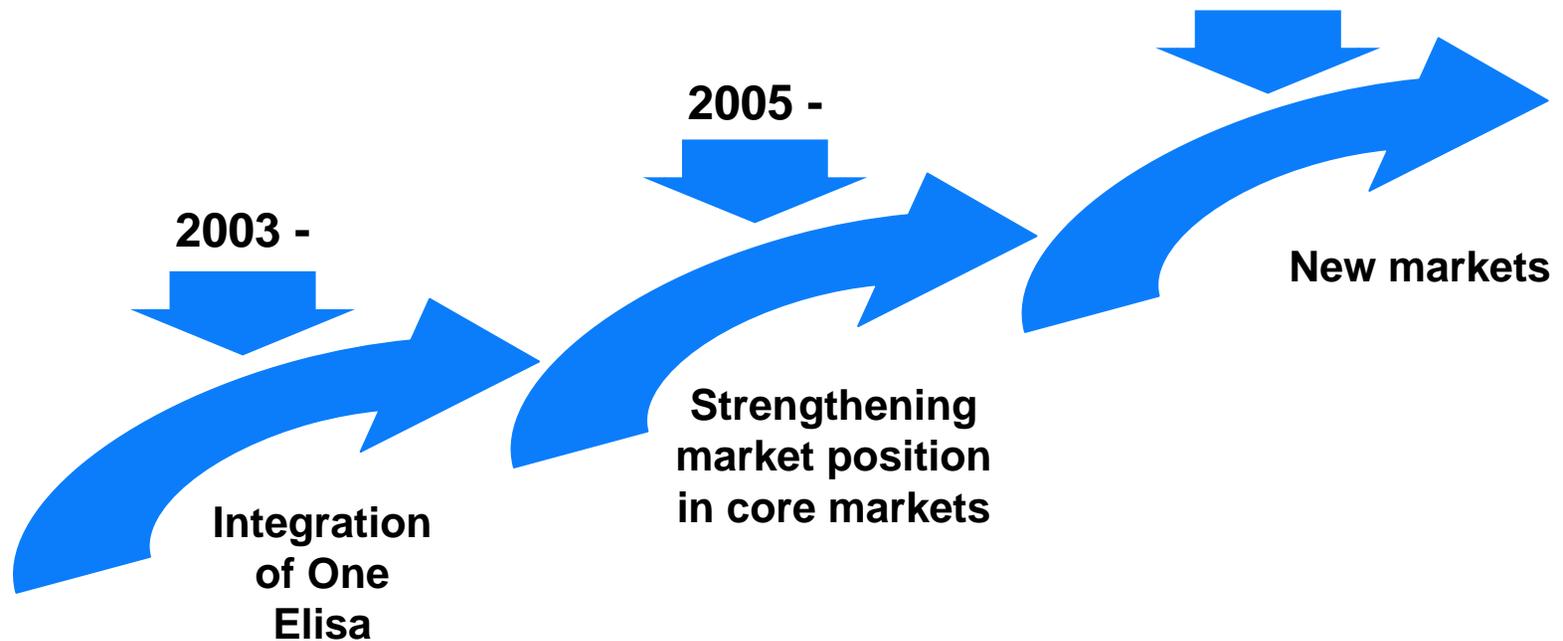


Strong broadband sales, lower profitability

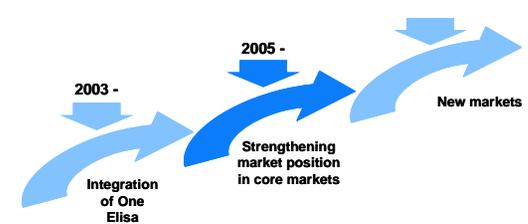
- Revenue EUR 166m (161)
- EBITDA EUR 40m (50), 24% of revenue (31)
 - market activities in broadband business
 - analogue lines decreased by 9% and ISDN channels by 20%
- EBIT EUR 12m (22), 7% of revenue (14)



Elisa strategy



Saunalahti deal accepted



- The decision of the Finnish Competition Authority will provide a solid platform for developing a competitive and financially strong Finnish operator
 - The Saunaverkko network will be sold inclusive of customers in the regions of Tampere, Jyväskylä and Riihimäki, and exclusive of customers in the Helsinki metropolitan area
 - the decision regarding the mobile business does not include conditions
- A joint plan for strengthened competitiveness
 - to be completed within a month
 - productivity will improve decisively
- Operations will continue using the current model
 - Saunalahti's MVNO model will continue to be a starting point for flexible and innovative development in the future

Better services for Finnish customers

- Elisa to invest in Finland and in new services
 - reliable and extensive network
 - strong emphasis on new services
- All present services of Elisa and Saunalahti will continue
- The Saunalahti brand will remain, with its own strong features enhanced
- Saunalahti will consolidate its position as a service operator in the broadband market, and the availability area of broadband will be extended
 - Separate expansion of the Saunaverkko network will not be continued

Progress with the transaction

- Share Exchange Offer will end on 4 November 2005
- The result of the Share Exchange Offer
 - preliminary result on or about 7 November
 - Final result on or about 11 November
- Increase in the share capital in the Trade Register on or about 15 November
- Quoting of new shares on the stock exchange on or about 16 November
- Extraordinary general meeting at the turn of November and December

Outlook for Q4 2005

- Market
 - Keen competition will continue
 - Elisa will continue to strengthen its market position
- Financial position
 - Comparable revenue at 2004 level
 - Q4 2005 comparable EBITDA and EBIT slightly lower than in previous quarters in 2005, taking into account the additional traffic generated by Saunalahti.
 - Estimates do not include the effects of Saunalahti consolidation
- CAPEX and cash flow
 - CAPEX about 13% of revenue
 - Cash flow clearly positive



Financial performance

CFO Tuija Soanjärvi



Income statement

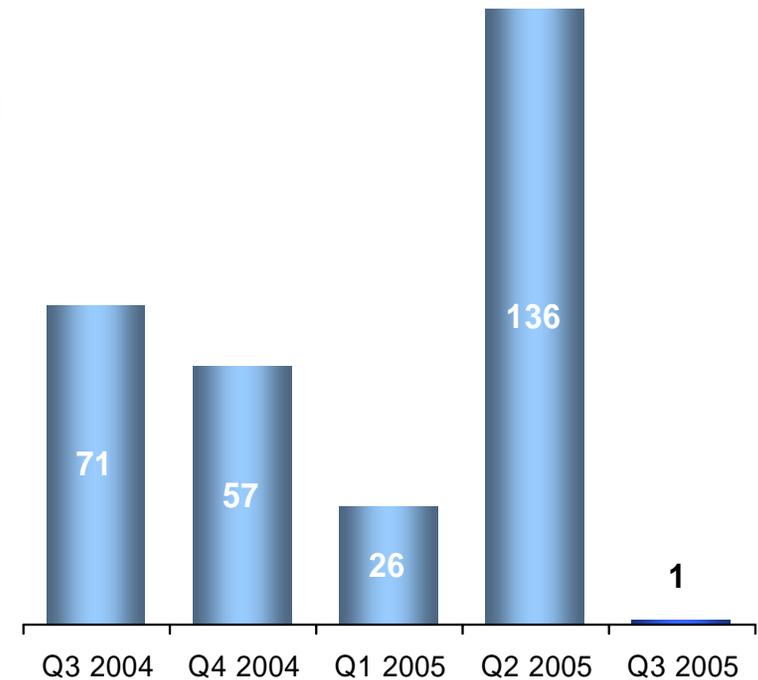
EUR million	Q3 2005	Q3 2004	2004
Revenue	326	333	1356
Other income from operations	3	1	27
Operating expenses	-244	-223	-928
EBITDA	85	112	455
Depreciations	-52	-54	-213
EBIT	33	57	242
Share of acc.companies result	0	0	1
Net financial items	-5	-7	-30
Pre-tax profit	28	50	213
Taxes	-6	-11	-53
Net result	22	39	159



Seasonality in cash flow

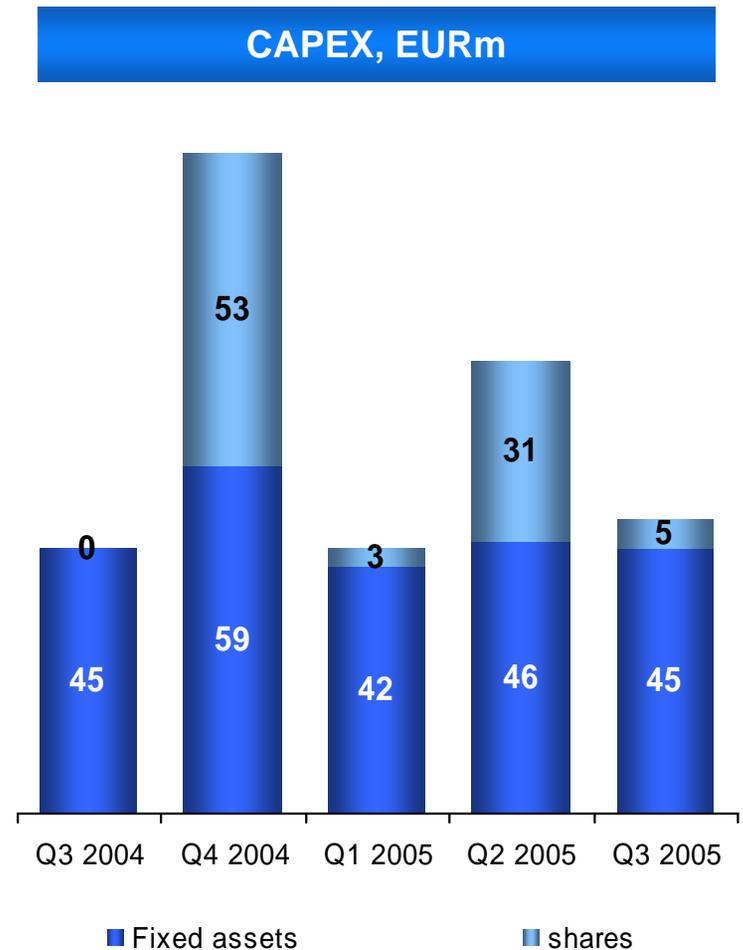
- Seasonality in net working capital of EUR 19m
- Annual interest payment of EUR 12m due to EUR 260m 2011 bond
- Purchase of Tikka Communications shares
- Positive operative cash flow

Cash flow after investments, EURm



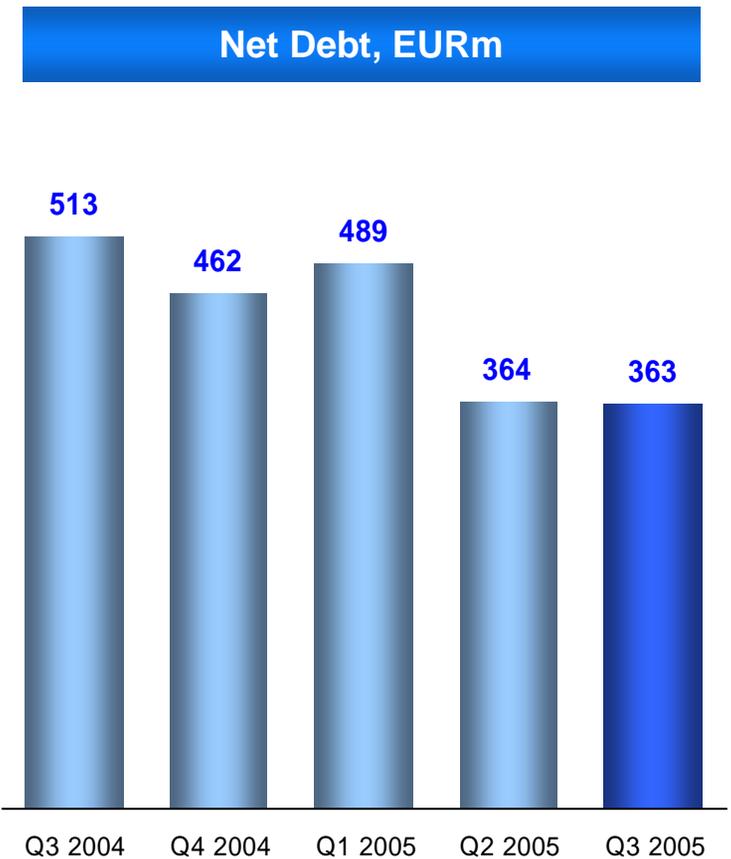
Q3 CAPEX 14% of revenue

- CAPEX includes
 - Capacity increase
 - in mobile network due to increased Saunalahti traffic
 - in broadband infrastructure
 - Share acquisitions
 - Tikka EUR 5m
- Investments in fixed assets
 - Mobile EUR 18m
 - Fixed line EUR 27m



Net debt in Q3

- Cash Flow EUR 1m in Q3
- No material changes in debt structure
 - Bond buy-backs EUR 3m



Financial impact of Saunalahti transaction

- Purchase price approx. EUR 357m (if the deal is 100% share exchange with a share price of EUR 14)
- Approximate purchase price allocations
 - amortisable intangible assets EUR 100m
 - customer relationships
 - Saunalahti brand
 - goodwill EUR 270m
 - deferred tax asset EUR 16m and deferred tax liability EUR 26m in fair value adjustments
- Annual additional depreciation approx. EUR 20m



Financial impact of Saunalahti transaction

- Synergy benefits to be at least EUR 70m
- Synergies start to take effect in late 2005, and almost reach their peak in 2006
 - traffic transferred to Elisa's network faster than estimated
- Cash payments relate to cash redemption of minority shareholdings
- Elisa will buy Saunalahti's warrants
- Elisa will also acquire a loan of EUR11.3m, issued to Saunalahti by Novator One L.P.



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Consolidated Cash flow statement

CONSOLIDATED CASH FLOW STATEMENT

EUR million	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004
Cash flow from operating activities						
Profit before tax	28	113	39	65	50	41
Adjustments to profit before tax	53	-11	47	34	57	46
Change in working capital	-19	8	-26	18	-16	27
Cash flow from operating activities	62	109	60	117	92	114
Received dividends and interests and interest paid	-12	-4	-7	-5	-11	-8
Taxes paid	-1	-2	-1	-5	0	-6
Net cash flow from operating activities	49	103	53	107	81	101
Cash flow in investments						
Capital expenditure	-45	-38	-41	-54	-41	-33
Investments in shares and other investments	-4	-14	1	-2	0	-8
Proceeds from asset disposal	2	85	13	6	31	29
Net cash used in investment	-48	33	-27	-50	-10	-13
Cash flow after investments	1	136	26	57	71	88
Cash flow in financing						
Sales of treasury shares				6		
Change in interest-bearing receivables	1	0	0	-1	0	25
Repayment of long-term debt	-2	-70	-15	-110		-1
Change in short-term debt	-9	-2	1	0	0	-14
Repayment of financing leases	-4	-4	-4	-5	-6	-4
Dividends paid	0	-5	-55	-3	0	-9
Cash flow in financing	-14	-82	-74	-112	-6	-3
Change in cash and cash equivalents	-13	54	-48	-55	65	85

Financial situation

FINANCIAL SITUATION

(EUR million)

	30 Sep 2005	30 Jun 2005	31 Mar 2005	31 Dec 2004	30 Sep 2004
Interest-bearing debt					
Bonds and notes	455	458	463	467	570
Loans from the Pension fund	0	0	64	75	80
Loans from financial institutions	0	1	0	0	2
Financial leases	59	63	61	68	69
Committed credit line 1)	0	0	0	0	0
Others	4 2)	13	15	14	10
Interest-bearing debt, total	519	534	604	625	730
Security deposits	1	1	1	1	0
Securities 3)	122	139	67	96	129
Cash and bank	33	30	48	67	89
Interest-bearing receivables	156	170	116	164	218
Net debt 4)	363	364	489	462	513

- 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 0,9m) and Yomi (EUR 3,1m)
- 3) Securities consists money-market instruments.
- 4) Net debt is interest-bearing debt less cash and interest-bearing receivables.