

elisa

Interim Report

1 July 2006 – 30 September 2006

Q3 2006 Report

President and CEO Veli-Matti Mattila



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Elisa Q3 2006

- Q3 2006 and financial highlights
- Review of the mobile and fixed network businesses
- Execution of the strategy
- Outlook for 2006

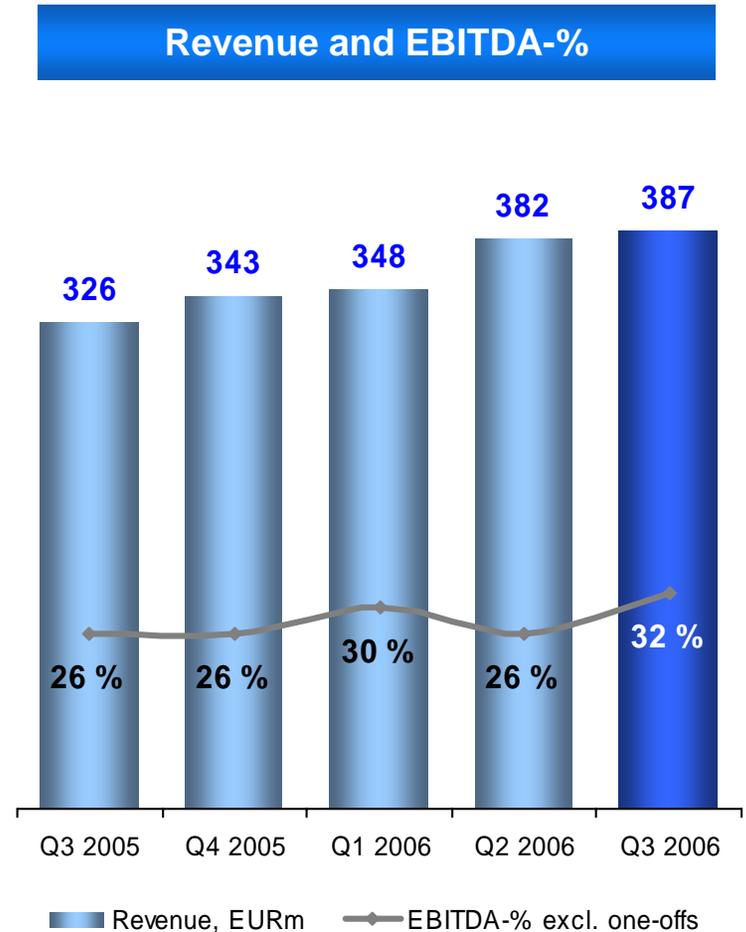


Elisa Q3 2006 highlights

- Sale of 3G service bundles progressed well
- Churn decreased further to 11.7%, mobile ARPU decreased slightly from the previous quarter
 - Lower Saunalahti interconnection fee
- Both mobile and ADSL subscription bases increased
 - Broadband market growth has slowed down
- Revenue and EBITDA improved clearly
- Financial position remained stable

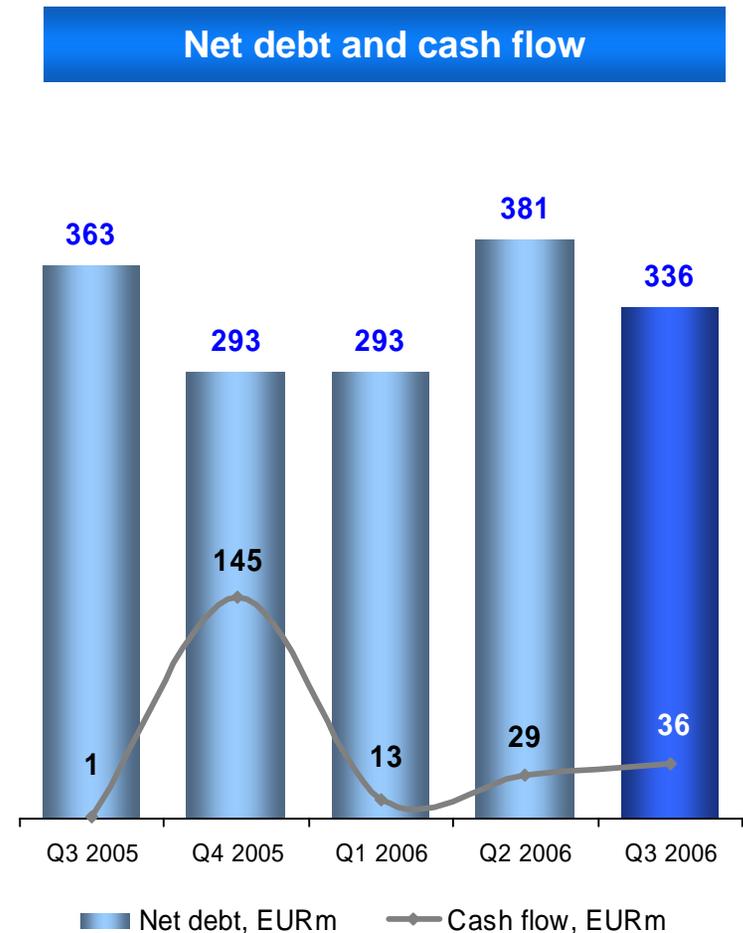
EBITDA improved clearly

- Revenue EUR 387m (326)
- EBITDA EUR 123m (85)
- EBIT EUR 73m (33)
- Pre-tax profit EUR 69m (28)
- EPS EUR 0.32 (0.15)



Financial position stable

- Cash flow EUR 36m (1)
- Net debt EUR 336m (363)
- CAPEX EUR 40m (45), 10% of revenue (14)
- Equity ratio 65% (55)
- Gearing 25% (35)



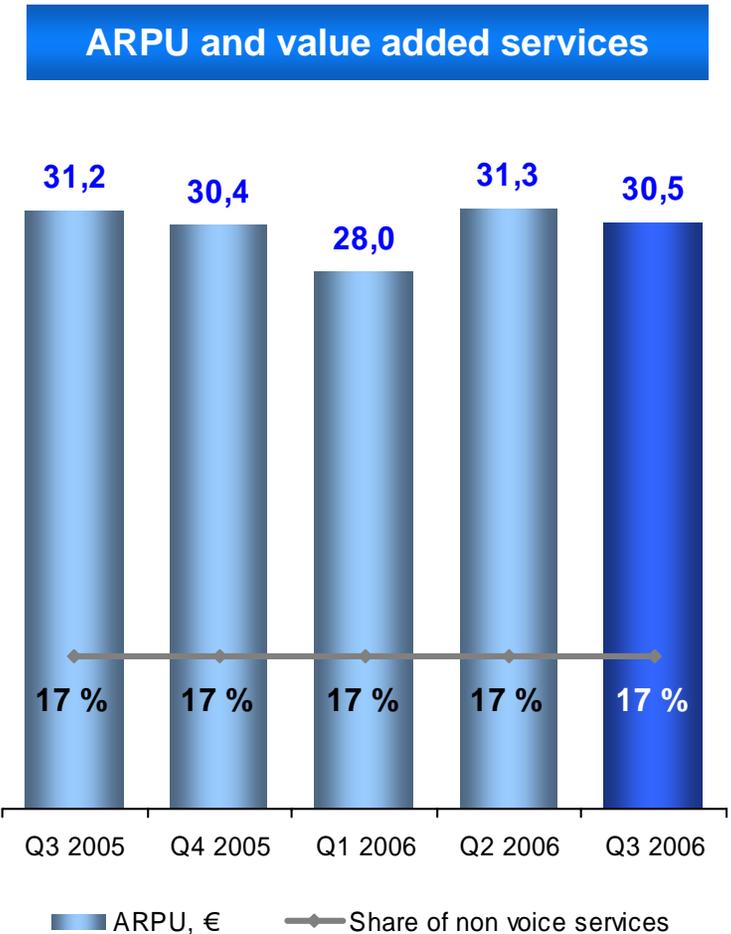
Share buy-back

- Up to 4 million shares
- Starts at the earliest on 27th October 2006
- Approximately EUR 70m
- Acquisitions in public trading
- Shares to be cancelled or to be used as consideration in potential corporate acquisitions



Lower churn, ARPU at the same level

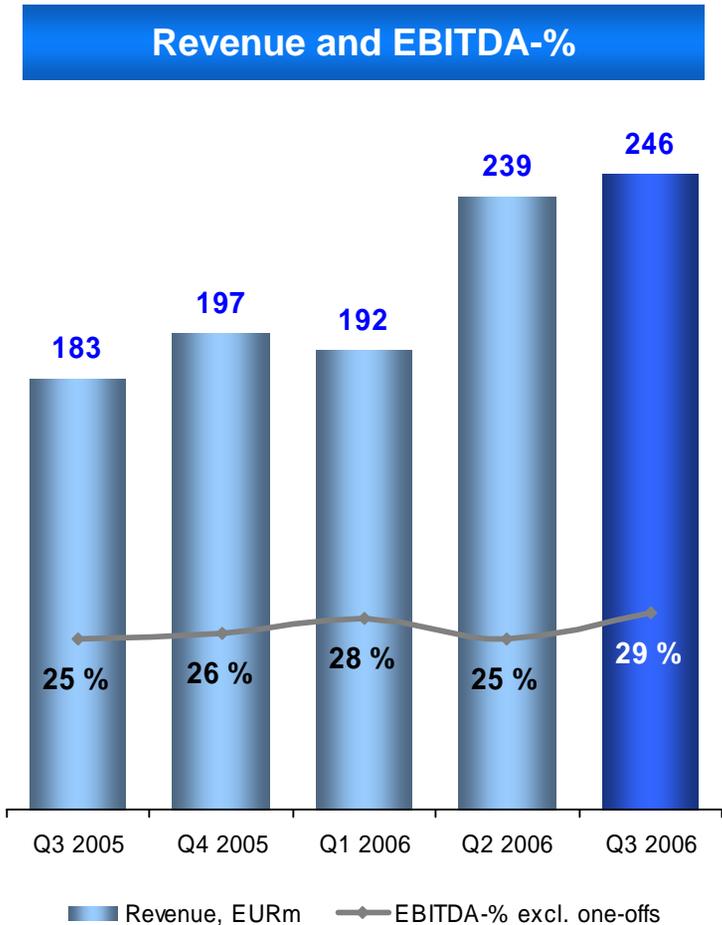
- Churn 11.7 % (27.2*)
 - Shift from price competition to service competition
- ARPU EUR 30.5 (31.2*)
 - Lower Saunalahti interconnection tariff
- 3G service bundles increase use of services
- Growth in network usage
 - MOU grew by 35% and SMS 38% (increased Saunalahti traffic)
 - Growth excluding Saunalahti 17% and 32%, respectively



* excluding Saunalahti

3G handset sales increased revenue

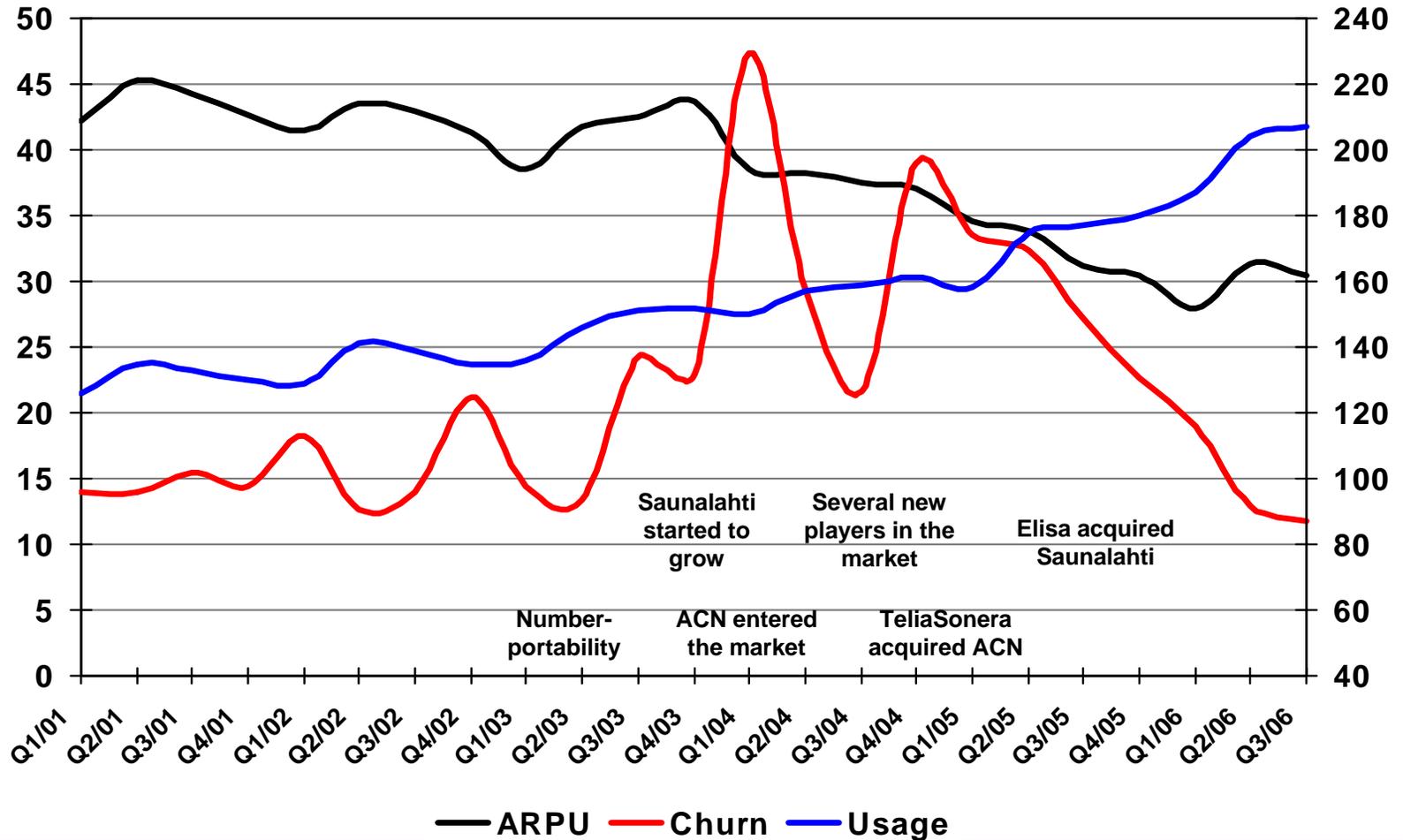
- Revenue EUR 246m (183)
 - Growth due to increased Saunalahti traffic and sale of 3G terminals
- EBITDA EUR 72m (46), 29% of revenue (25)
 - Cost cutting, volume growth, increase in 3G service bundles
- EBIT EUR 49m (24), 20% of revenue (13)



Lower interconnection fee affected ARPU

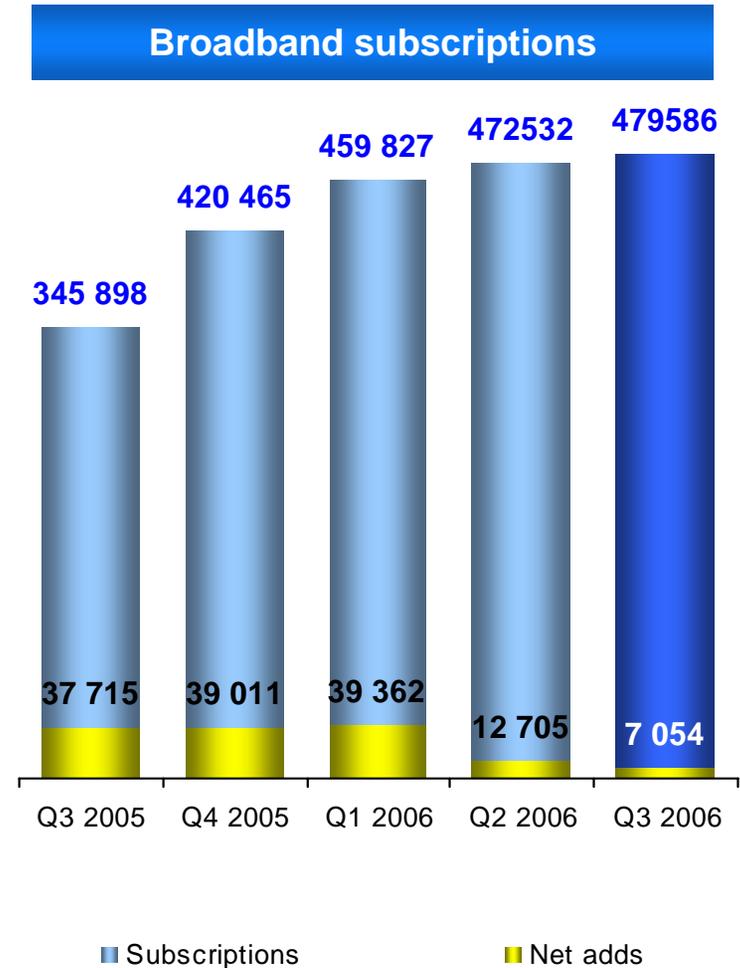
ARPU (EUR) and annualised churn (%)

Usage (min/sub/month)



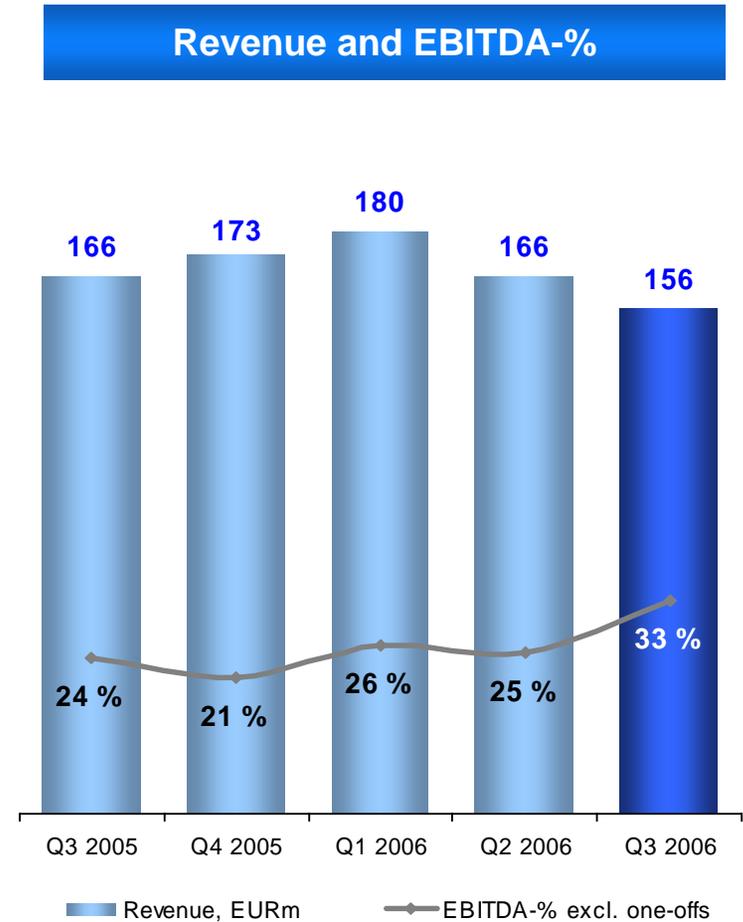
Broadband growth has slowed down

- Broadband subscriptions growth 39% y-o-y
- Broadband growth 7,000 subscriptions in Q3
 - Elisa as a market leader in slower growth subscription market
- Elisa introduced broadband service package to the market
- Decrease in analogue lines continued
 - analogue lines decreased by 11% and ISDN channels by 19%



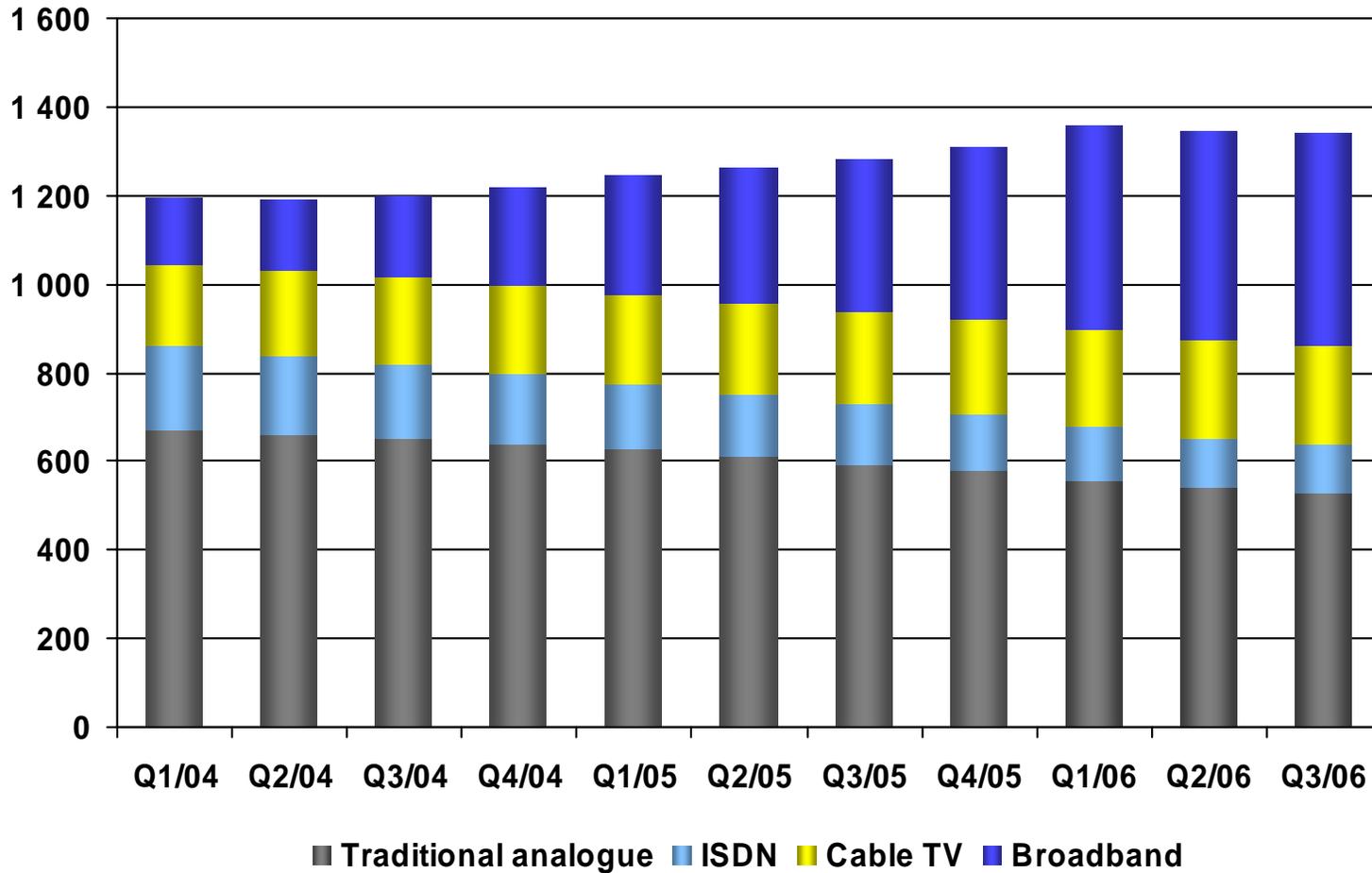
Clear improvement in profitability

- Revenue EUR 156m (166)
 - Lower volumes in traditional subscriptions
 - Seasonality
- EBITDA EUR 52m (40), 33% of revenue (24)
 - Cost cutting, lower sales costs
- EBIT EUR 26m (12), 17% of revenue (7)

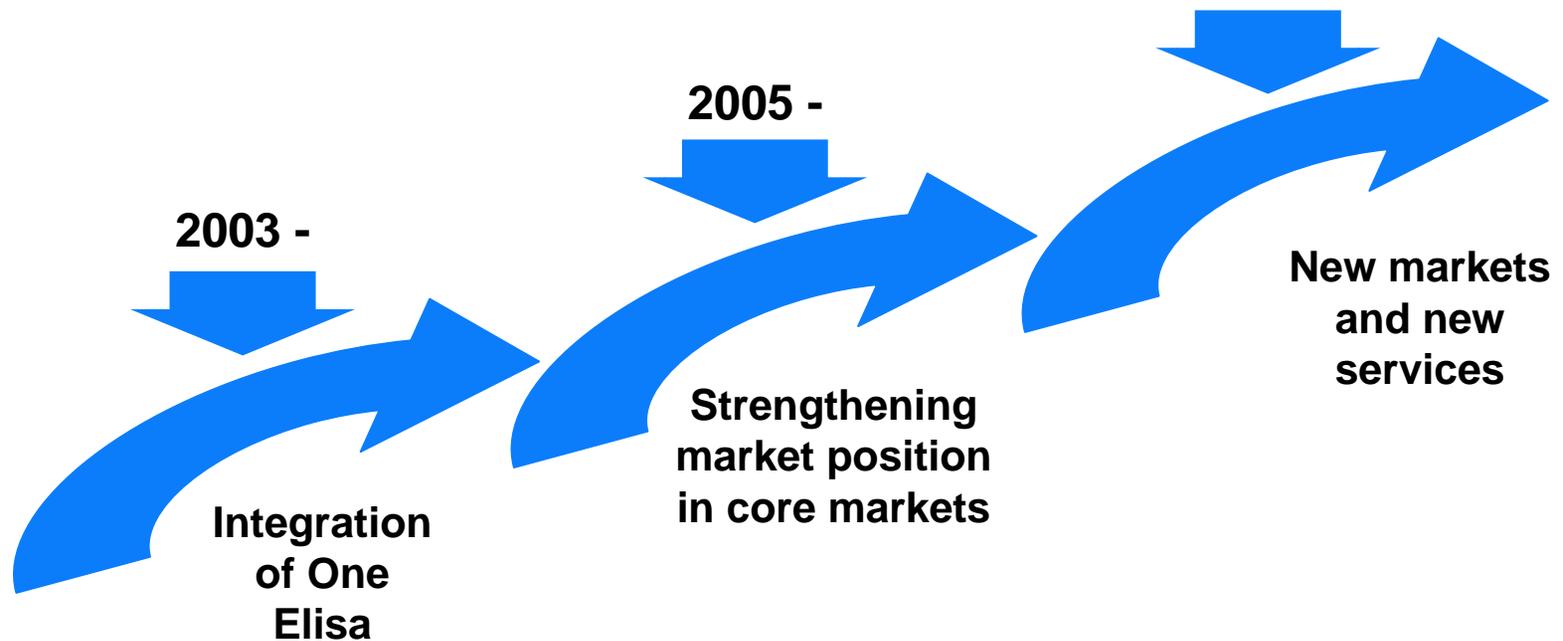


Growth in subscriptions has stopped

Thousands



Strategy execution





Productivity improvement

Significant profitability improvement

- Installation and maintenance outsourcings
- Financial administration outsourcings
- Reduction in personnel costs
- Changes in broadband pricing

Customer orientation

- 3G service bundles and wider service offering
- Terminal management services to corporate customers
- Elisa TV in mobile terminal: 8 TV channels
- Broadband service bundles
- HSDPA launch in Estonia

Simplification of structure

- Tender offer of Lounet shares
- Sale of TV business in Jyväskylä

Strategy execution, new services



Most comprehensive mobile TV – Elisa TV



8 TV channels in mobile terminal



Strategy execution, new services

Device management solution



Full service for mobile handset delivery and management

Also possibility for remote services





3G service bundles success story

- Sale of 3G packages has progressed well
 - Significant amount of new subscriptions is 3G service bundles
- ARPU much higher than in traditional subscriptions
 - Share of data is significant
- Currently about 220,000 3G customers in Finland, estimated amount at the year end more than 300,000

Outlook for 2006

- **Challenging market**
 - Competition remains challenging
 - More focus on services

- **Clear improvement in result**
 - Revenue will clearly grow
 - EBITDA and EBIT excluding non-recurring items will improve clearly
 - Q4 EBITDA and EBIT slightly lower level than in Q3
 - increased market activities
 - seasonality in personnel costs

- **Stable CAPEX and cash flow**
 - CAPEX 13-15 per cent of revenue
 - Cash flow clearly positive



Financial performance

CFO Jari Kinnunen

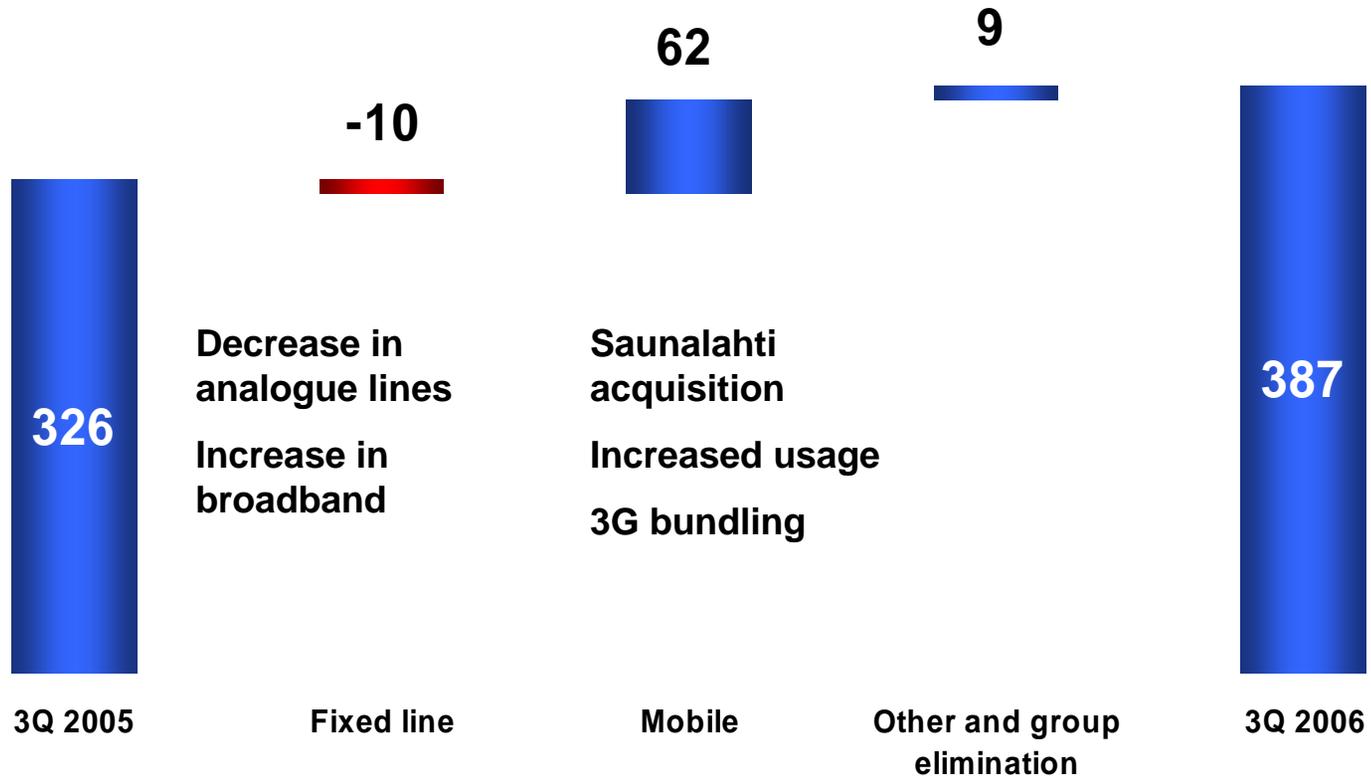


Income statement

EUR million	Q3 2006	Q3 2005	Change	2005
Revenue	387	326	19%	1 337
Other income from operations	3	3		114
Operating expenses	-267	-244		-1 005
EBITDA	123	85	45%	446
<i>EBITDA-%</i>	32%	26%		33%
EBITDA excluding one-offs	123	85	45%	346
<i>EBITDA-% excluding one-offs</i>	32%	26%		26%
Depreciations	-50	-52		-213
EBIT	73	33	121%	233
<i>EBIT-%</i>	19%	10%		17%
Pre-tax profit	69	28	146%	212
Taxes	-16	-6		-34
Net result	53	22	141%	178
EPS, EUR	0.32	0.15	113%	1.22
EPS excluding one-offs, EUR	0.32	0.15	113%	0.61

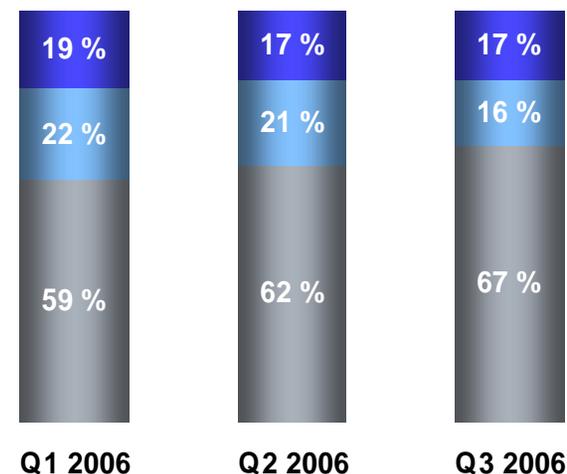


Revenue growth



Operative expenses

	Q1 2006	Q2 2006	Q3 2006
Revenue	348	382	387
Other income	3	1	3
Materials and services	-149	-179	-178
Employee benefit expenses	-57	-60	-43
Other operating expenses	-47	-49	-45
Total	-253	-289	-267
EBITDA	99	95	123
Depreciation	-55	-56	-50
EBIT	43	39	73



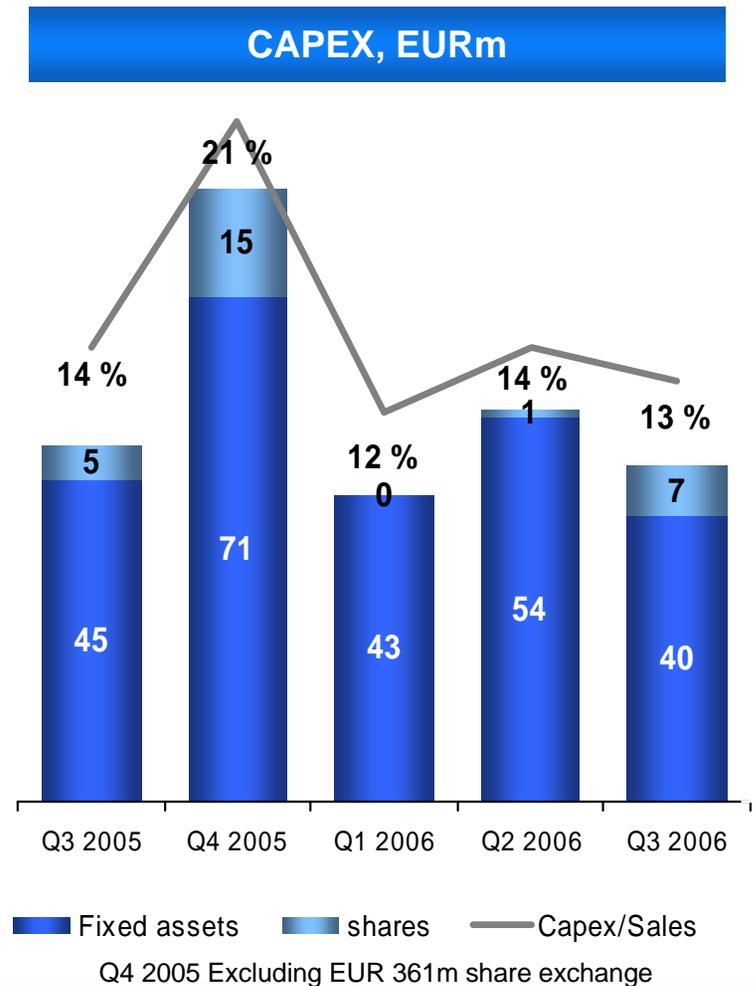
- Other operating expenses
- Employee benefit expenses
- Materials and services

Percentage of total expenses



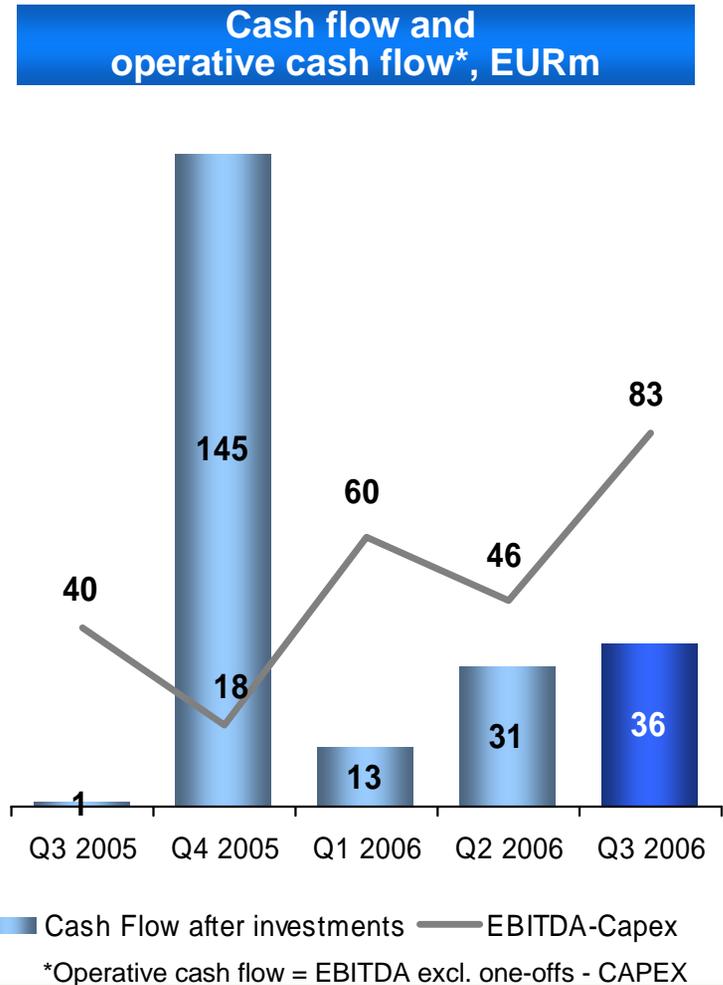
CAPEX

- CAPEX includes
 - New broadband infrastructure
 - 3G-capacity and coverage increase
 - HSDPA in Finland and Estonia
- Investments in fixed assets
 - Mobile EUR 14m
 - Fixed network EUR 27m
- Lounet shares EUR 7m



Cash flow

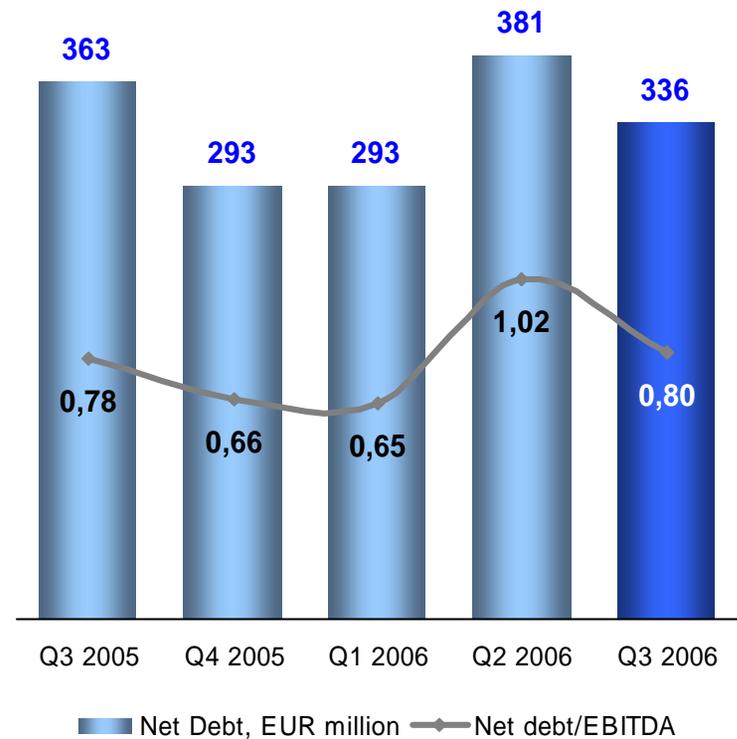
- Positive cash flow EUR 36m in Q3
- Increase in net working capital EUR 22m
 - Sales receivables increased through seasonality and 3G- bundling
 - Inventories decreased EUR 3m



Net debt

- Cash flow EUR 36m in Q3

Net debt, EURm and Net debt/EBITDA



Summary

- Profitability improvement still main focus
 - Streamlining of processes
 - Sourcing and procurement
 - IT systems
 - Outsourcing

- Strong financial position



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Consolidated Cash flow statement

CONSOLIDATED CASH FLOW STATEMENT

EUR million	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004
Cash flow from operating activities									
Profit before tax	69	34	39	33	28	113	39	65	50
Adjustments to profit before tax	50	63	59	57	53	-11	47	34	57
Change in working capital	-22	-6	-40	14	-19	8	-26	18	-16
Cash flow from operating activities	97	91	59	103	62	109	60	117	92
Received dividends and interests and interest paid	-10	-4	-6	2	-12	-4	-7	-5	-11
Taxes paid	0	0	-1	-1	-1	-2	-1	-5	0
Net cash flow from operating activities	87	87	52	105	49	103	53	107	81
Cash flow in investments									
Capital expenditure	-40	-54	-43	-71	-45	-38	-41	-54	-41
Investments in shares and other investments	-18	-5	-3	13	-4	-14	1	-2	0
Proceeds from asset disposal	7	0	7	98	2	85	13	6	31
Net cash used in investment	-51	-58	-39	40	-48	33	-27	-50	-10
Cash flow after investments	36	29	13	145	1	136	26	57	71
Cash flow in financing									
Sales of treasury shares	0	0	1	1				6	
Change in interest-bearing receivables	0	0		0	1	0	0	-1	0
Repayment of long-term debt	0	0	-122	-15	-2	-70	-15	-110	
Change in short-term debt	-35	35		-8	-9	-2	1	0	0
Repayment of financing leases	-2	-3	-3	-4	-4	-4	-4	-5	-6
Dividends paid	-1	-117	-5	-62	0	-5	-55	-3	0
Cash flow in financing	-38	-85	-129	-89	-14	-82	-74	-112	-6
Change in cash and cash equivalents	-2	-56	-116	56	-13	54	-48	-55	65

Financial situation

Financial situation (million euros)

	30 Sep 2006	30 Jun 2006	31 Mar 2006	31 Dec 2005	30 Sep 2005
Interest-bearing debt					
Bonds and notes	327	326	326	446	455
Commercial Paper	0	35	0	0	0
Loans from financial institutions	0	0	0	0	0
Financial leases	48	49	51	56	59
Committed credit line 1)	0	0	0	0	0
Others	1 2)	11	13	4	4
Interest-bearing debt, total	375	421	390	506	519
Security deposits	1	1	1	1	1
Securities	0	0	41	177	122
Cash and bank	38	40	55	34	33
Interest-bearing receivables	39	41	96	213	156
Net debt 3)	336	381	294	293	363

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 0,5m), Saunalahti (EUR 9,8m) and Tikka (EUR 0,6m)

3) Net debt is interest-bearing debt less cash and interest-bearing receivables.