

Elisa Communications Interim Report

1 July 2002 – 30 September 2002

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- July – September in brief, and the outlook for the rest of the year
 - CEO Matti Mattheiszen

- Group key figures and financial situation
 - CFO Vesa-Pekka Silaskivi

- Performance of Business Areas
 - Group Spokesman Pekka Perttula

Q3 2002 Group Highlights

- The Group produced EUR 32m positive cash flow*
 - The positive development of operative cash flow will continue during Q4 2002 and throughout 2003

- Further CAPEX reductions, CAPEX per sales was 14% (34%)
 - Full year operative CAPEX target is now set at EUR 225m, of which EUR 30m is in Germany

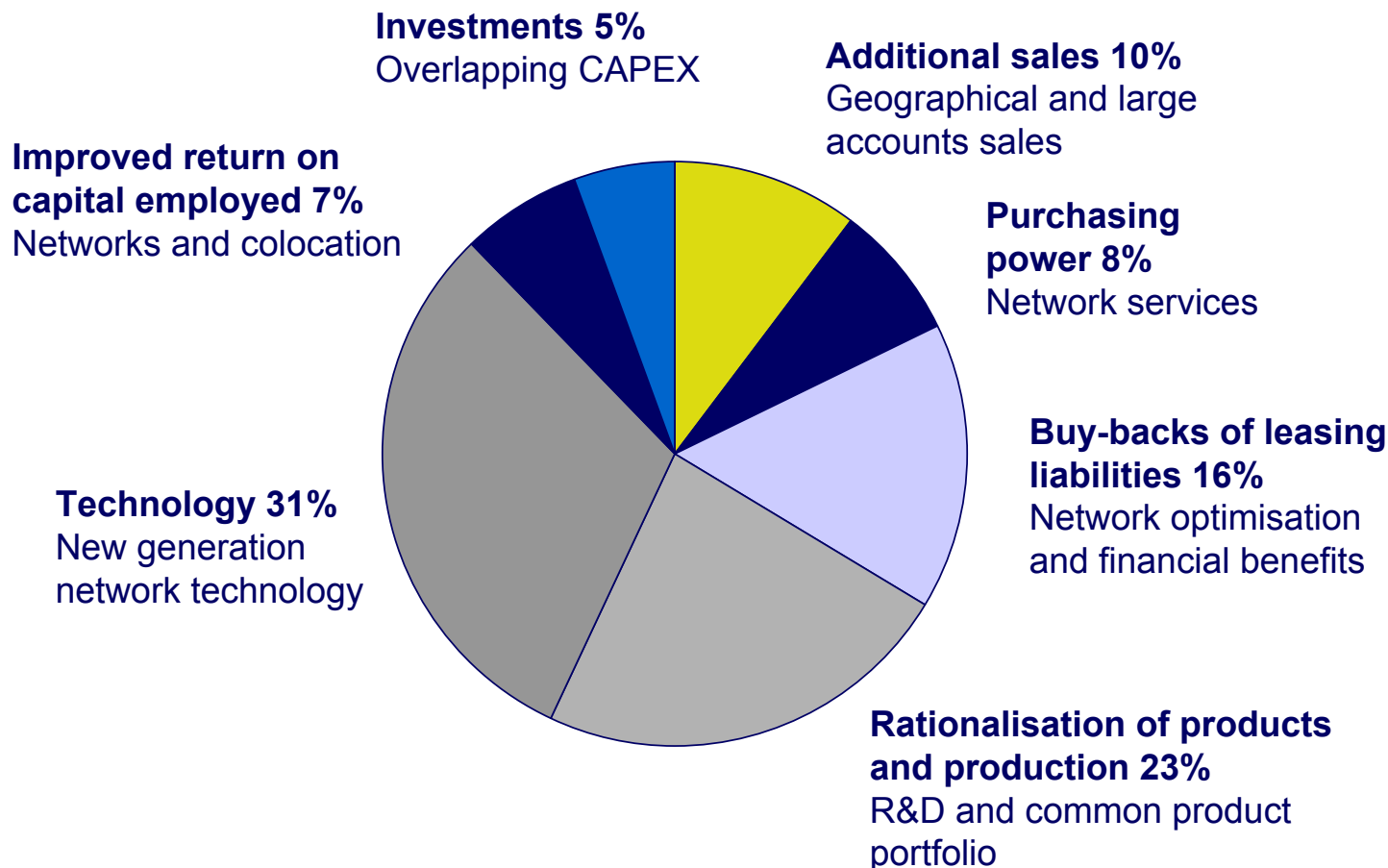
- Net debt cutting programme is underway
 - Net debt has been reduced to EUR 817m and year-end target is set at EUR 775m

* Cash flow after investments: Jan-Sep 2002 EUR 48m – Jan-Jun 2002 EUR 16m = EUR 32m (see the appendix of interim report: cash flow statement)

Business Highlights

- Overview of the Group's business
 - The positive business development of the Group was affected by exceptional market conditions and strongly increased annual pension expenses
- The Group implemented its restructuring programme
 - Non-core divestments, adjusted CAPEX programme, cost cutting and personnel reductions proceed as directed. Head-count was further reduced by about 520.
- The Group's future synergy and savings potential are substantial
 - In line with a revised plan, we estimate that substantial synergy and rationalisation potential exists in the current business portfolio.
 - The benefits materialised by end of Q3 we estimate at EUR 30m

Synergy and Savings Potential



Future Outlook

- In line with previous guidance, the Group's revenue for the whole of 2002 is expected to grow faster than the market in general
- In line with previous guidance, EBITDA exclusive of one-off items is estimated to grow compared to the fiscal year 2001
- Cash flow is estimated to remain positive
- The positive impact of the restructuring and rationalising measures will take full effect in the latter half of this year. Due to changes in the market and increasing pension expenses H2 profitability is estimated to be at H1 level.
- In line with previous guidance, EBITDA of the Elisa Kommunikation GmbH, the Group's German subsidiary, is expected to turn positive by the end of 2002. EBIT is expected to turn positive by the end of 2003.
- Integration and rationalising measures will continue according to the decided programme. Synergy and other benefits are estimated to accrue EUR 120-150m by the end of 2005. This will improve the Groups competitiveness in the forthcoming years.

Key Figures and Financial Situation

Q3 2002 Financial Highlights

- Revenue and profitability remained at H1 level
 - Group figures were affected by changes in domestic competitive environment, additional pension costs and a difficult IT market

- Financial position remained solid
 - Group cash flow was positive
 - Net debt has been decreased and will be further reduced

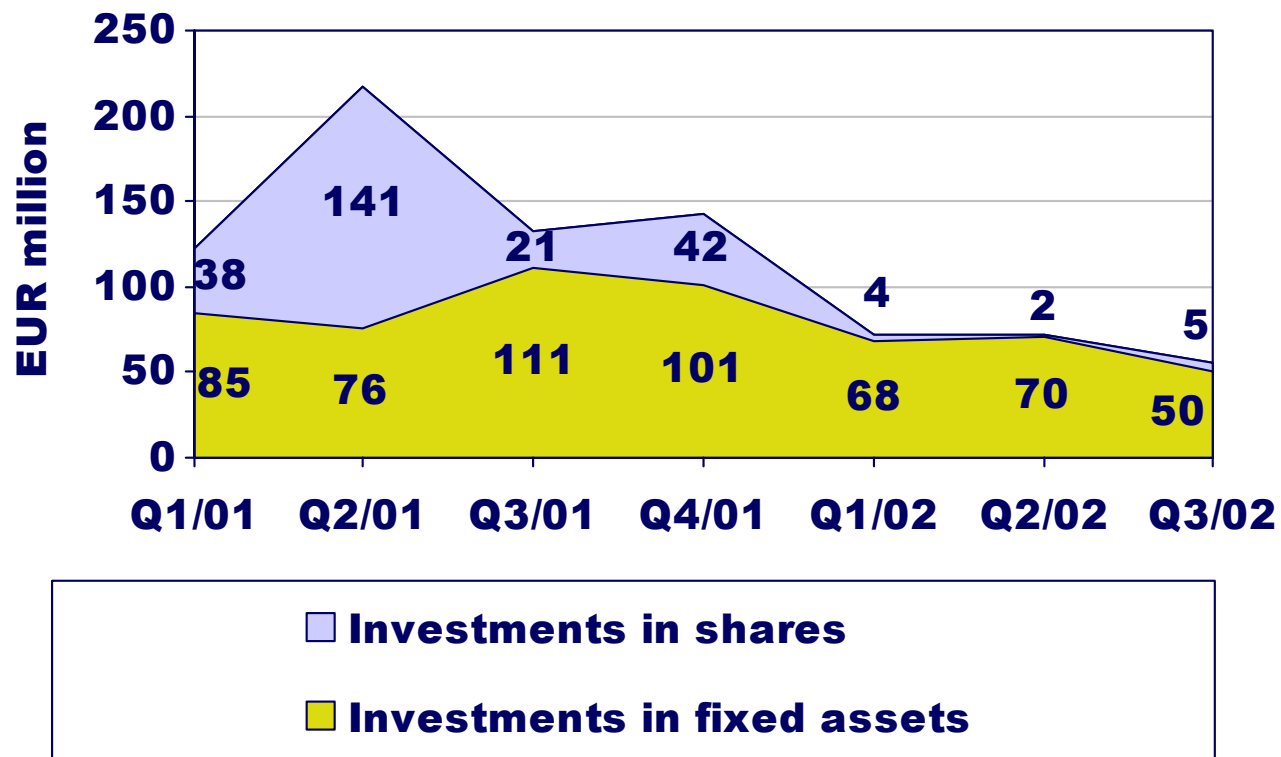
- Group transparency and comparability have improved
 - Non-recurring provision for the GSM leasing liabilities guarantees that future write-downs from network buy-backs are no longer needed

Key Figures of Elisa Group Q3 2002

EUR million				Excluding one-off items		
	Q3/02	Q3/01	change	Q3/02	Q3/01	change
Revenue	388	389	0 %	388	389	0 %
EBITDA	51	91	-44 %	84	90	-7 %
EBIT	-43	16	-	6	21	-71 %
Pre Tax Profit	-56	-1	-	-7	4	-

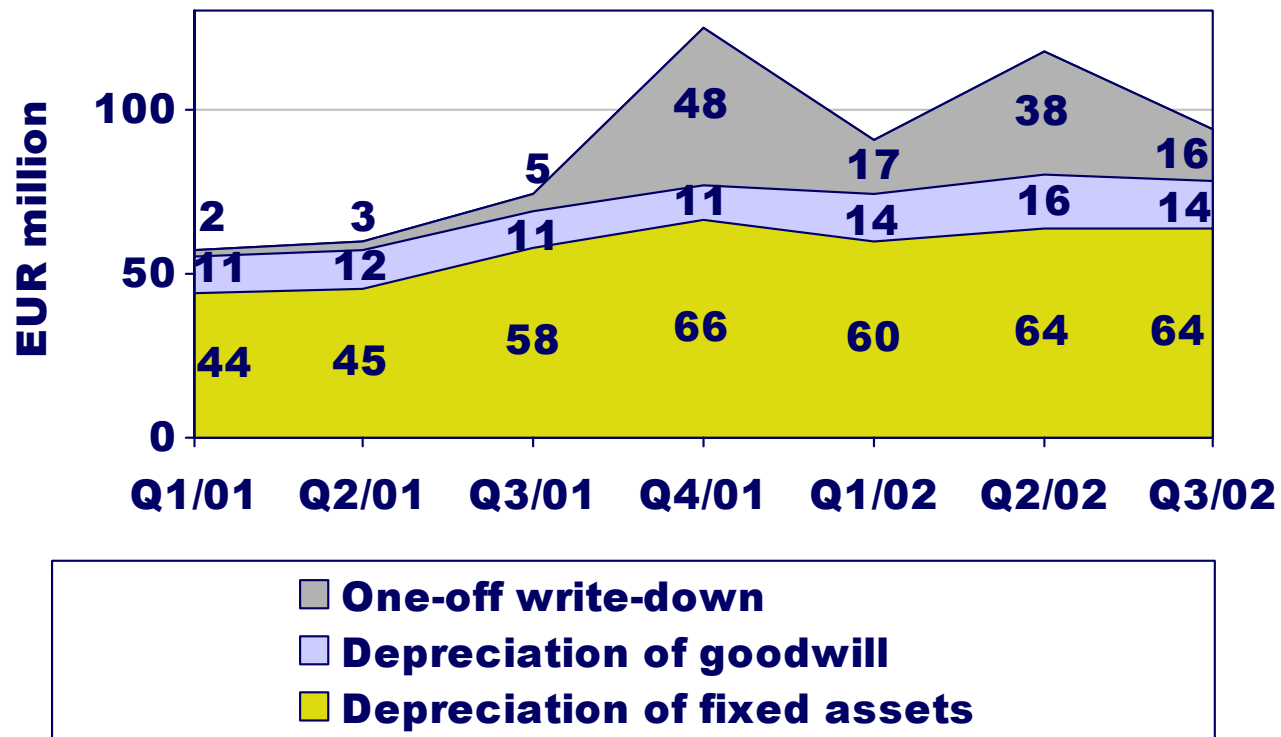
- Without one-off items EBITDA was EUR 84m and EBIT EUR 6m
- One-off items affecting EBITDA:
 - Capital gain of EUR 35m from the sale of Elisa Instalia business
 - Other capital gains of EUR 9m (Yomi directories and Telekolmio)
 - EUR 77m cost reserving for the GSM leasing liabilities
- In addition one-off write-downs affecting EBIT:
 - GSM network write-down of EUR 12m
 - One-off depreciation of EUR 4m in Yomi Group
- Nine months y-o-y revenue growth was 12%

CAPEX by Quarters



Investments in fixed assets include Radiolinja's buy-backs of leasing liabilities

Depreciations by Quarters



EUR 77m Non-recurring Provision of GSM Leasing Liabilities

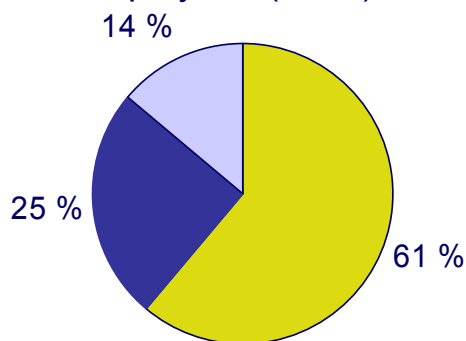
- The Group's management has evaluated the value of the leasing liabilities based on the statements in Q2 2002 report (changes in technology, rearrange of agreements) and decided to make a non-recurring provision
- No cash flow effect
- Tax shield of EUR 22m over the coming years
- Future one-off write-downs from network buy-backs are no longer needed
- Mobile business of Elisa will be more transparent and comparable with its peers
- After this provision the remaining leasing liability corresponds to the book value of network depreciated according to the regular plan*

*About two thirds of the future buy-backs will be reserved for provision and about one third to fixed assets. About two thirds of the leasing payments will also be reserved against provision and one third as a leasing cost

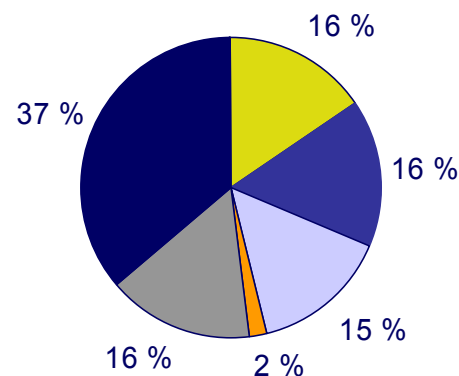
Pension Fund Liabilities are Fully Covered

- Statutory pension cover is arranged by the Pension Funds of Elisa Group or with pension insurance companies
- If the stock market performance is flat, total pension cost could be EUR 16m higher in 2002 than in 2001 (Jan-Sep 2002 EUR 9m, of which EUR 3m in Q3)
- Size of the investment portfolio in Group's funds is EUR 221m

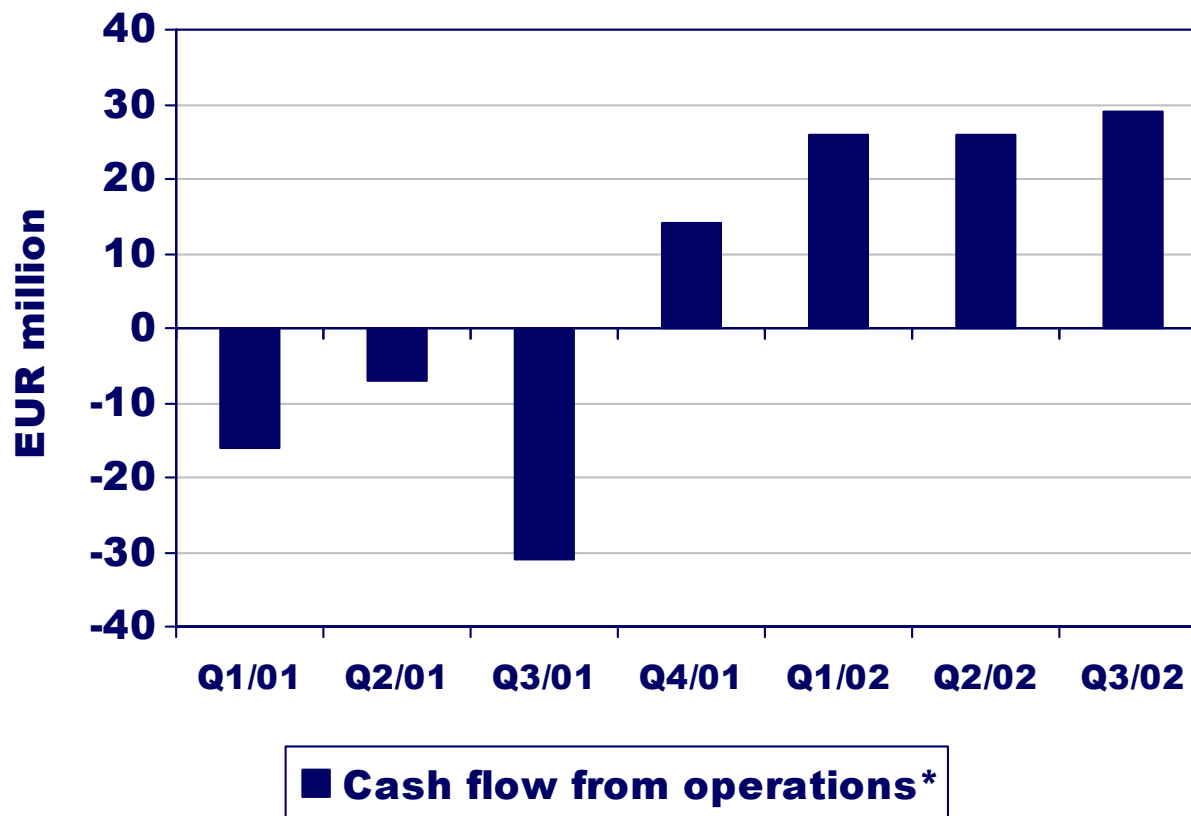
Pension cover providers by total no of employees (7608)



Investment portfolio

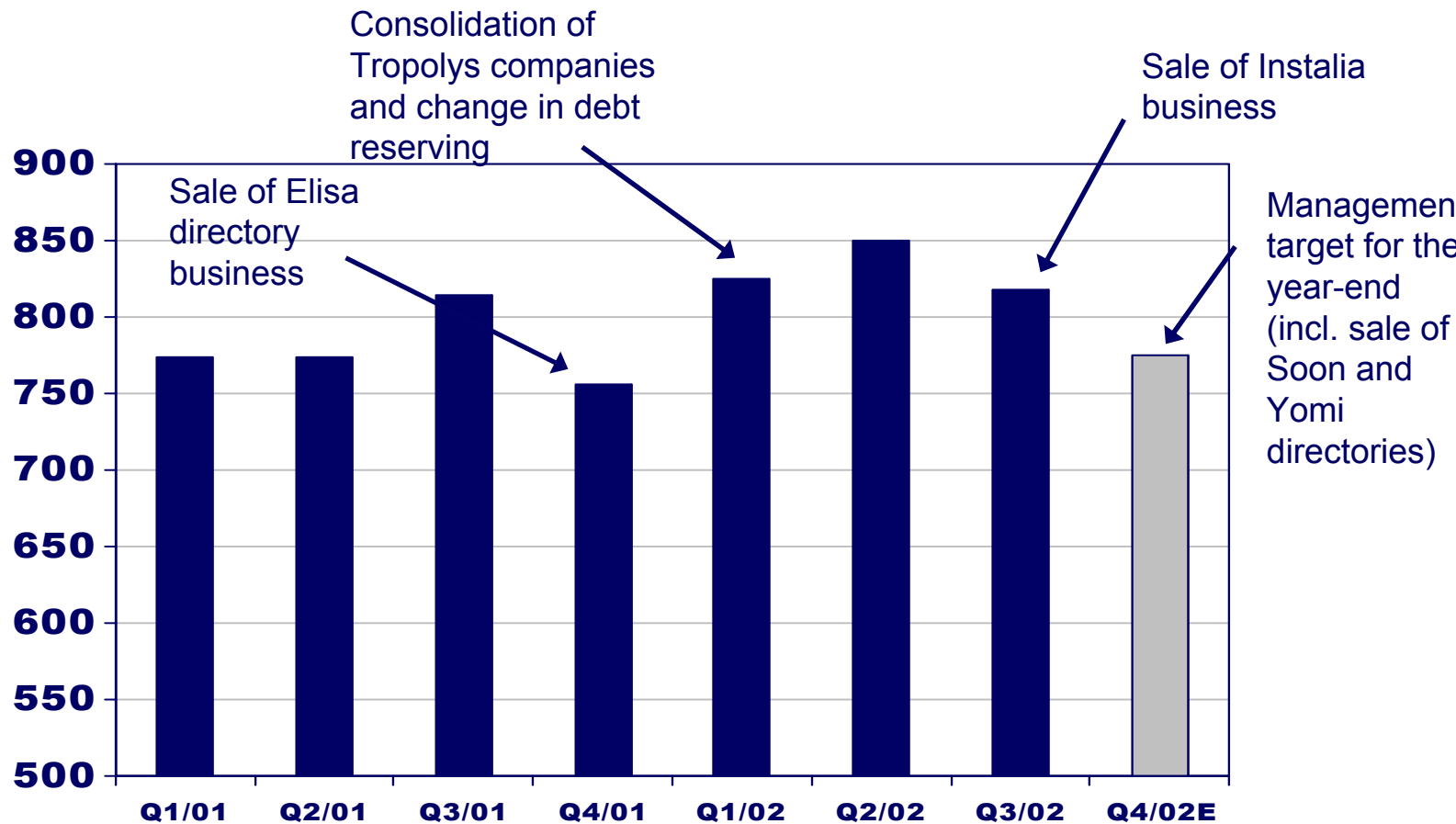


Cash Flow from Operations is Positive



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

Net Debt Reduction in Progress



Performance of Business Areas

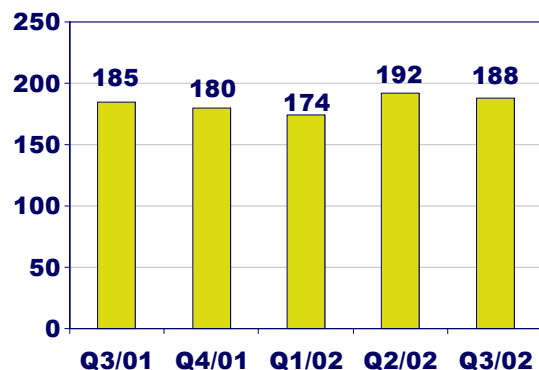
Elisa Mobile Q3 2002

Elisa Mobile

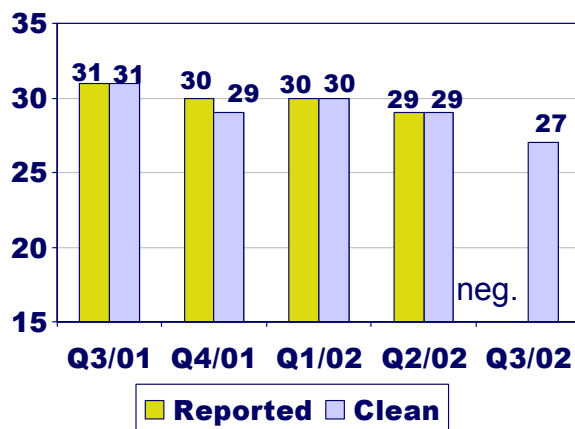
Service- and network operators
 Distribution companies
 Intra-SBA sales
 One-time items
 Group bookings
 Total excl. one-offs

	Revenue			EBITDA			EBIT		
	Q3/02	Q3/01	change	Q3/02	Q3/01	change	Q3/02	Q3/01	change
Service- and network operators	178	175	2 %	-30	58	-	-68	36	-
Distribution companies	12	14	-14 %	3	-1	-	4	-2	-
Intra-SBA sales	-2	-4							
One-time items				77			89	3	
Group bookings							-10	-9	
Total excl. one-offs	188	185	2 %	50	57	-12 %	15	28	-46 %

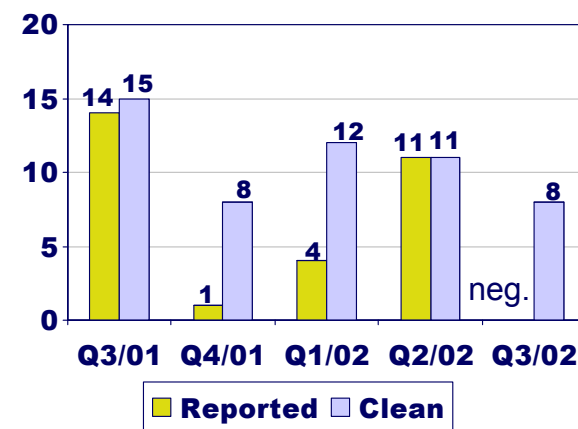
Revenue, EUR million



EBITDA / revenue, %



EBIT / revenue, %



Elisa Mobile (cont.)

Radiolinja's key figures	Q3/2002	Q3/2001	%	2001
Clean EBITDA	50	57	-12 %	224
Leasing adj. EBITDA	57	70	-18 %	275
CAPEX	16	70	-78 %	242
Subscriptions in Finland *	1 301 621	1 295 280	0 %	1 356 204
ARPU **	43	44	-2 %	43,5
Churn **	14,0 %	15,5 %		14,3 %
Minutes of use, million *	521	503	4 %	1974
Minutes of use / subscription **	139	133	5 %	132
No. of SMS, million *	100	97	3 %	394
No of SMS / subscription **	27	26	4 %	26
Value added services / revenue	11 %	11 %		12 %

* Network operator

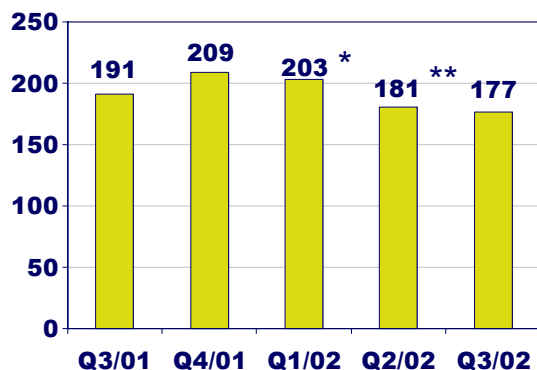
** Radiolinja's service operators in Finland

- Radiolinja launched first Vodafone services during Summer. One key area of Vodafone and Radiolinja is Pan-Nordic co-operation for the creation of excellent Nordic scope of services for Radiolinja's customers.
- MMS services were launched in September

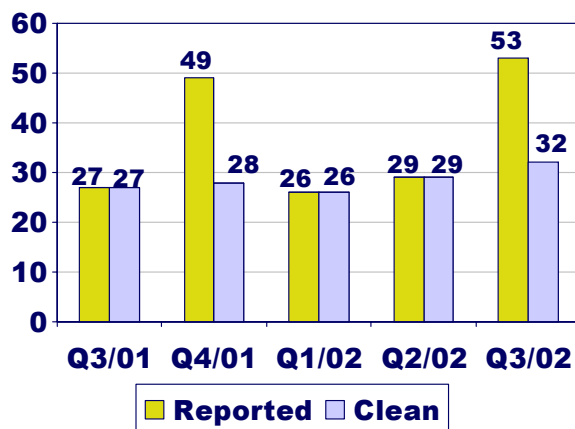
Fixed Network Business Q3 2002

Fixed network	Revenue			EBITDA			EBIT		
	Q3/02	Q3/01	change	Q3/02	Q3/01	change	Q3/02	Q3/01	change
Service operator	170			15			0		
Network operator	77			78			64		
Intra-SBA sales	-70								
One-time items				-36			-36		
Group bookings				0			0		
Total excl. one-offs	177	209	-15 %	57	59	-3 %	28	27	4 %

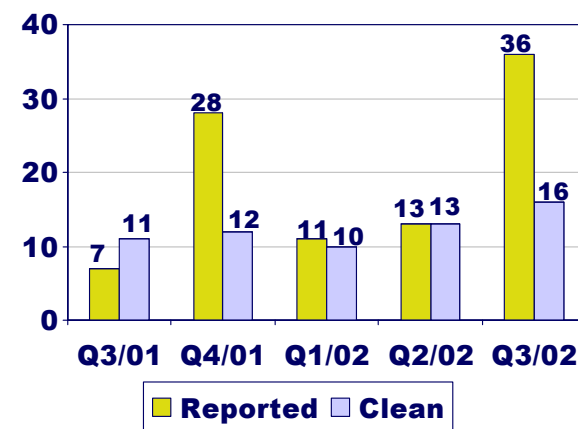
Revenue, EUR million



EBITDA / revenue, %



EBIT / revenue, %



* Sale of Elisa Direktia business

** Yomi IT and Estera figures in the SBA of Other Companies

Fixed Network Business (cont.)

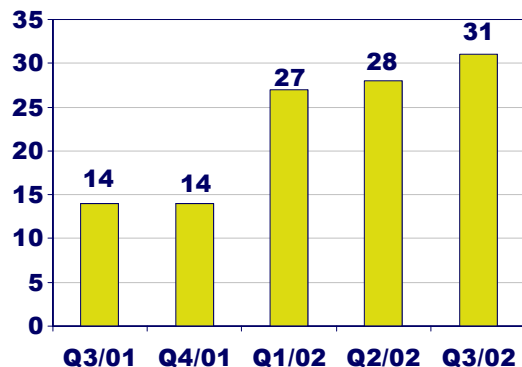
Subscriptions	Q3/2002	Q3/2001	Change
ISDN channels	249 700	271 600	-8 %
Broadband channels	59 000	19 400	204 %
Cable TV	143 700	128 800	12 %
Analogue and others	689 300	733 900	-6 %
Total	1 141 700	1 153 700	-1 %

- The Group and its associated companies have about 165 000 cable TV subscriptions. The estimated revenue of this profitable business is EUR 16m on an annual basis.
- Security, construction automation and energy control system businesses of the Group are concentrated into Estera Ltd. The estimated revenue is EUR 20m on an annual basis. This business is also profitable.

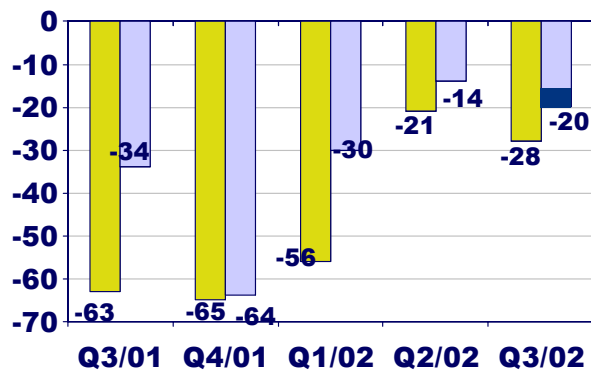
Germany-based Operations Q3 2002

Germany	Revenue		EBITDA		Net result (incl. minority share)	
	Q3/02	Q3/01	Q3/02	Q3/01	Q3/02	Q3/01
Carrier-business	31	11	-9	-6	-13	-11
Mäkitorppa GmbH	0	3	0	-3	0	-4
One-time items						
Group bookings						
Total excl. one-offs	31	14	-9	-9	-13	-15

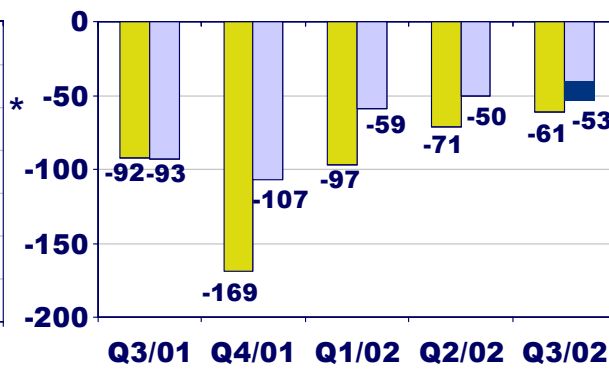
Revenue, EUR million



EBITDA / revenue, %



EBIT / revenue, %



Reported Clean

Reported Clean

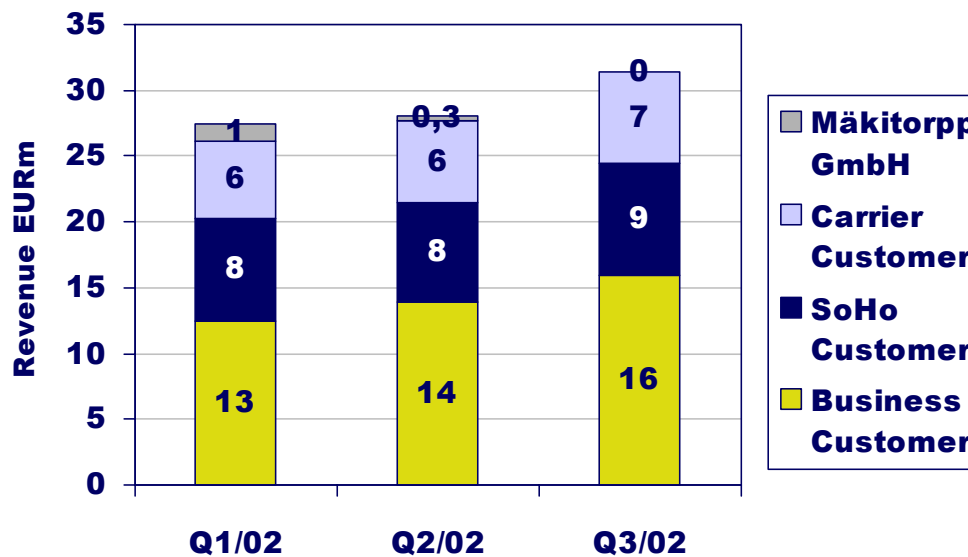
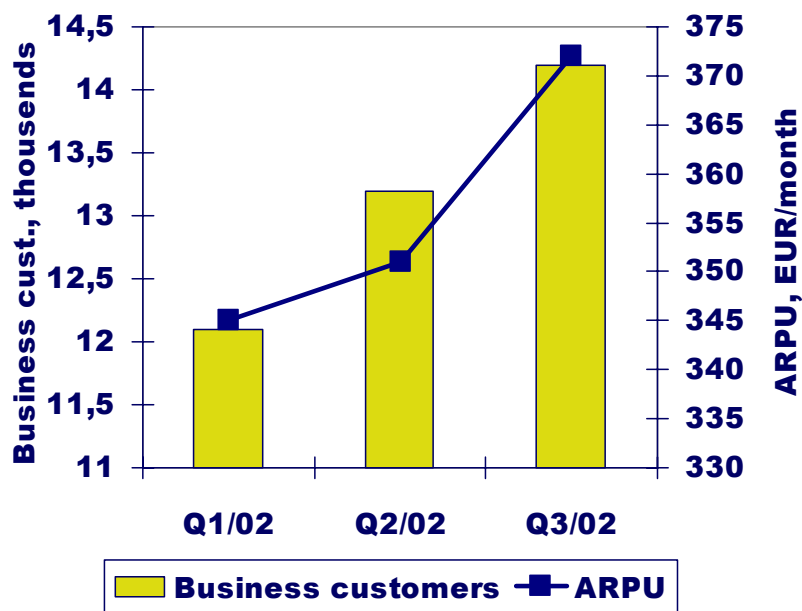
* Q3/02: without TIME CityLink EBITDA/revenue was -15.5% and EBIT/revenue -47.5%

Germany-based Operations (cont.)

- The portfolio has been restructured sooner than planned
 - Q3 includes EUR -2.5m non-recurring restructuring cost
 - Result also includes EUR -1.4m consolidation effect on EBITDA (TIME CityLink)
 - Underlying EBITDA was EUR -4.9m in Q3
 - Net loss decreased to EUR -12.7m (-15.2)
 - EBITDA break-even target of 2002 and EBIT break-even target for 2003 remain unchanged

Germany-based Operations (cont.)

- The amount of new business customers and ARPU exceeded the objectives



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**Elisa Communications
Interim Report
Appendix**

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Elisa Group's Q3 2002 P&L

Elisa Communications Group EURm	Q3/02	Q3/01	Excl. one-off items *	
			Q3/02	Q3/01
Revenue	388	389	388	389
Other income from operations	46	4	3	3
EBITDA	51	91	84	90
<i>EBITDA margin</i>	13 %	23 %	22 %	23 %
Depreciation	-80	-64	-64	-58
Goodwill depreciation	-14	-11	-14	-11
EBIT	-43	16	6	21
<i>EBIT margin</i>	-11 %	4 %	2 %	5 %
Share of associated companies result	-1	-5	-1	-5
Net financial items	-13	-12	-13	-12
Pre Tax Profit	-56	-1	-7	4

*Q3/02: GSM reserve EUR -77m, sale of Elisa Instalia EUR +35m, sale of Yomi directories EUR +8m, sale of Telekolmio shares EUR +1m, GSM write-off EUR -12m and one-off depreciation in Yomi EUR -4m
 Q3/01: GSM write-off EUR -3m, capital gain EUR +1m and fixed network write-off EUR -3m

Key Figures of Elisa Communication

Elisa Group EURm	Q3/02	Q2/02	Q1/02	Q4/01	Q3/01	Q2/01	Q1/01
Revenue	388	406	384	386	389	331	333
EBITDA	51	86	78	183	91	75	76
<i>EBITDA-%</i>	13 %	21 %	20 %	47 %	23 %	23 %	23 %
Clean EBITDA	84	86	86	97	91	77	68
<i>Clean EBITDA-%</i>	22 %	21 %	22 %	25 %	23 %	23 %	20 %
EBIT	-43	-32	-13	58	16	15	19
Clean EBIT	6	6	12	19	22	31	13
Pre-Tax Profit	-56	-49	-25	44	-1	3	0
Clean Pre-Tax Profit	-7	-11	0	5	5	3	0
Financial position							
Net debt	817	850	825	756	814	773	774
Equity ratio	35 %	38 %	38 %	40 %	40 %	39 %	37 %
Net debt / EBITDA	2,4	2,45	2,7	1,8	2,5	2,6	2,1
Net interest coverage	6,7	7,2	6,8	8,8	7,3	6,8	7,8
Gearing	105 %	102 %	94,1 %	88,4 %	96,7 %	91,1 %	112,8 %

Key Figures (cont.)

Business Areas	Q3/02	Q2/02	Q1/02	Q4/01	Q3/01	Q2/01	Q1/01
Elisa Mobile							
ARPU, EUR	43,0	43,5	41,4	42,7	44,2	45,3	42,2
Churn, %	14,0	12,7	18,2	14,4	15,5	13,9	13,9
Subscriptions	1 301 621	1 289 016	1 348 710	1 356 204	1 295 280	1 281 577	1 392 000
EBITDA	50	55	52	47	58	47	46
<i>EBITDA-%</i>	27 %	29 %	30 %	28 %	33 %	27 %	29 %
Leasing adjusted EBITDA	57	66	63	60	71	60	59
<i>Leasing adj. EBITDA-%</i>	30 %	34 %	36 %	35 %	41 %	34 %	37 %
Fixed line							
Subscriptions, total	1 141 658	1 142 755	1 147 000	1 137 000	1 152 000	735 570	747 968
Broadband subscriptions	58 974	43 865	36 000	27 000	19 000	11 623	8 300
ISDN channels	249 667	260 015	269 000	276 000	272 000	219 147	213 811
EBITDA	57	52	52	63	52	32	34
<i>EBITDA-%</i>	32 %	29 %	26 %	27 %	27 %	26 %	25 %

Reconciliation of Clean EBITDA and EBIT

<u>EURm</u>	<u>Q3/2002</u>
Sales	388
Other income	46
Opex	-383
EBITDA	51
Capital gains	-44 1)
One-time cost booking	77 2)
Clean EBITDA	84
Depreciation	-80
Goodwill depreciation	-14
Write-down for Radiolinja	12 3)
Write-down for other companies business	4 4)
Clean EBIT	6

1) Sale of Elisa Instalia business and other capital gains

2) Cost booking of GSM leasing liabilities

3) One-off write-downs from fixed assets (GSM network)

4) One-off write-down in Yomi

Revenue, EBITDA and EBIT, and Clean EBITDA and EBIT by Business Areas, EURm

Elisa Mobile Service- and network operators Distribution companies Intra-SBA sales Group bookings Total	Revenue		EBITDA		EBIT		Clean EBITDA		Clean EBIT	
	Q3/02	Q3/01	Q3/02	Q3/01	Q3/02	Q3/01	Q3/02	Q3/01	Q3/02	Q3/01
	178	175	-30	58	-68	36	47	58	21	39
	12	14	3	-1	4	-2	3	-1	4	-2
	-2	-4			-10	-9			-10	-9
	188	185	-27	57	-74	25	50	57	15	28

Fixed network Service operator Network operator Intra-SBA sales Group bookings Total	Q3/02	Q3/01	Q3/02	Q3/01	Q3/02	Q3/01	Q3/02	Q3/01	Q3/02	Q3/01
		170		15		0		15		0
	77		78		64		42		28	
	-70									
			0		0		0		0	
	177	209	93	59	64	24	57	59	28	27

Germany Carrier-business Mäkitorppa GmbH Group bookings Total	Q3/02	Q3/01	Q3/02	Q3/01	Q3/02	Q3/01	Q3/02	Q3/01	Q3/02	Q3/01
		31	11	-9	-6	-19	-10	-9	-6	-19
	0	3	0	-3	0	-4	0	-3	0	-4
	31	14	-9	-9	-19	-14	-9	-9	-19	-14

Other companies Comptel Other companies Group bookings Total	Q3/02	Q3/01	Q3/02	Q3/01	Q3/02	Q3/01	Q3/02	Q3/01	Q3/02	Q3/01
		12	11	-1	1	-2	1	-1	1	-2
	14	8	7	0	3	0	-1	-1	-1	-1
					-1		0		-1	
	26	19	6	1	0	1	-2	0	-4	0

Group functions Group functions*	Q3/02	Q3/01	Q3/02	Q3/01	Q3/02	Q3/01	Q3/02	Q3/01	Q3/02	Q3/01
		8	6	-12	-17	-14	-20	-12	-17	-14

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

Elisa Group Business areas total Inter-SBA sales Group total	Q3/02	Q3/01	Q3/02	Q3/01	Q3/02	Q3/01	Q3/02	Q3/01	Q3/02	Q3/01
		430	433	51	91	-43	16	84	90	6
	-42	-44								
	388	389	51	91	-43	16	84	90	6	21