

elisa

Interim Report

1 July 2004 – 30 September 2004

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Q3 2004 Report

President and CEO Veli-Matti Mattila



Elisa Q3 2004

- Market Review and Financial Highlights
- Development of Operations
- Future Outlook
- Distribution Policy



Elisa Q3 2004 Highlights

- Keen competition continued
- Growth in mobile subscriptions and lower churn
- Strong growth in broadband channels continued
- Updated distribution policy



Improved Result, Lower Revenue

- Revenue EUR 333m (385)
- EBITDA EUR 105m (107)
- EBIT EUR 45m (26)
- Pre-tax profit EUR 36m (17)



Financial Position Strengthened

- Cash flow EUR 65m (21)
 - Sale of non-core assets EUR 32m
- Net debt EUR 461m (722)
- Operative CAPEX 12% of revenue (11)
- Equity ratio 45% (40)



Successful Quarter for Mobile Business

- Growth in subscriptions continued
- Churn decreased further
- Growth in subscriber usage, price erosion continued
- Growth in Kolumbus subscriptions



Mobile Results Improved

- Revenue EUR 179m (194)
 - Change in revenue booking procedure
 - Increased usage compensated for price erosion
- EBITDA EUR 57m (58), 32% of revenue (30)
- EBIT EUR 25m (25), 14% of revenue (13)
- Number of Elisa's own service provider's subscriptions increased by 34,000 from Q2



Growth in Fixed Network Market

- Strong demand in broadband channels continued, growth 72%
- Number of analogue lines decreased
- Elisa broadband now in more than 300 municipalities
 - target to offer nationwide



Fixed Network Profit Improved

- Revenue EUR 161m (166)
- EBITDA EUR 47m (45), 29% of revenue (27)
- EBIT EUR 21m (14), 13% of revenue (8)
- Broadband subscriptions up 72% to 185,100 (107,900)



Operational Priorities

1. Customer orientation
 - Antivirus program services for the mobile business
 - Mobile phone-enabled check-in service for airlines
2. Simplification of structure
 - Improvement in established Elisa brand
 - Progress of One Elisa
3. Significant profitability improvement
 - Efficiency program makes progress
 - Sale of the former Elisa headquarters to Sponda



Outlook for 2004

- Slow market growth and demanding competition environment
- Comparable revenue slightly down from 2003
 - Lower interconnection tariffs and price erosion
- Operative EBIT and pre-tax profit will improve significantly
- Q4 EBITDA at the same level as Q2
 - Seasonal costs in the last part of the year



Distribution Policy

- The board has updated Elisa's distribution policy: 40 – 60 % of the Group's net profit
- Distribution includes both dividend payment and share buy-backs



Key Figures and Financial Position

CFO Tuija Soanjärvi



Elisa's Q3 2004 P&L

EURm	Comparable figures			Interim report		
	Q3/04	Q2/03*	2003**	Q3/04	Q3/03	2003
Revenue	333	347	1384	333	385	1538
Other operating income	2	5	21	2	8	34
EBITDA	105	106	403	105	107	385
<i>EBITDA margin</i>	32 %	30 %	29 %	31 %	28 %	25 %
Depreciation	-49	-57	-236	-49	-67	-267
Goodwill depreciation	-11	-11	-45	-11	-14	-57
Write-downs						-94
EBIT	45	38	122	45	26	-34
<i>EBIT margin</i>	13 %	11 %	9 %	13 %	7 %	-2 %
Share of assoc. comp. result	0	1	-1	0	1	0
Net financial items	-8	-9	-36	-8	-10	-40
Pre Tax Profit	36	30	86	36	17	-74

* excluding one-off items, Germany-based business and adjusted with the change in revenue booking procedure

** excluding one-off items and Germany-based business



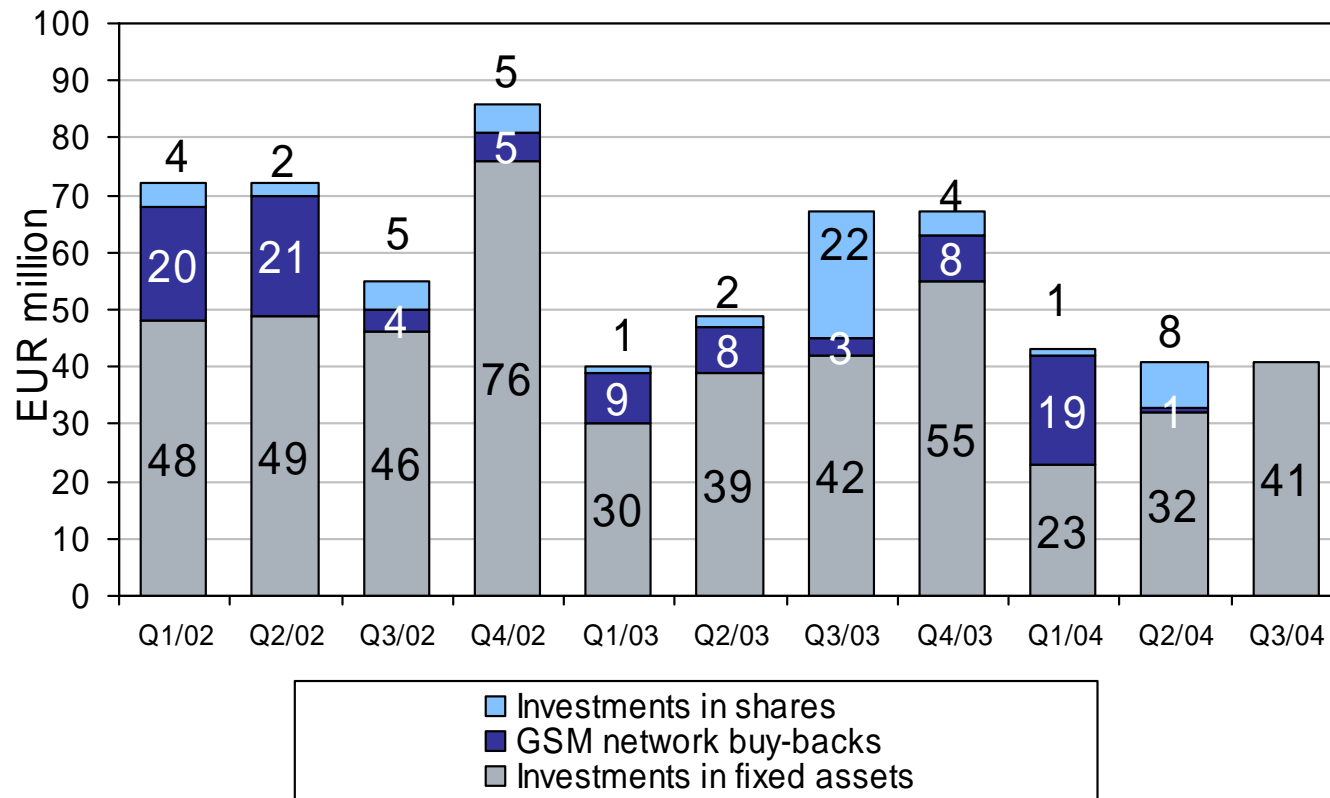
Progress by Quarters

EURm	Q3/04	Q2/04	Q1/04	Q4/03*	Q3/03	Q2/03	Q1/03
Revenue	333	339	333	391	385	391	371
Other operating income	2	4	7	13	8	9	4
EBITDA	105	95	119	118	107	97	85
<i>EBITDA margin</i>	32 %	28 %	36 %	30 %	28 %	25 %	23 %
Depreciation	-49	-49	-49	-70	-67	-66	-65
Goodwill depreciation	-11	-11	-11	-15	-14	-14	-14
EBIT	45	35	59	33	26	17	7
<i>EBIT margin</i>	13 %	10 %	18 %	9 %	7 %	4 %	2 %
Share of assoc. comp. result	0	-1	0	-1	1	0	-1
Net financial items	-8	-7	-7	-10	-10	-10	-11
Pre Tax Profit	36	28	51	23	17	7	-5

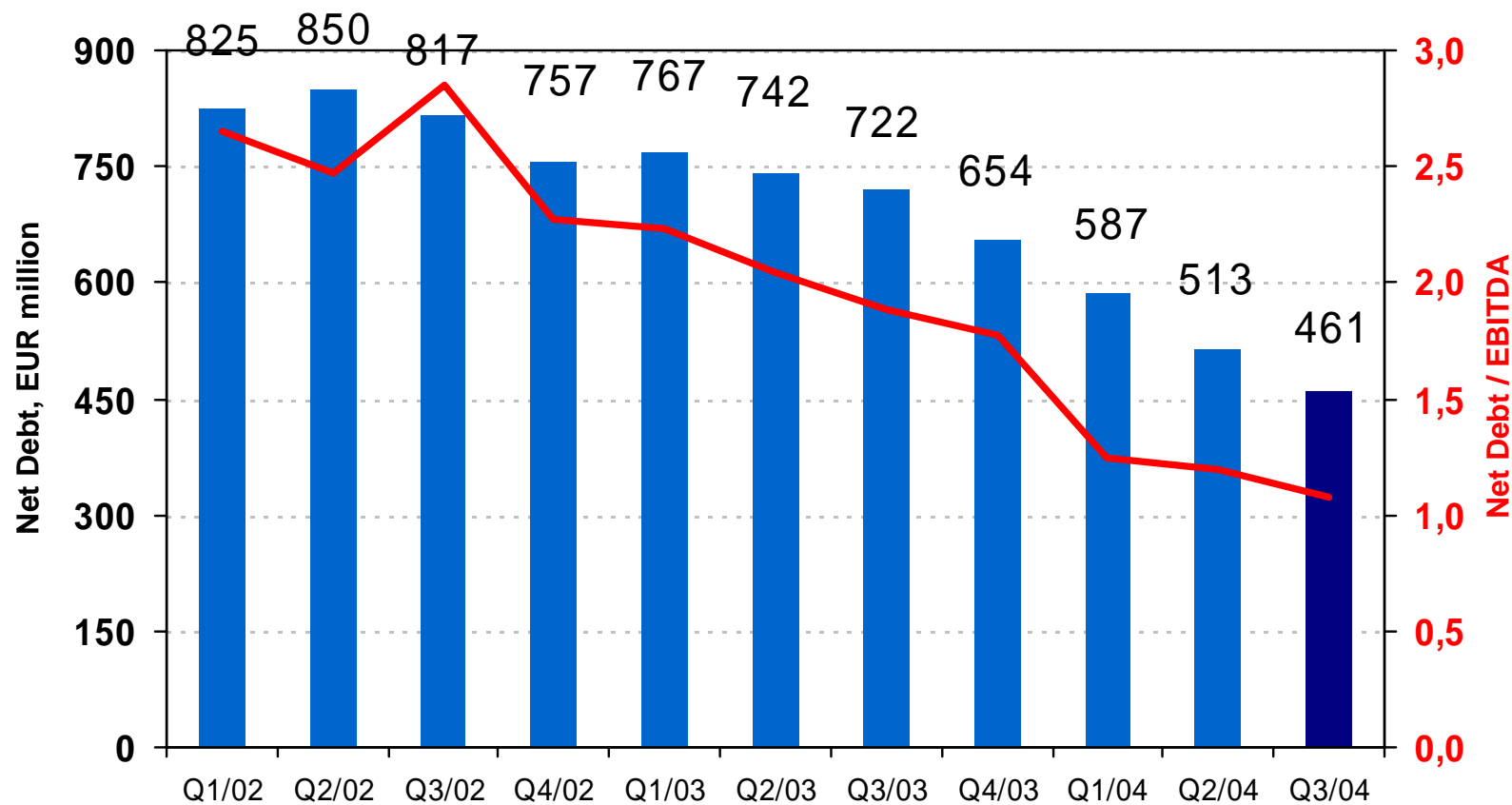
* excluding one-off items



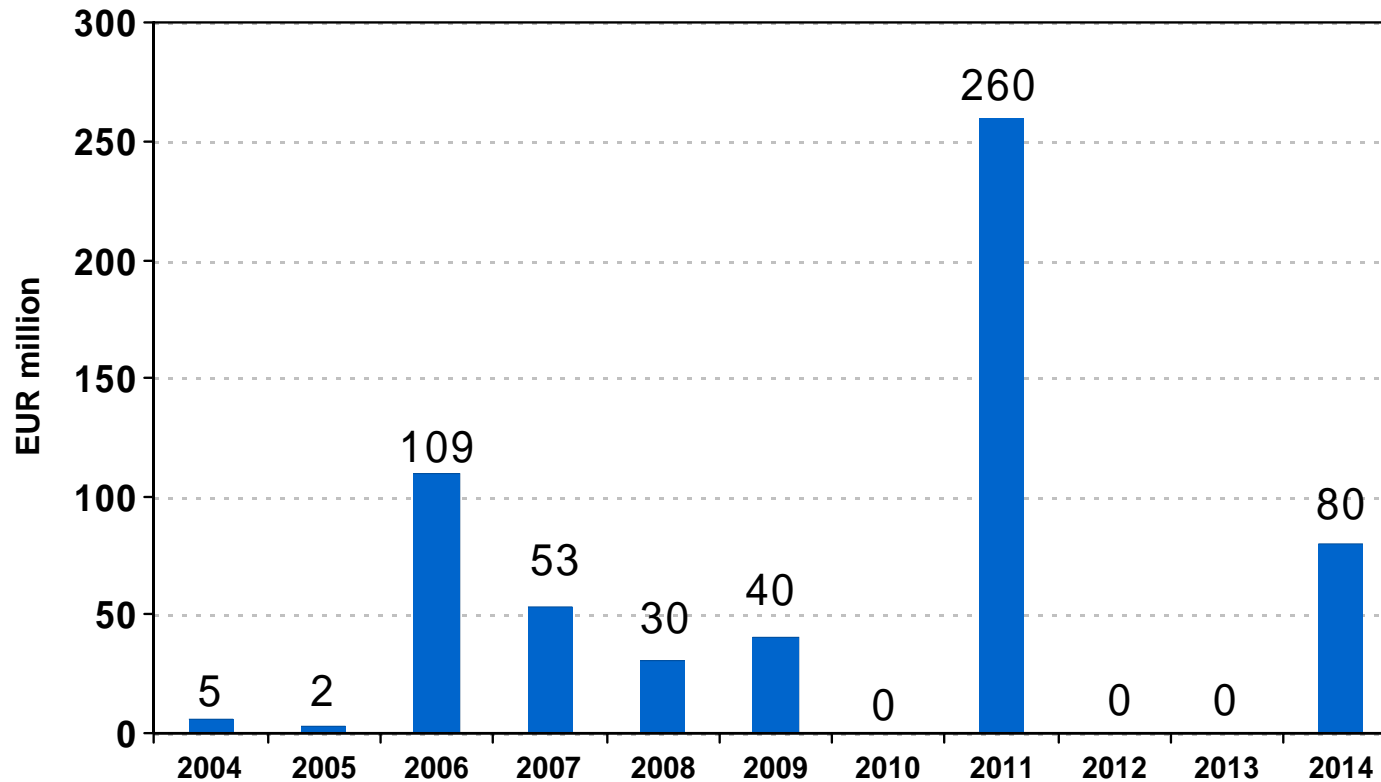
Operative CAPEX 12% of Revenue



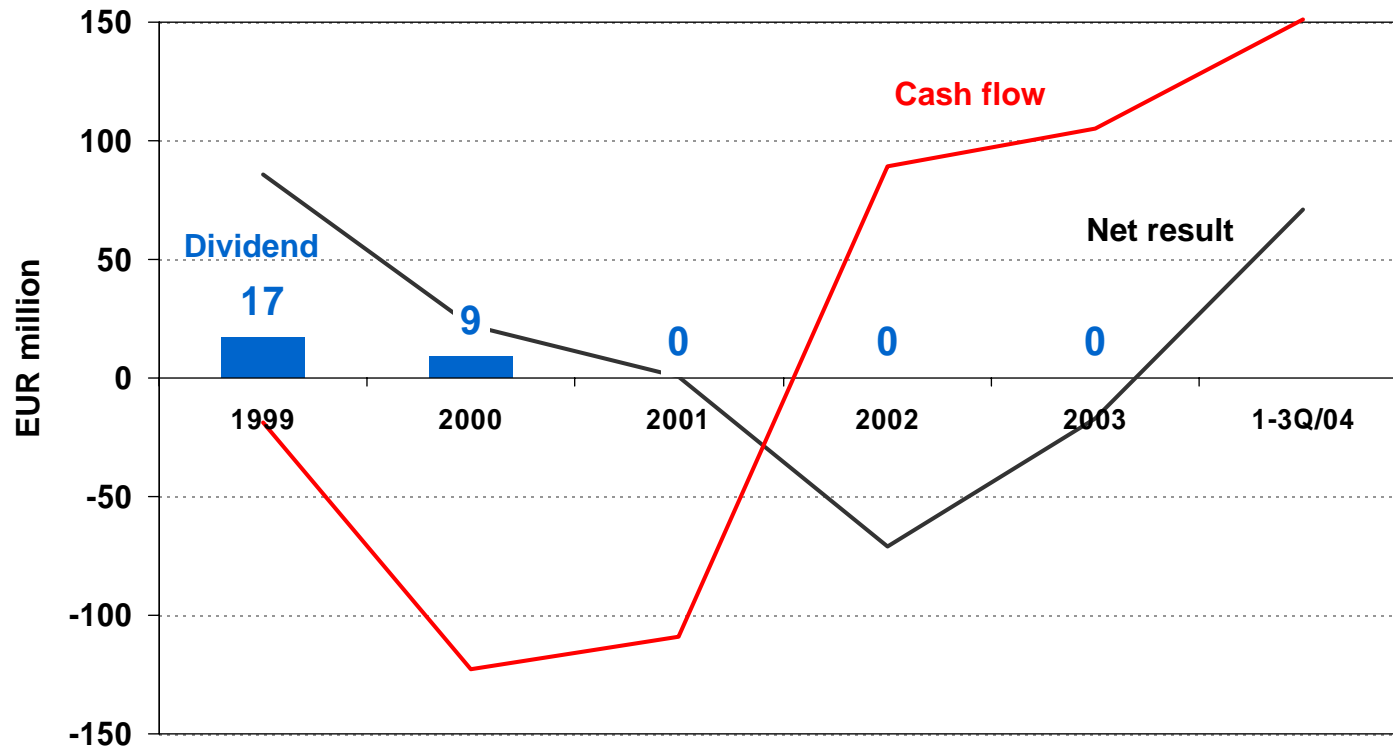
Net Debt and Net Debt / EBITDA



Debt Maturity Profile



Net Result, Cash Flow and Dividend



Distribution Policy

- The board has updated Elisa's distribution policy: 40 – 60 % of the Group's net profit
- Distribution includes both dividend payment and share buy-backs
- Share buy-backs
 - Authorisation from AGM to the board
 - Maximum 5% of shares (Finnish Company Act)
 - Restricted by the distributable equity



Cash Flow by Quarters

CONSOLIDATED CASH FLOW STATEMENT, EURm	3Q/2004	2Q/2004	1Q/2004	4Q/2003	3Q/2003	2Q/2003	1Q/2003
Cash inflow from operating activities							
Profit before extraordinary items	36	28	51	-94	17	8	-5
Adjustments:							
Depreciation and value adjustments	61	60	60	179	80	80	79
Other financial income and expenses	8	8	7	10	9	10	11
Provisions for liabilities and charges	-2	-6	-11	13	-5	-7	-6
Sales profits from the disposal of fixed assets	-1	-1	0	-2	-1	0	0
Sales profits from business operations and shares	0	-3	-2	-1	0	0	0
Other adjustments	0	1	0	2	-2	1	0
Cash inflow before working capital	102	86	106	107	98	92	79
Change in working capital	-16	24	-21	7	-3	-13	-7
Cash inflow before taxes and financials	86	110	85	114	95	79	72
Received dividends and interests and interest paid	-11	-8	-20	-4	-3	-9	-24
Taxes paid	0	-6	-5	21	-7	-9	-20
Free funds from operations	75	96	60	131	85	60	29
Cash flow in investments							
Investments in fixed assets	-41	-33	-42	-63	-45	-47	-39
Disposal of fixed assets	31	0	1	4	0	0	1
Investments in shares and other investments	0	-7	-1	-4	-21	-2	-1
Disposal of shares and other investments	0	11	0	0	2	14	0
Disposal of business operations	0	-1	2	1	0	0	0
Cash flow in investments	-10	-29	-41	-62	-64	-36	-39
Cash flow after investments	65	67	19	69	21	25	-10



Stronger Financial Position

- Gearing 56% (88)
- Equity ratio 45% (40)
- Net debt / EBITDA* 1.1 x (1.9 x)
- EBITDA / financial expenses* 12.5 x (10.0 x)

* Calculated from last four quarters



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Mobile Business' Key Figures

	Q3/04	Q3/03	%	2003
Revenue, EURm	179	194	-8 %	762
EBITDA, EURm	57	58	-2 %	215
EBITDA-%	32 %	30 %		28 %
CAPEX, EURm	18	22	-18 %	103
CAPEX excl. netw. buy-backs, EURm	18	19	-5 %	75
Oper CAPEX / sales	10 %	10 %		10 %
No. of Subscriptions in Finland *	1 368 515	1 374 847	0 %	1 374 146
ARPU, EUR **	37,5	42,5	-12 %	41,6
Churn **	21,6 %	24,2 %		18,6 %
Minutes of use, million *	631	598	6 %	2 310
Minutes of use / subs / month **	159	151	5 %	146
No. of SMS, million *	135	111	22 %	453
No. of SMS / subs / month **	34	28	21 %	29
Value added services / revenue	14 %	12 %		12 %

* Network operator

** Service operator



Cash Flow

EURm	Q1-Q3/04	Q1-Q3/03	2003
Profit before extraordinary items	115	20	-74
Depreciation and value adjustments	180	239	418
Other adjustments	-1	10	31
Cash inflow before working capital	294	269	376
Change in working capital	-13	-23	-16
Cash inflow before taxes and financials	281	246	360
Interests and dividends	-39	-36	-40
Taxes	-11	-36	-15
Free funds from operations	231	174	305
Cash flow in investments	-80	-138	-200
Cash flow after investments	151	36	105



Elisa's Quarterly Reported Key Figures (1/2)

Elisa Group EURm	Q3/04	Q2/04	Q1/04	Q4/03	Q3/03	Q2/03	Q1/03	Q4/02	Q3/02
Revenue	333	339	333	391	385	391	371	385	388
EBITDA	105	95	119	96	107	97	85	118	51
<i>EBITDA</i> -%	32 %	28 %	36 %	25 %	28 %	25 %	23 %	31 %	13 %
Clean EBITDA	105	95	119	118	107	97	85	88	84
<i>Clean EBITDA</i> -%	32 %	28 %	36 %	30 %	28 %	25 %	23 %	23 %	22 %
EBIT	45	35	59	-83	26	17	7	39	-43
Clean EBIT	45	35	59	33	26	17	7	10	6
<i>Clean EBIT</i> -%	14 %	10 %	18 %	8 %	7 %	4 %	2 %	3 %	2 %
Pre-Tax Profit	36	28	51	-93	17	7	-5	26	-56
Clean Pre-Tax Profit	36	28	51	23	17	7	-5	-3	-7

Financial position

Net debt	461	513	587	654	722	742	767	757	817
Equity ratio	45 %	46 %	44 %	40 %	40 %	40 %	38 %	38 %	35 %
Net debt / EBITDA	1,1	1,2	1,5	1,7	1,9	2,0	2,2	2,2	2,4
Net interest coverage	12,5	14,0	10,5	9,6	10,0	8,9	8,1	7	6,7
Gearing	56 %	64 %	76 %	87 %	88 %	91 %	97 %	95 %	105 %

Investments

in fixed assets	41	32	23	55	42	39	30	76	46
Operative CAPEX/Sales	12 %	9 %	7 %	14 %	11 %	10 %	8 %	20 %	12 %
in network buy-backs	0	1	19	8	3	8	9	5	4
in shares	0	8	1	4	22	2	1	5	5
Total	41	41	43	67	67	49	40	86	55
CAPEX/Sales	12 %	12 %	13 %	17 %	17 %	13 %	11 %	22 %	14 %



Key Figures (2/2)

Segments	Q3/04	Q2/04	Q1/04	Q4/03	Q3/03	Q2/03	Q1/03	Q4/02	Q3/02
Mobile									
Revenue	179	175	179	203	195	190	175	185	188
ARPU, EUR	37,5	38,2	38,6	43,7	42,5	41,7	38,5	41,3	43,0
Churn, %	21,6	29,4	47,4	22,9	24,2	13,4	14,4	21,2	14,0
Subscriptions	1 368 515	1 330 901	1 319 007	1 374 146	1 374 847	1 356 881	1 348 183	1 342 417	1 301 621
Clean EBITDA	57	44	66	66	58	49	42	37	50
<i>Clean EBITDA-%</i>	32 %	25 %	37 %	33 %	30 %	26 %	24 %	20 %	27 %
Leasing adjusted EBITDA	-	-	-	70	64	56	49	43	57
<i>Leasing adj. EBITDA-%</i>	-	-	-	34 %	33 %	29 %	28 %	23 %	30 %
EBIT	25	15	37	29	25	13	5	4	-74
Clean EBIT	25	15	37	29	25	13	5	19	15
<i>EBIT-%</i>	14 %	9 %	21 %	14 %	13 %	7 %	3 %	10 %	8 %
CAPEX	18	17	26	31	22	29	16	47	10
Operative CAPEX	18	16	7	23	19	21	7	43,5	5

Fixed network

Revenue	161	166	164	169	163	175	170	174	177
Subscriptions, total	1 199 494	1 190 101	1 194 480	1 186 584	1 182 402	1 181 008	1 184 222	1 184 938	1 141 658
Broadband subscriptions	185 136	160 502	148 270	127 388	107 875	93 677	81 781	71 855	58 974
ISDN channels	170 529	180 618	190 921	200 455	211 510	222 153	229 252	237 263	249 667
Cable TV subscriptions	193 750	189 534	186 097	183 469	179 858	176 506	172 400	169 900	143 700
Analogue and other subs	650 079	659 447	669 192	675 272	683 159	688 672	700 789	705 920	689 317
Clean EBITDA	47	45	52	52	50	50	52	56	57
<i>EBITDA-%</i>	29 %	27 %	32 %	31 %	31 %	29 %	31 %	32 %	32 %
EBIT	21	19	25	6	21	22	24	54	64
Clean EBIT	21	19	25	6	21	22	24	37	28
<i>EBIT-%</i>	13 %	11 %	15 %	4 %	13 %	13 %	14 %	21 %	16 %
CAPEX	22	15	15	26	12	18	18	28,5	21
Operative CAPEX	22	15	15	26	12	18	18	28,5	21

Q1, Q2 and Q3 2004 segment figures are not comparable with previous quarters

