

elisa

Roadshow

November 2005

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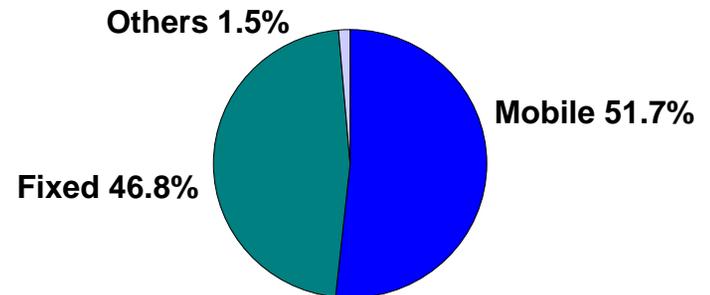
- Elisa today
- Q3 2005 and financial highlights
- Elisa and the Finnish telecoms market review
- Saunalahti transaction
- Future outlook



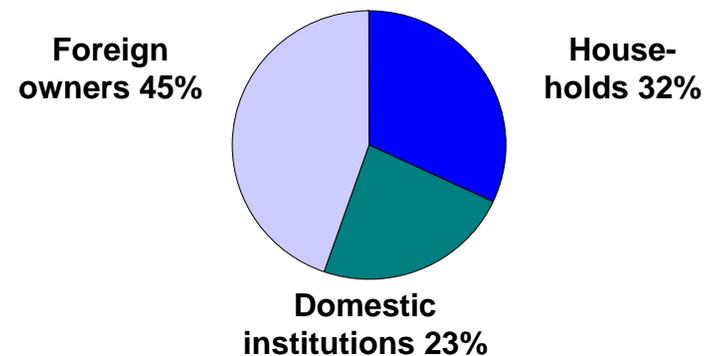
# Elisa at a glance

- Full range of telecom services
  - No 1 fixed network operator
  - No 1 broadband operator
  - No. 2 mobile operator in Finland and in Estonia
- Offering Pan-European and global scope through partnerships
  - Vodafone and Telenor
- Key figures in Jan-Sep 2005
  - Revenue € 994m, EBITDA € 352m, net profit € 150m, FCF € 163m, gearing 35%, employees 4,770, CAPEX € 133m
- Market cap € 2,1bn

Revenue per segment in Q3 2005



Shareholder structure, Sep 2005



# Elisa Q3 2005 highlights

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- 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

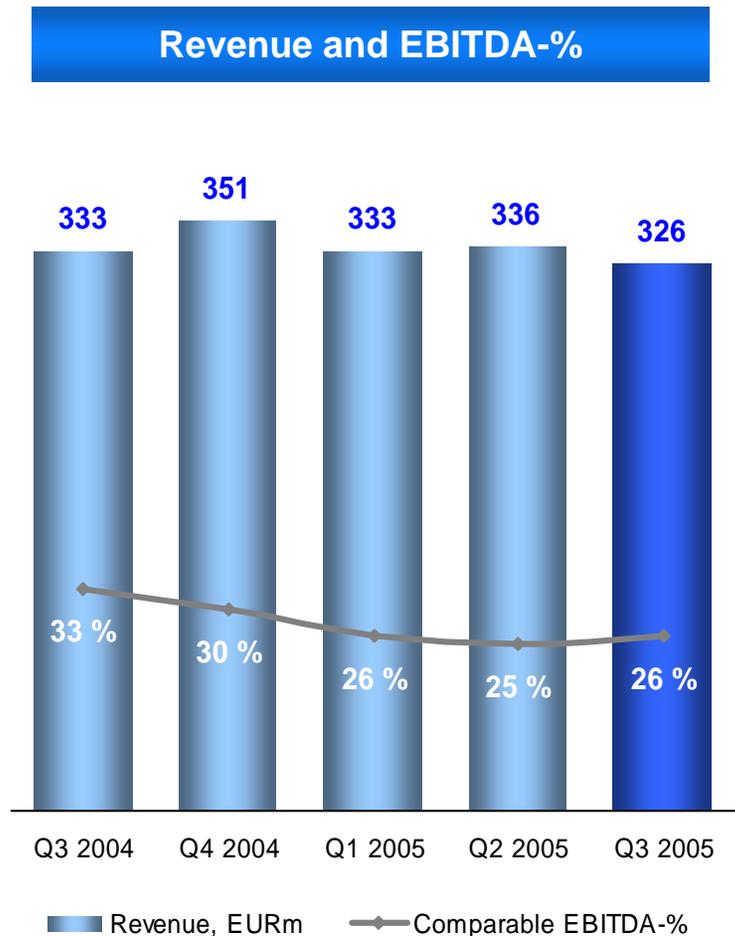


# Profitability in line with guidance

- Revenue EUR 326m (333)
  - sale of non-core businesses
  - 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 shares
- Net debt EUR 363m (513)
- CAPEX EUR 45m, 14%
- Equity ratio 55% (44)

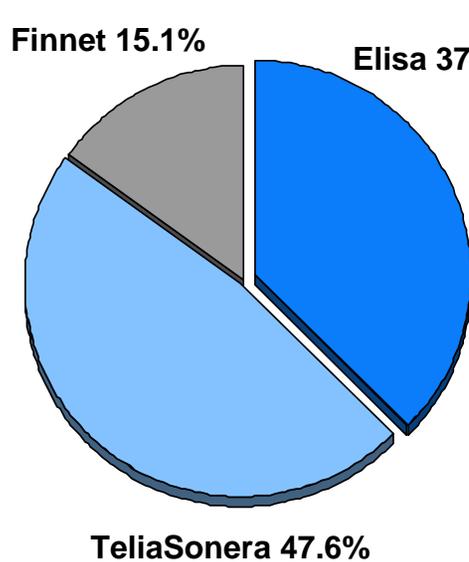


# Growth in mobile usage and broadband

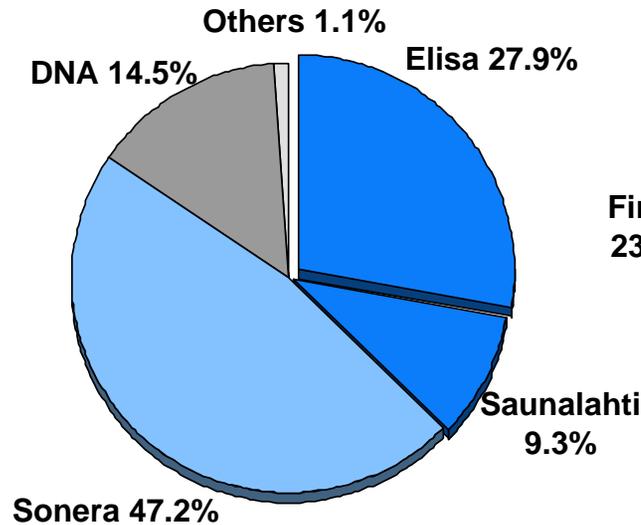
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- Telecom market growth very modest
  - Mobile penetration above 90%
  - Growth in mobile MOU more than 10%
  - Growth in SMS more than 15%,
  - Price erosion offsets usage growth
  - Fixed line broadband growth about 70%
  - Annual decrease in analogue fixed about 10%
- New businesses emerging, effect still minor
  - MMS growth more than 100%, but still marginal in revenues
  - 3G network services starting up
  - 3G handset subsidies in 2006

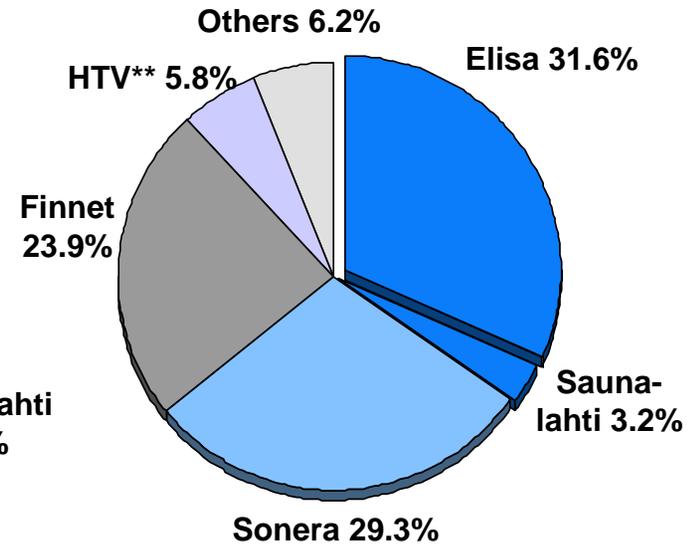
# Market shares\* in Q3 2005



Mobile network operators



Mobile service operators



Fixed broadband operators

\* Elisa estimates

\*\* Helsinki Television, cable-TV company

# Mobile handset subsidies in 3G

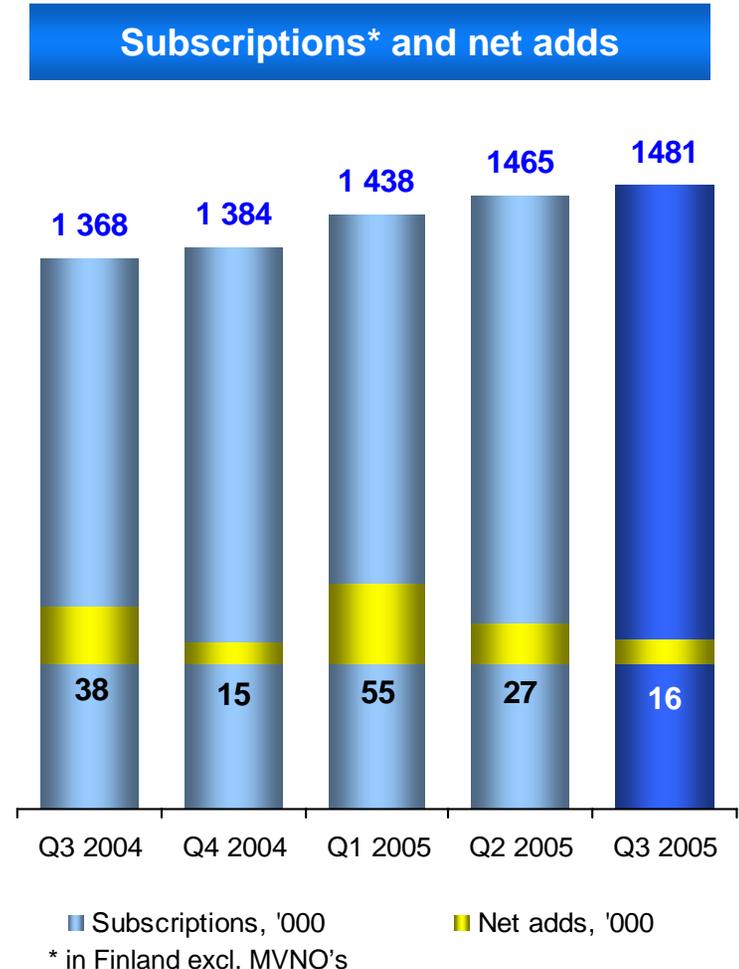
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- The Ministry of Transport and Communications proposes that the prohibition on bundling 3G mobile phones and subscriptions will be removed
- The proposal would enable a 24-month SIM-lock
- The law would take effect in early 2006
- Elisa's strong retail chains and 3G network will give customers clear benefits
- As the leading promoter of this initiative Elisa continues discussions to remove the prohibition on bundling GSM phones and subscriptions as well



# 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
- Service operator market share 28%\*

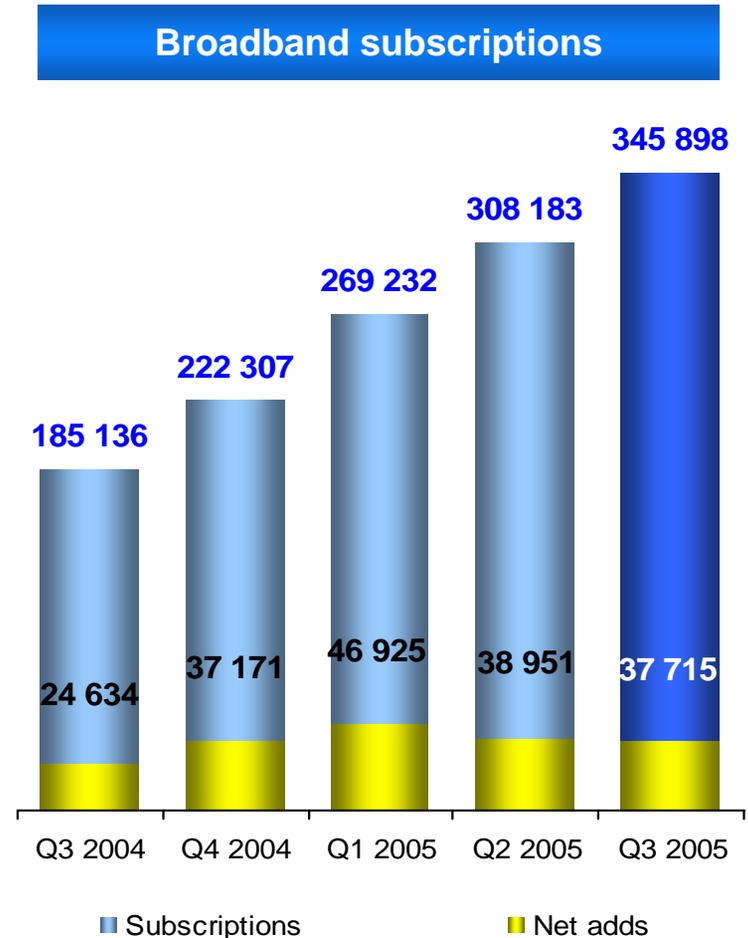


\* Elisa estimate



# Market leadership in broadband strengthened

- ADSL subscriptions growth 87% yoy
  - strongest growth among the operators
- Net adds 38,000 in Q3
- Decrease in analogue subscriptions even stronger than earlier
  - analogue lines decreased by 9% and ISDN channels by 20%
  - also volumes are decreasing
- Market share 32%\*

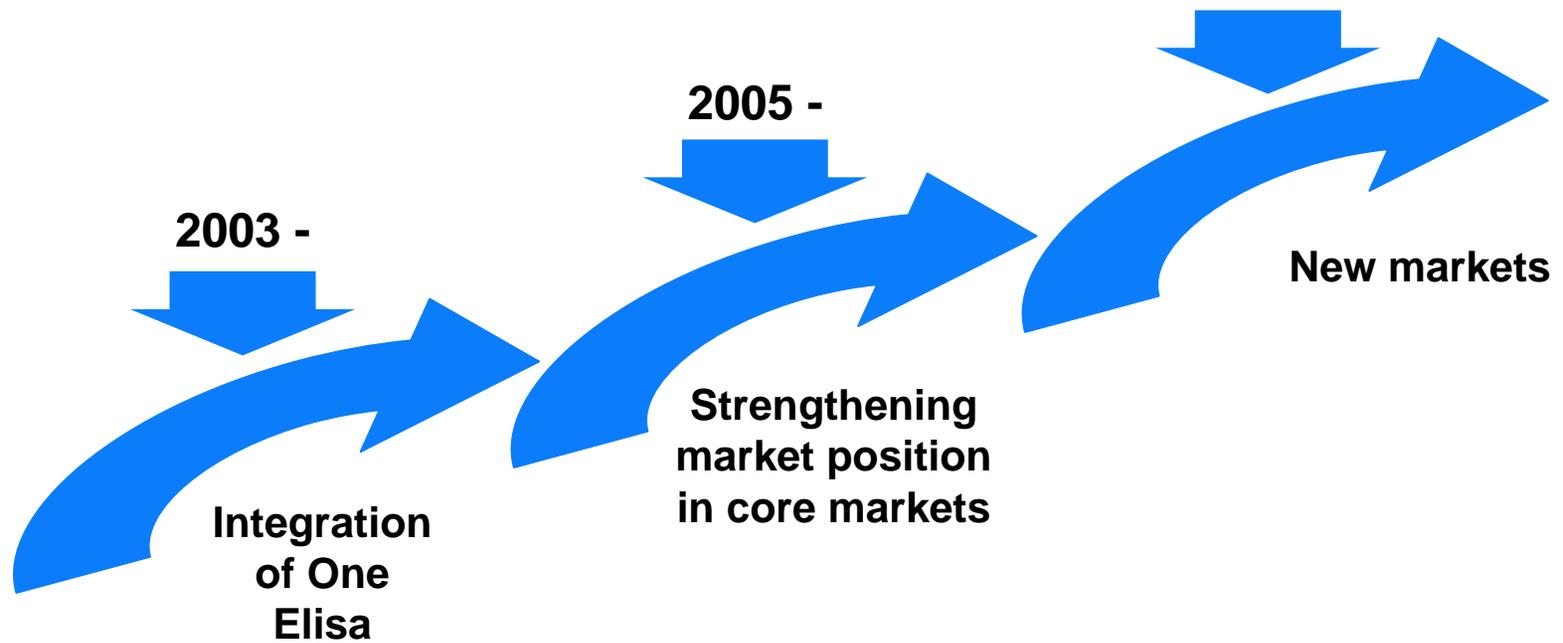


\* Elisa estimate

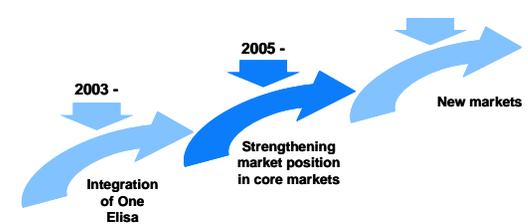


# Elisa strategy

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# 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

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- 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

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- 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

# Financial impact of Saunalahti transaction

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- 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
- 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

# Outlook for Q4 2005

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- 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



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# Execution of non-core assets' sale

EUR million	Estimated value in Feb 2005 <sup>1)</sup>	Book value	Execution price	Remaining value
Comptel	128	26 <sup>2)</sup>	66 <sup>3)</sup>	33 <sup>4)</sup>
Yomi-IT, Estera and others	20 – 25	20	20 <sup>5)</sup>	-
Non-core properties	60 – 70	60	25	45 – 50
Receivables from the sale of				
German business	40	40	40	-
<b>Total</b>	<b>240 – 260</b>			<b>78 – 83</b>

1) Estimate in Elisa's CMD material in February 2005

2) Includes Comptel's book value of EUR 1m and retained earnings

3) Sale price EUR 66m, profit EUR 40m

4) Based on Elisa's 19.9% stake and share price of EUR 1.58, possible sale is tax free

5) Estera deal is estimated to be closed in November



# Consolidated Cash flow statement

## CONSOLIDATED CASH FLOW STATEMENT

EUR million	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004
<b>Cash flow from operating activities</b>						
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
<b>Cash flow in investments</b>						
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
<b>Cash flow after investments</b>	1	136	26	57	71	88
<b>Cash flow in financing</b>						
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
<b>Change in cash and cash equivalents</b>	<b>-13</b>	<b>54</b>	<b>-48</b>	<b>-55</b>	<b>65</b>	<b>85</b>

# Financial situation

## FINANCIAL SITUATION

(EUR million)

	30 Sep 2005	30 Jun 2005	31 Mar 2005	31 Dec 2004	30 Sep 2004
<b>Interest-bearing debt</b>					
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
<b>Interest-bearing debt, total</b>	<b>519</b>	<b>534</b>	<b>604</b>	<b>625</b>	<b>730</b>
Security deposits	1	1	1	1	0
Securities 3)	122	139	67	96	129
Cash and bank	33	30	48	67	89
<b>Interest-bearing receivables</b>	<b>156</b>	<b>170</b>	<b>116</b>	<b>164</b>	<b>218</b>
<b>Net debt 4)</b>	<b>363</b>	<b>364</b>	<b>489</b>	<b>462</b>	<b>513</b>

- 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.

# Group's quarterly key figures

<b>Group EURm</b>	<b>Q3/05</b>	<b>Q2/05</b>	<b>Q1/05</b>	<b>Q4/04</b>	<b>Q3/04</b>	<b>Q2/04</b>	<b>Q1/04</b>
Revenue	326	336	333	351	333	339	333
EBITDA	85	170	97	122	111	101	120
<i>EBITDA-%</i>	26 %	51 %	29 %	35 %	33 %	30 %	36 %
Clean EBITDA	85	84	86	104	111	101	120
<i>Clean EBITDA-%</i>	26 %	25 %	26 %	30 %	33 %	30 %	36 %
EBIT	33	118	45	69	57	48	67
Clean EBIT	33	32	34	51	57	48	67
<i>Clean EBIT-%</i>	10 %	10 %	10 %	15 %	17 %	14 %	20 %
Pre-Tax Profit	28	113	39	48	50	41	56
Clean Pre-Tax Profit	28	27	28	30	50	41	56
<b>Financial position</b>							
Net debt	363	354	489	462	513	580	660
Equity ratio	55 %	55 %	49 %	49 %	43 %	43 %	41 %
Net debt / EBITDA	0,8	0,8	1,2	0,9	1,1	1,4	1,4
Net interest coverage	16,9	30,3	14,9	20,3	16,0	14,4	12,0
Gearing	35 %	36 %	55 %	51 %	61 %	72 %	87 %
<b>Investments</b>							
in fixed assets	45	46	42	59	45	33	44
Operative CAPEX/Sales	14 %	14 %	13 %	17 %	14 %	10 %	13 %
in network buy-backs	0	0	0	0	0	1	19
in shares	5	31	3	53	0	8	0
Total	51	77	45	112	45	42	63
CAPEX/Sales	16 %	23 %	14 %	32 %	14 %	12 %	19 %

# Segments' quarterly key figures

Segments							
<b>Mobile</b>	<b>Q3/05</b>	<b>Q2/05</b>	<b>Q1/05</b>	<b>Q4/04</b>	<b>Q3/04</b>	<b>Q2/04</b>	<b>Q1/04</b>
Revenue	183	180	179	180	179	175	179
ARPU, EUR	31,2	33,8	34,6	37,0	37,5	38,2	38,6
Churn, %	27,2	32,3	33,5	38,9	21,6	29,4	47,4
Subscriptions, total	1 962 775	1 465 066	1 438 452	1 383 515	1 368 515	1 330 901	1 319 007
Elisa subscriptions	1 480 794	1 465 066	1 438 452	1 383 515	1 368 515	1 330 901	1 319 007
Saunalahti subscriptions	481 981						
EBITDA	46	46	49	57	60	47	64
<i>Clean EBITDA-%</i>	25 %	26 %	27 %	32 %	34 %	27 %	36 %
EBIT	24	24	27	35	36	25	42
<i>EBIT-%</i>	13 %	13 %	15 %	19 %	20 %	14 %	23 %
CAPEX	18	22	13	22	18	17	26
Operative CAPEX	18	22	13	22	18	16	7
Op.CAPEX/Sales	10 %	12 %	7 %	12 %	10 %	9 %	4 %
<b>Fixed network</b>							
Revenue	166	170	162	162	161	166	164
Subscriptions, total	1 282 869	1 263 300	1 246 175	1 219 547	1 199 494	1 190 101	1 194 480
Broadband subscriptions	345 898	308 183	269 232	222 307	185 136	160 502	148 270
ISDN channels	135 716	141 743	149 339	159 591	170 529	180 618	190 921
Cable TV subscriptions	208 592	204 528	200 864	198 447	193 750	189 534	186 097
Analogue and other subs	592 663	608 846	626 740	639 202	650 079	659 447	669 192
EBITDA	40	43	40	48	50	48	55
<i>EBITDA-%</i>	24 %	25 %	25 %	30 %	31 %	29 %	34 %
EBIT	12	17	13	20	24	20	27
<i>EBIT-%</i>	7 %	10 %	8 %	12 %	15 %	12 %	16 %
CAPEX	27	23	24	31	22	15	15
Operative CAPEX	27	23	24	31	22	15	15
Op.CAPEX/Sales	16 %	14 %	15 %	19 %	14 %	9 %	9 %