



## **Morgan Stanley TMT Conference**

Barcelona, November 2007

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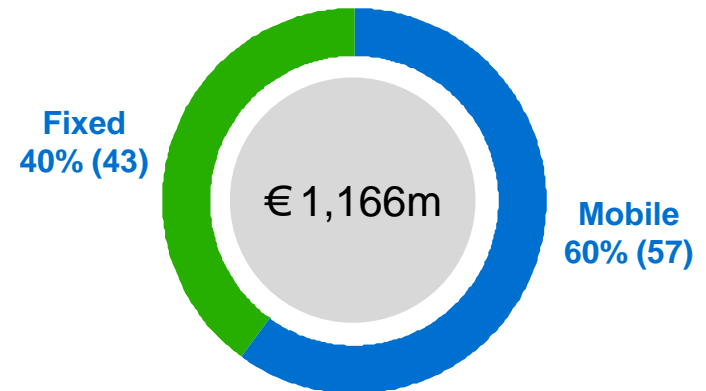


# Elisa at a glance

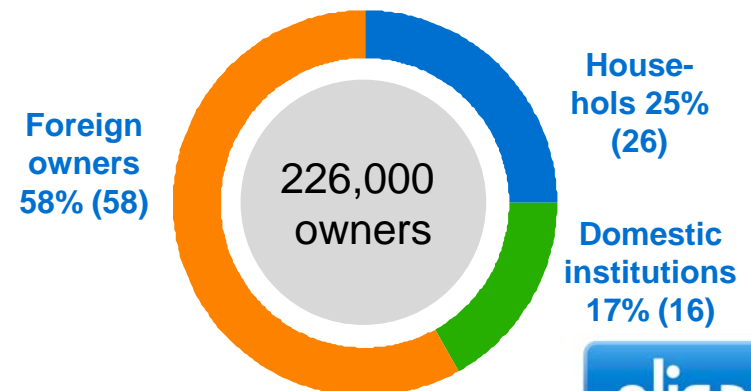
## ELISA TODAY

- Integrated telecom operator, full range of telecom services in Finland
  - Three divisions: corporate customers, consumer customers and production
  - Reporting segments: mobile and fixed network business
  - Mobile business in Estonia
- Pan-European and global scope through partnerships
  - Vodafone and Telenor
- Market cap ca. €3.4bn

Revenue per segment 1-9/07 ('06)



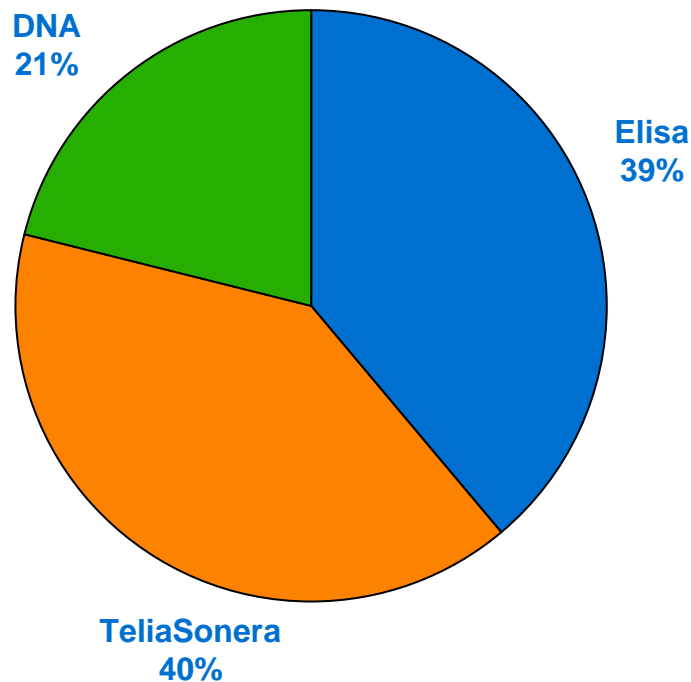
Shareholder structure Q3/07 ('06)



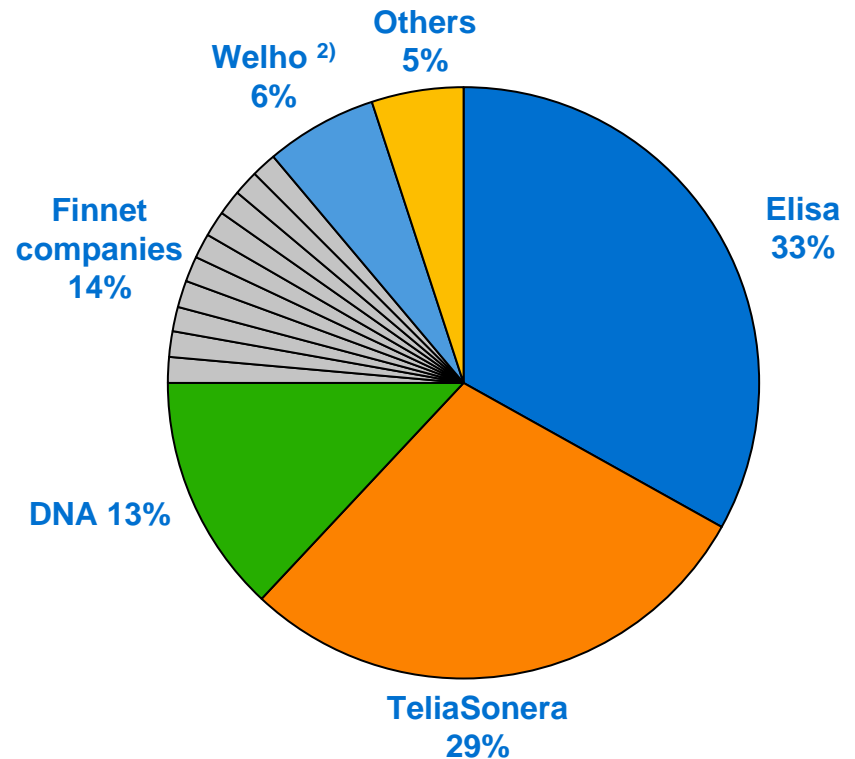
# Leading mobile and fixed operator in Finland

## FINNISH TELECOMS MARKET

Mobile operators <sup>1)</sup>



Fixed broadband operators <sup>1)</sup>



<sup>1)</sup> Company data and Elisa estimates

<sup>2)</sup> Cable-TV company



# January – September 2007 highlights

## FINANCIAL HIGHLIGHTS

- Sales of 3G subscriptions and services has progressed very well, growth in broadband subscriptions has continued
- Mobile ARPU has been flat at EUR 30
- Mobile churn has decreased from 14% to 11%
- Use of mobile data services has increased clearly, non-voice part almost one fifth of ARPU



# January – September 2007 highlights

## FINANCIAL HIGHLIGHTS

- In January – September revenue grew 4% y-o-y to EUR 1,166m
- EBITDA excl. one-offs improved 11% to EUR 363m and EBIT 32% to 217m
- EPS up 61% to EUR 1.06 \*
- Delayed invoicing by the new CRM and billing system decreased cash flow in Q3
- Special dividends paid in spring and autumn, total EUR 2.50 per share
- Share buy-back of 4 million shares completed in spring

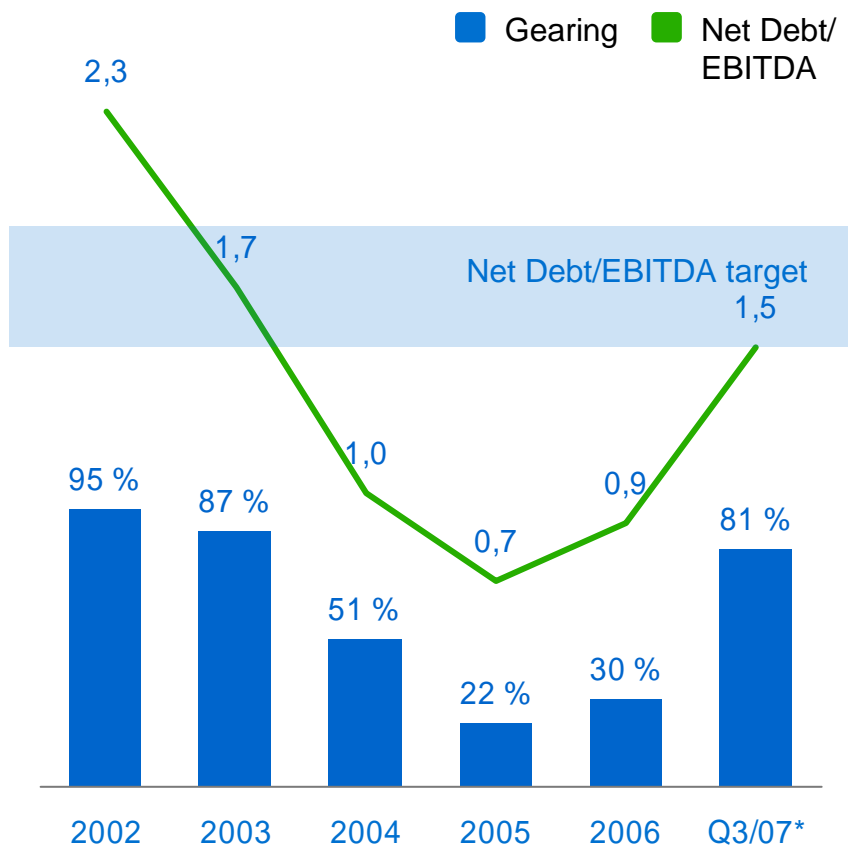
\* Includes one-off items EUR 0.08



# Change of capital structure through distribution

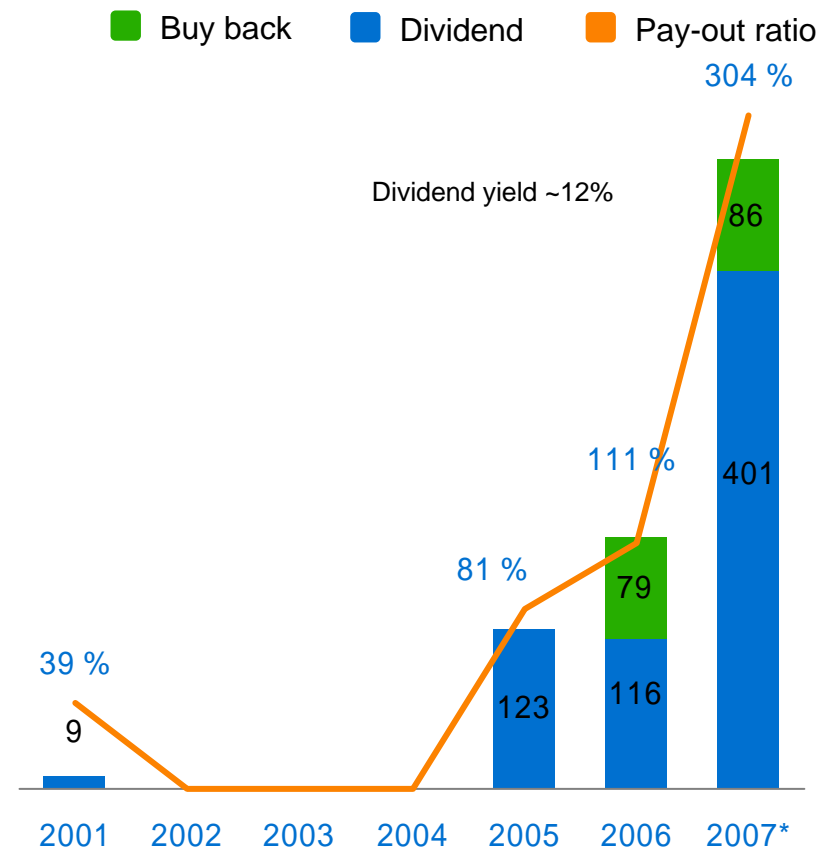
## FINANCIALS HIGHLIGHTS

### Gearing and Net Debt/EBITDA



\*) After special dividend of EUR 158m

### Distribution



\*) Dividend EUR million. Figures 2001 – 2004 FAS, 2005 onward IFRS. 2007

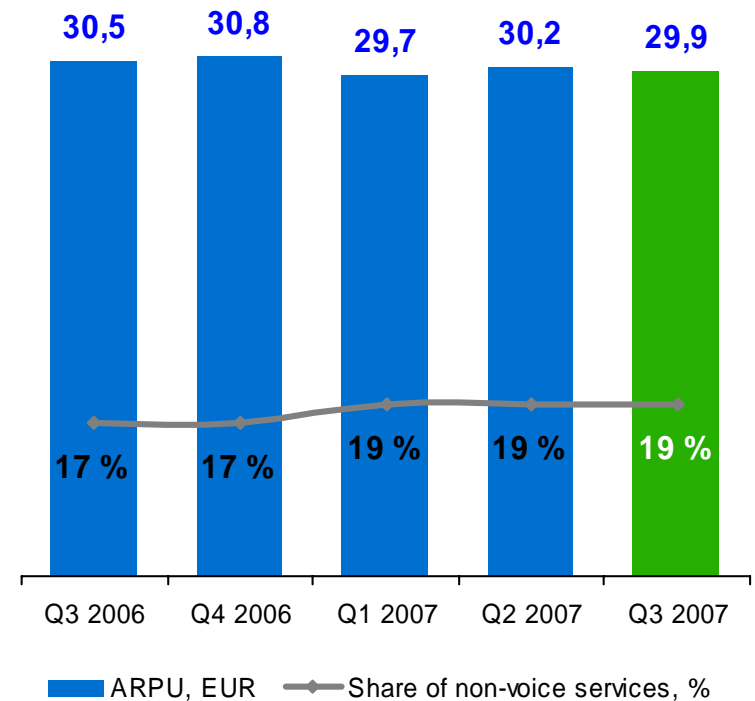
Payout Ratio = (Dividend + Share Buy Back) / Net Result

# Growth in mobile customer base

## SEGMENT REVIEW, MOBILE BUSINESS

- Very good progress in 3G subscriptions
  - Elisa's market share ca. 50%
  - Customer base increased by 115,000 Y-T-D and 53,000 in Q3
- ARPU EUR 29.9 in Q3 (30.5)
  - Lower interconnection price
  - Lower roaming price
- Churn 11.2% in Q3 (11.7)
- Growth in network usage
  - Total MoU growth +13% and SMS +26% in Q3

### ARPU\* and non-voice services



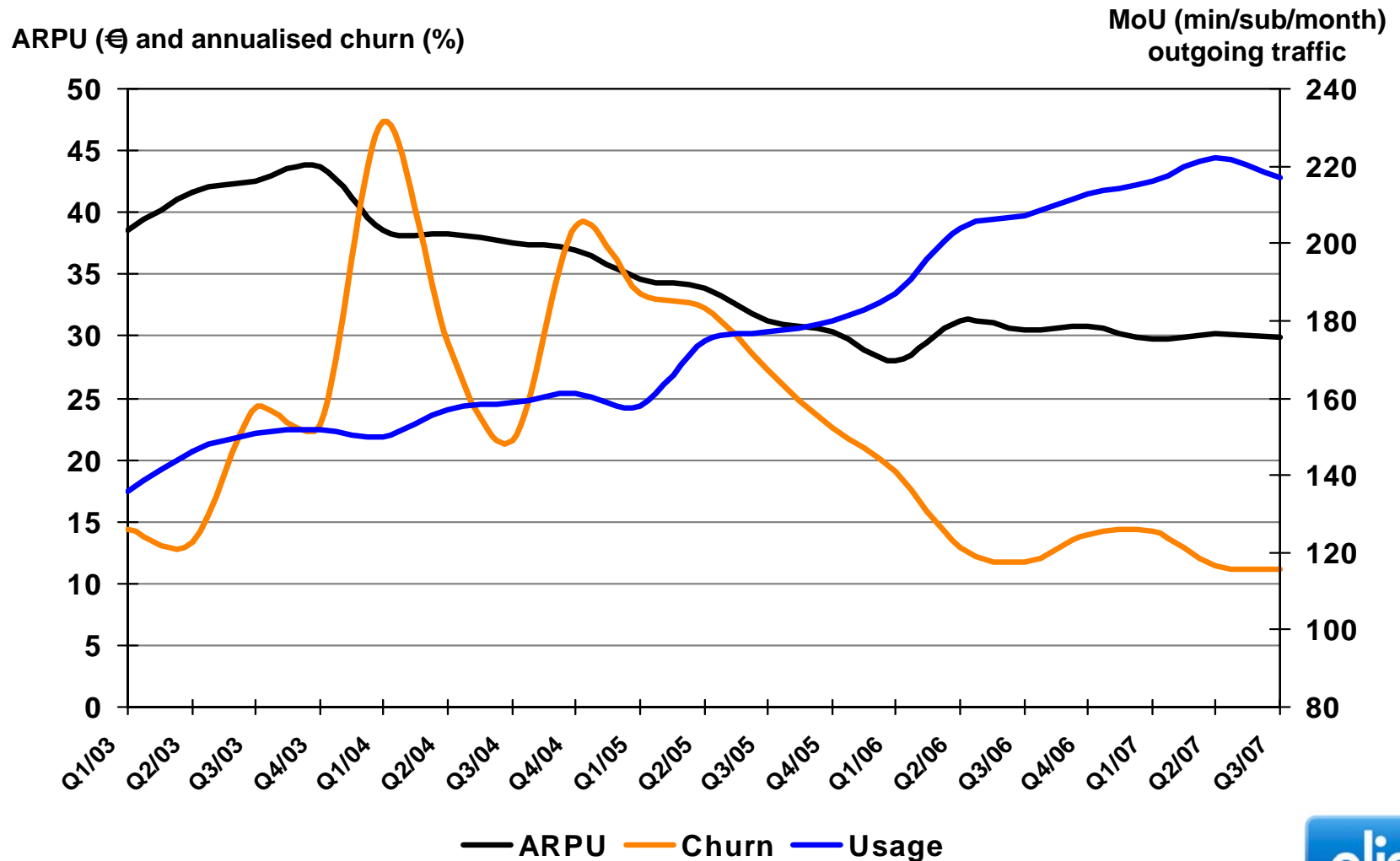
\* Average revenue per subscription





# Growth in usage, churn down and ARPU flat

## SEGMENT REVIEW, MOBILE BUSINESS

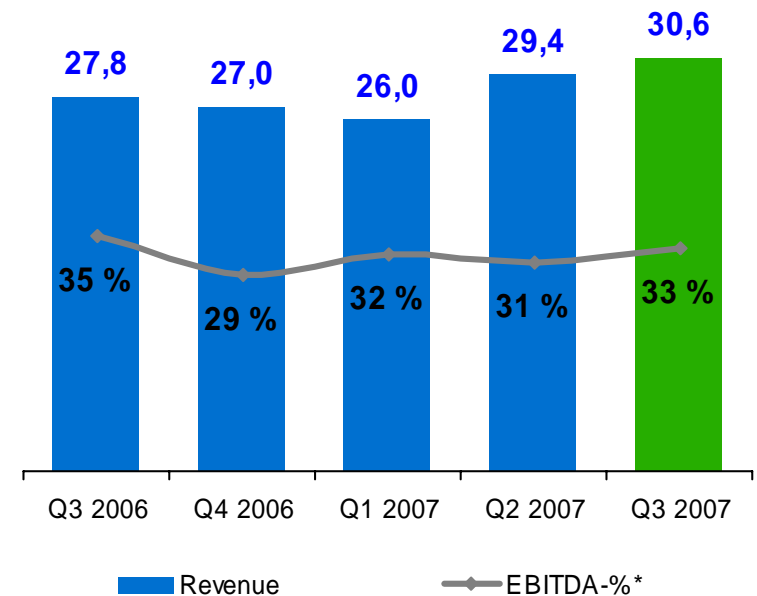


# Excellent development in Estonia

## SEGMENT REVIEW, MOBILE BUSINESS

- No. 2 mobile operator in Estonia
- In January – September revenue grew 13% to EUR 86m
- EBITDA improved 11% to EUR 28m
- Very good growth in mobile customer base
  - Net adds 18,000 Y-T-D
  - Number of subscriptions 312,500

### Revenue and EBITDA-%



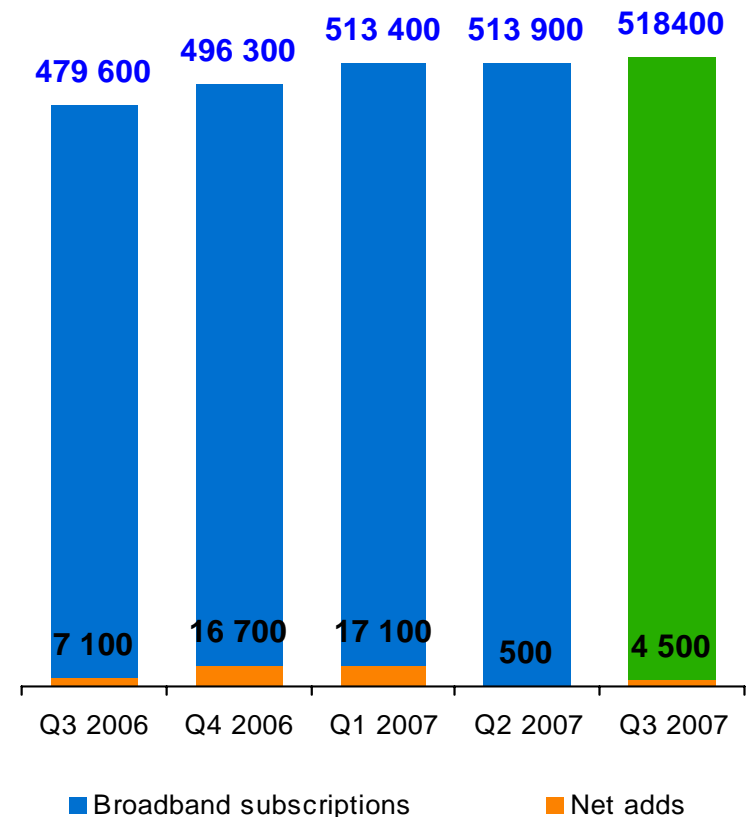
\* excluding one-offs

# Growth in fixed broadband continued

## SEGMENT REVIEW, FIXED NETWORK BUSINESS

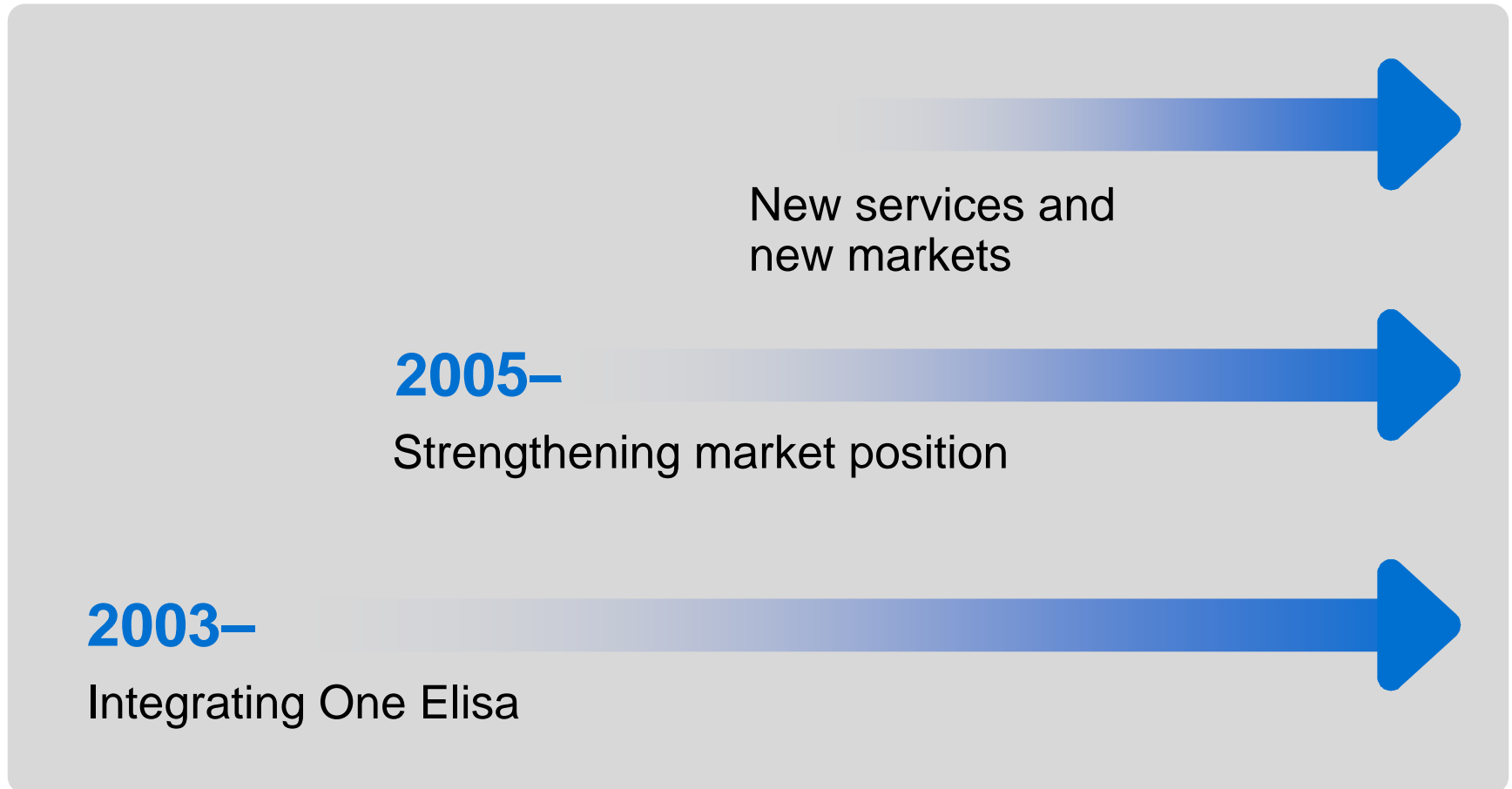
- Growth in broadband subscriptions continued
  - Net adds 22,100 Y-T-D
  - Elisa market leader
- Decrease in analogue lines stable
  - Analogue voice lines decreased by 9% and lines including ISDN channels by 13%

Broadband subscriptions



# Elisa strategy

## STRATEGY EXECUTION



# Productivity improvement

## STRATEGY EXECUTION – INTEGRATION OF ONE ELISA



**Significant profitability improvement**

Examples in January – September:

- Outsourcing of billing and order processing
- Changes in mobile pricing
- Reduction in personnel costs
- Outsourcing of PBX remote management
- Outsourcing of subscriber lines' rental business

**Customer orientation**

- Intranet and internal applications to mobile phone
- New Wippies service for WLAN usage
- Low price Vodafone 3G phone to the market
- Low and flat price mobile broadband
- Windows Mobile phones
- Network TV service, 5000 Gb storage capacity
- Lower roaming prices to all customers

**Simplification of structure**

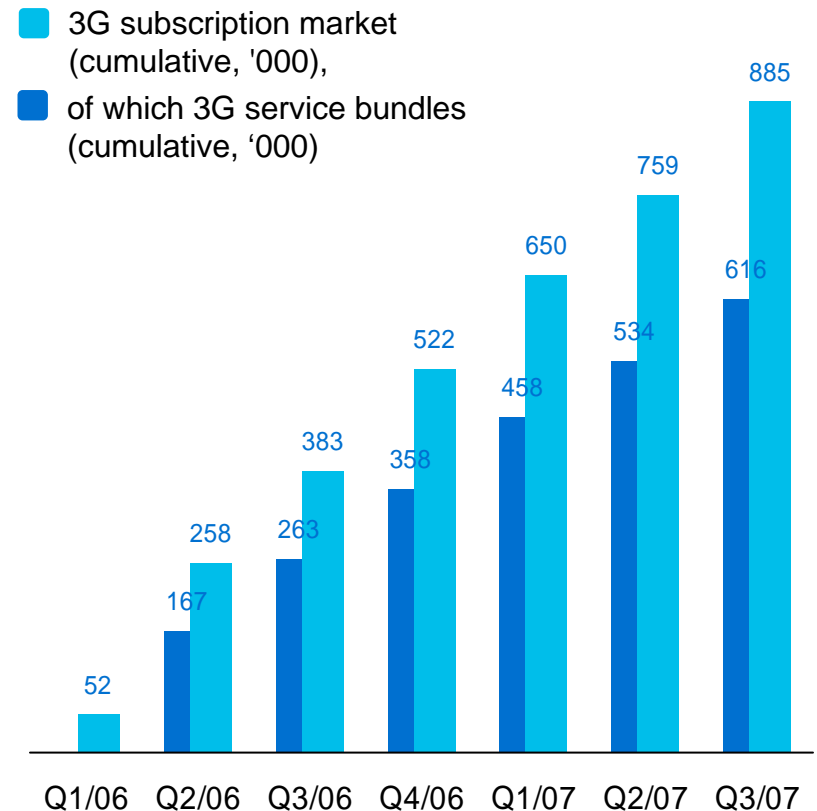
- Integration of Saunalahti employees into Elisa
- First Orange Contact, Elisa Ventures and Lounet mergers into Elisa
- New CRM and billing system into use

# 3G success story continues

## STRATEGY EXECUTION – STRENGTHENING MARKET POSITION

- Sale of 3G service bundles continued very well
  - Significant amount of new subscriptions are 3G service bundles
- Elisa's market share in 3G service bundles ca. 50 %
  - In Q3 82,000 new service bundles
  - 3G service bundle base ca. 616,000
  - Cumulative amount of 3G terminals ca. 937,000
- ARPU increase still 10-15% from 2G to 3G

### 3G subscriptions and services



Source: Elisa estimates, Matkaviestintoimittajat ry (MVT)

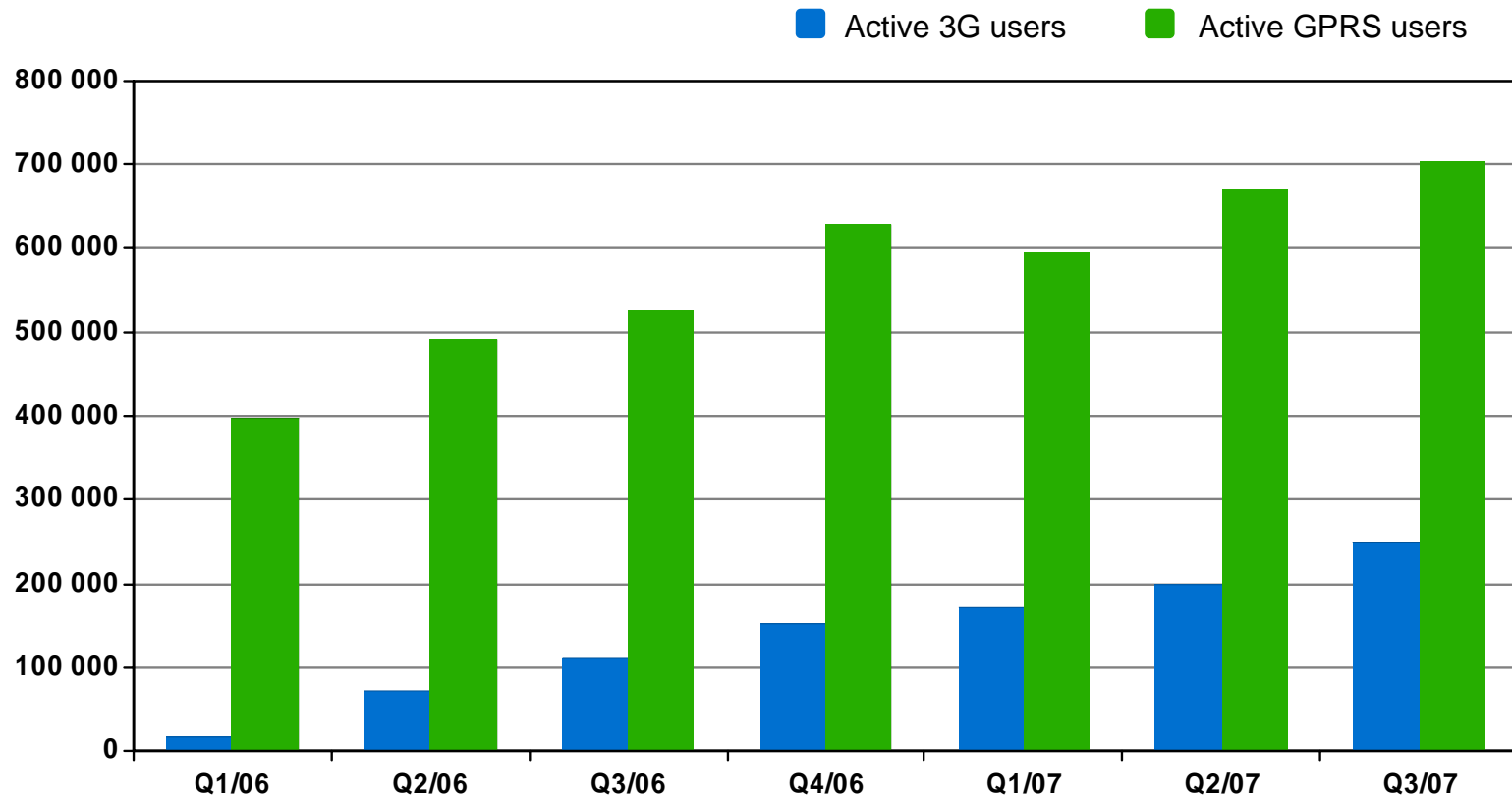


# Clear growth in mobile data usage

STRATEGY EXECUTION – STRENGTHENING MARKET POSITION



Number of active mobile data users in Elisa's network



# Growth in 3G non-SMS data services

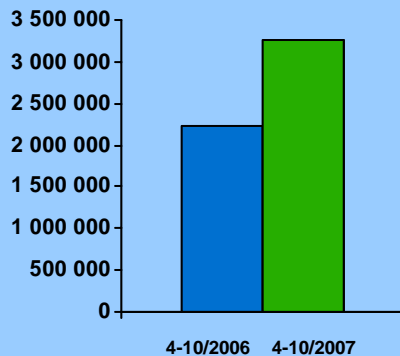


## Mobile Internet



- ✓ Access to leading 3G non-SMS services/applications on the move
- ✓ Growth of the usage is markable

**43% y-o-y growth in visits since 3G bundle started**

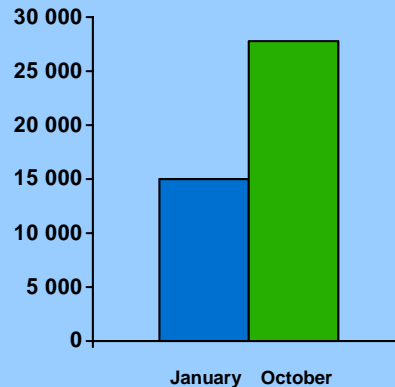


## Mobile Music



- ✓ Mobile Music downloads has taken place in digital content distribution
- ✓ Focus on speed and ease of use experience

**85% growth in music downloads in 2007**

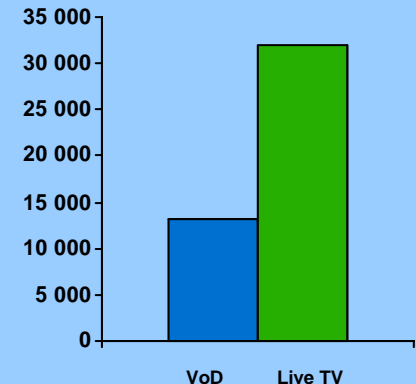


## Mobile TV



- ✓ Mobile TV and VoD services
- ✓ Video services are taking pace

**More watched Live TV programs than VoD in 2007**







# Strong commitment to 3G services continues

## STRATEGY EXECUTION – STRENGTHENING MARKET POSITION

- Elisa's market share approximately 50%
- Elisa further strengthens its position as a leading 3G service provider
- In 2008 3G services also to rural areas with 900 MHz technology
  - 3G network coverage 75% of population by the end of Q1 2008
  - Elisa using world's first commercial 900 MHz 3G network
- Elisa improves the usage of mobile data with HSUPA
- 3G network speeds soon close to 10 Mbps



# Financial targets – by end-2009

## OUTLOOK AND FINANCIAL TARGETS

Parameter	Target*
Average revenue growth percentage yoy	Mid single digit
EBITDA-margin	Above 35%
Capex-to-sales (operative)	10 - 12%
Capital structure <ul style="list-style-type: none"><li>• Net debt / EBITDA</li><li>• Gearing</li></ul>	1.5 - 2x 50 - 100%
ROCE	Above 20%

\*) All figures on a comparable basis

# Elisa's quarterly reported key figures

## APPENDIX SLIDE

Group													
EURm	Q3/07	Q2/07	Q1/07	Q4/06	Q3/06	Q2/06	Q1/06	Q4/05	Q3/05	Q2/05	Q1/05	Q4/04	Q3/04
Revenue	394	393	378	401	387	382	348	343	326	336	333	351	333
EBITDA	132	127	115	118	123	95	99	95	85	170	97	122	111
EBITDA-%	34 %	32 %	30 %	29 %	32 %	25 %	28 %	28 %	26 %	51 %	29 %	35 %	33 %
Clean EBITDA	132	116	115	119	123	100	103	89	85	84	86	104	111
Clean EBITDA-%	34 %	30 %	30 %	30 %	32 %	26 %	30 %	26 %	26 %	25 %	26 %	30 %	33 %
EBIT	82	77	68	70	73	40	43	38	33	118	45	69	57
Clean EBIT	82	67	68	71	73	45	47	32	33	32	34	51	57
Clean EBIT-%	21 %	17 %	18 %	18 %	19 %	12 %	14 %	9 %	10 %	10 %	10 %	15 %	17 %
Pre-Tax Profit	89	67	64	69	69	35	39	33	28	113	39	48	50
Clean Pre-Tax Profit	76	56	64	70	69	40	43	27	28	27	28	30	50
EPS, EUR	0,46	0,31	0,30	0,31	0,32	0,16	0,18	0,18	0,15	0,66	0,23	0,35	0,27
<b>Financial position</b>	<b>Q3/07</b>	<b>Q2/07</b>	<b>Q1/07</b>	<b>Q4/06</b>	<b>Q3/06</b>	<b>Q2/06</b>	<b>Q1/06</b>	<b>Q4/05</b>	<b>Q3/05</b>	<b>Q2/05</b>	<b>Q1/05</b>	<b>Q4/04</b>	<b>Q3/04</b>
Net debt	646	651	578	377	336	381	293	293	363	354	489	462	513
FCF	6	37	18	40	36	29	13	145	1	136	26	57	71
Equity ratio	46 %	52 %	51 %	63 %	66 %	64 %	62 %	62 %	55 %	55 %	49 %	49 %	43 %
Net debt / EBITDA	1,2	1,4	1,3	0,9	0,8	1,0	0,9	0,7	0,8	0,8	1,2	0,9	1,1
Net interest coverage	16,5	11,7	25,0	31,7	31,9	22,8	23,1	18,8	16,9	30,3	14,9	20,3	16,0
Gearing	65 %	60 %	52 %	29 %	25 %	30 %	23 %	22 %	35 %	36 %	55 %	51 %	61 %
<b>Investments</b>	<b>Q3/07</b>	<b>Q2/07</b>	<b>Q1/07</b>	<b>Q4/06</b>	<b>Q3/06</b>	<b>Q2/06</b>	<b>Q1/06</b>	<b>Q4/05</b>	<b>Q3/05</b>	<b>Q2/05</b>	<b>Q1/05</b>	<b>Q4/04</b>	<b>Q3/04</b>
in fixed assets	44	49	44,6	69	40	55	41	67	45	46	42	59	45
Operative CAPEX/Sales	11 %	12 %	12 %	17 %	10 %	14 %	12 %	20 %	14 %	14 %	13 %	17 %	14 %
in network buy-backs	0	0	0	0	0	0	2	4	0	0	0	0	0
in shares	6	0	4,6	2	7	1	0	376	5	31	3	53	0
Total	51	49	49,2	71	47	56	43	446	51	77	45	112	45
CAPEX/Sales	13 %	12 %	13 %	18 %	12 %	15 %	12 %	130 %	16 %	23 %	14 %	32 %	14 %

# Segments' quarterly reported key figures

## APPENDIX SLIDE

Segments													
<b>Mobile</b>	<b>Q3/07</b>	<b>Q2/07</b>	<b>Q1/07</b>	<b>Q4/06</b>	<b>Q3/06</b>	<b>Q2/06</b>	<b>Q1/06</b>	<b>Q4/05</b>	<b>Q3/05</b>	<b>Q2/05</b>	<b>Q1/05</b>	<b>Q4/04</b>	<b>Q3/04</b>
Revenue	252	246	229	253	246	239	192	197	183	180	179	180	179
EBITDA	80	72	67	76	72	57	53	52	46	74	49	52	57
Clean EBITDA	80	72	67	76	72	59	54	52	46	46	47	52	57
<i>Clean EBITDA-%</i>	32 %	29 %	29 %	30 %	29 %	25 %	28 %	26 %	25 %	26 %	26 %	29 %	32 %
EBIT	53	46	44	54	49	29	30	27	24	52	27	32	35
Clean EBIT	53	46	44	54	49	31	31	27	24	24	25	24	25
<i>Clean EBIT-%</i>	21 %	19 %	19 %	21 %	20 %	13 %	16 %	14 %	13 %	13 %	14 %	13 %	14 %
CAPEX	21	22	20	29	14	22	15	33	18	22	13	22	18
Operative CAPEX	21	22	20	29	14	22	15	33	18	22	13	22	18
Op.CAPEX/Sales	8 %	9 %	9 %	11 %	6 %	9 %	8 %	17 %	10 %	12 %	7 %	12 %	10 %
<b>KPIs, subscriptions</b>													
ARPU, EUR	29,9	30,2	29,7	30,8	30,5	31,3	28,0	30,4	31,2	33,8	34,6	37,0	37,5
Churn, %	11,2	11,4	14,2	14,0	11,7	12,9	18,7	22,6	27,2	32,3	33,5	38,9	21,6
Outgoing min/sub/month	217	222	216	213	207	204	187	180	177	175	158	156	159
SMS/sub/month	51	51	51	54	50	49	46	40	38	37	36	34	34
Outgoing min., million	1 428	1 425	1 361	1 330	1 265	1 207	1 087	1 070	934	790	714	659	631
SMS, million	382	372	323	336	303	288	265	275	219	171	162	153	135
Subscriptions in Finland	2 309 820	2 257 283	2 235 139	2 194 438	2 163 887	2 060 385	1 983 921	1 962 102	2 005 375	1 465 066	1 438 452	1 383 515	1 368 515
Subscriptions in Estonia	312 500	307 500	299 500	294 500	288 600	283 500	277 500	266 000	257 830	244 450	235 650	225 500	215 300
<b>Fixed network</b>	<b>Q3/07</b>	<b>Q2/07</b>	<b>Q1/07</b>	<b>Q4/06</b>	<b>Q3/06</b>	<b>Q2/06</b>	<b>Q1/06</b>	<b>Q4/05</b>	<b>Q3/05</b>	<b>Q2/05</b>	<b>Q1/05</b>	<b>Q4/04</b>	<b>Q3/04</b>
Revenue	157	160	163	162	156	166	180	173	166	170	162	162	161
EBITDA	54	56	49	44	52	39	46	37	40	43	40	42	47
Clean EBITDA	54	45	49	44	52	42	49	37	40	39	40	42	47
<i>Clean EBITDA-%</i>	34 %	28 %	30 %	27 %	33 %	25 %	27 %	21 %	24 %	23 %	25 %	26 %	29 %
EBIT	31	33	26	19	26	11	15	3	12	17	13	16	21
Clean EBIT	31	22	26	19	26	14	18	3	12	13	13	15	21
<i>Clean EBIT-%</i>	20 %	14 %	16 %	12 %	17 %	9 %	10 %	2 %	7 %	8 %	8 %	9 %	13 %
CAPEX	23	27	25	42	27	32	26	38	27	23	24	31	22
Operative CAPEX	23	27	25	42	27	32	26	38	27	23	24	31	22
Op.CAPEX/Sales	15 %	17 %	15 %	26 %	17 %	19 %	14 %	22 %	16 %	14 %	15 %	19 %	14 %
<b>Subscriptions</b>													
Subscriptions, total	1 308 514	1 315 372	1 329 844	1 319 530	1 341 770	1 347 074	1 356 455	1 341 186	1 282 869	1 263 300	1 246 175	1 219 547	1 199 494
Broadband subscriptions	518 449	513 901	513 379	496 293	479 586	472 532	459 827	420 465	345 898	308 183	269 232	222 307	185 136
ISDN channels	70 930	70 870	72 369	76 155	110 226	113 285	121 169	128 665	135 716	141 743	149 339	159 591	170 529
Cable TV subscriptions	235 653	231 228	228 136	226 027	223 192	220 253	217 600	214 054	208 592	204 528	200 864	198 447	193 750
Analogue and other subs	483 482	499 373	515 960	521 055	528 766	541 004	557 859	578 002	592 663	608 846	626 740	639 202	650 079