

elisa

Interim Report

1 January 2004 – 31 March 2004

Contents

- Q1 2004 Report
 - President and CEO Veli-Matti Mattila
- Key Figures and Financial Position
 - CFO Tuija Soanjärvi

Q1 2004 Report

President and CEO Veli-Matti Mattila

Elisa Q1 2004

- Financial Highlights
- Market Review and Highlights per Segment
- Strategic Selections
- Future Outlook

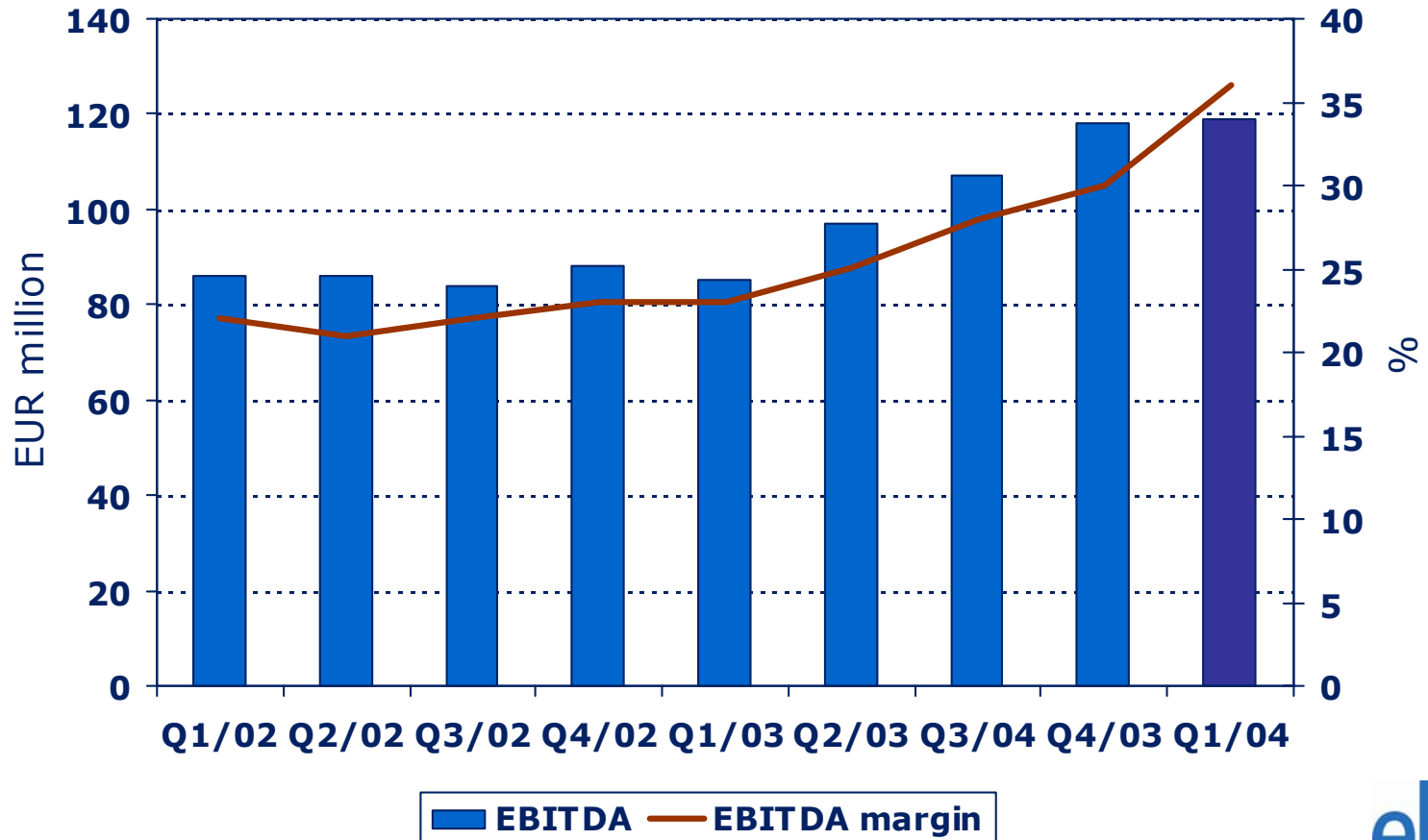
Favourable Profitability Development

- Improving profitability
 - Lower cost structure begins to work
- More competition in mobile subscriptions
- Development towards One Elisa as planned

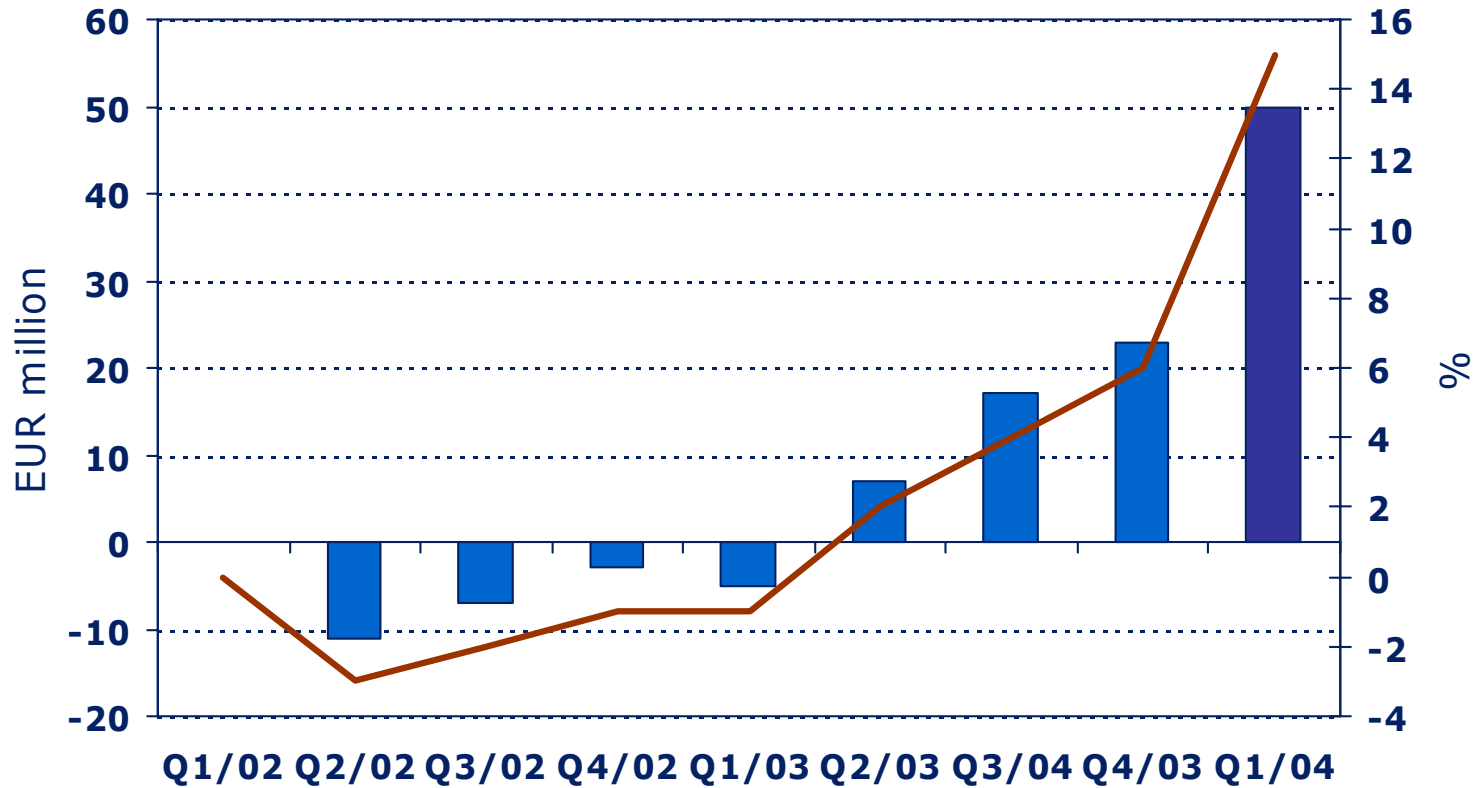
Lower Revenue, Improved Result

- Revenue EUR 333m (371, excluding Germany 339)
- EBITDA EUR 119m (85, excl. Germany 86)
- EBIT EUR 59m (7, excl. Germany 17)
- Pre-tax profit EUR 51m (-5, excl. Germany 6)
 - Core businesses' profitability improved
 - Profitability will improve further

EBITDA margin 36%



Pre-tax Profit EUR 51m



■ Pre-tax profit — Pre-tax profit margin

Stronger Financial Position

- Cash flow EUR 19m (-10)
- Net debt EUR 587m (767)
- Operative CAPEX 7% of revenue
- Equity ratio 44% (38)

Demanding Market for Mobile Business

- Growth in usage
- Price erosion due to competition
- Increased Churn
- New low-priced subscriptions in the market
 - Elisa launched new Kolumbus subscription

Growth in Mobile's Revenue and Result

- Revenue EUR 179m (174)
- EBITDA EUR 66m (43), 37% of revenue (25)
- EBIT EUR 37m (8)
- Number of subscriptions decreased by 2% to 1,319,000
 - Stable position in full service segment

Fixed Network Market Stable

- Strong demand in broadband channels continued
- Number of analogue lines decreased
- Successful sales in corporate segment

Fixed Network Profitability Improved

- Revenue EUR 164m (172)
- EBITDA EUR 52m (45), 32% of revenue (26)
- EBIT EUR 25m (17)
- Broadband channels up by 81% to 148,300 (81,900)

Strategic Selections

- Finland as the main market
 - Yomi will merge into Elisa
- Carefully selected international markets
 - Vodafone cooperation:
 - SAP, Philips and Novartis customer agreements
 - Products: Vodafone Mobile Connect Card
 - Projects in the Nordic countries:
 - Letter of Intent: Elisa as the main supplier of Nordea in Finland
 - Sale of the Germany-based business

Strategic Selections

Yomi to Merge into Elisa

- Merger plan
 - Stronger and more competitive entity
 - Clear ownership structure
 - Yomi's telecom operations are core business of Elisa
 - Yomi's IT business is non-core business for Elisa. Elisa will develop this IT business as a financial investment
- No EPS effect in 2004

Strategic Selections

Sale of the Germany-based Business

- Sale agreement
 - Sale price EUR 70m
 - EUR 30m cash, EUR 40m in 2006 – 2008
- Financial consequences
 - One-off write down and tax credit in 2003
 - Transaction has no effect on result in 2004
 - Improving profitability
 - Stronger balance sheet

Operational Priorities

1. Customer orientation
 - New security solutions
 - New marketing director appointed to management team
2. Simplification of structure
 - One umbrella brand - Elisa
 - New organisation and operational model in January
3. Significant profitability improvement
 - projects according to schedule
 - Outsourcing of the network installation business in Tampere

Outlook for 2004

- Comparable revenue slightly down from 2003
 - New interconnection tariffs
 - Price erosion
- Operative result will improve significantly
- Q2-Q4 profitability clearly lower than Q1
 - Market activities
 - Price competition

Key Figures and Financial Position

CFO Tuija Soanjärvi

Structural Change

- New segment reporting
 - Overlaps removed
 - Some businesses grouped differently
 - Previously reported business area figures not comparable
- Improved transparency
- Germany-based business not consolidated in Group figures

Elisa's Q1 2004 P&L

Elisa EURm	Excl. Germany		
	Q1/04	Q1/03	Q1/03
Revenue	333	371	339
Other operating income	7	4	2
EBITDA	119	85	86
<i>EBITDA margin</i>	<i>36 %</i>	<i>23 %</i>	<i>25 %</i>
Depreciation	-49	-65	-58
Goodwill depreciation	-11	-14	-11
Write-downs	-	-	-
EBIT	59	7	17
<i>EBIT margin</i>	<i>18 %</i>	<i>2 %</i>	<i>5 %</i>
Share of assoc. comp. result	0	-1	-1
Net financial items	-7	-11	-10
Pre Tax Profit	51	-5	6

Income from other operations include sales profits and received settlement total EUR 5m. EBITDA includes EUR 5m non-recurring reduction in GSM network leases.

Progress by Quarters

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

* Without one-off items

New Segment Reporting

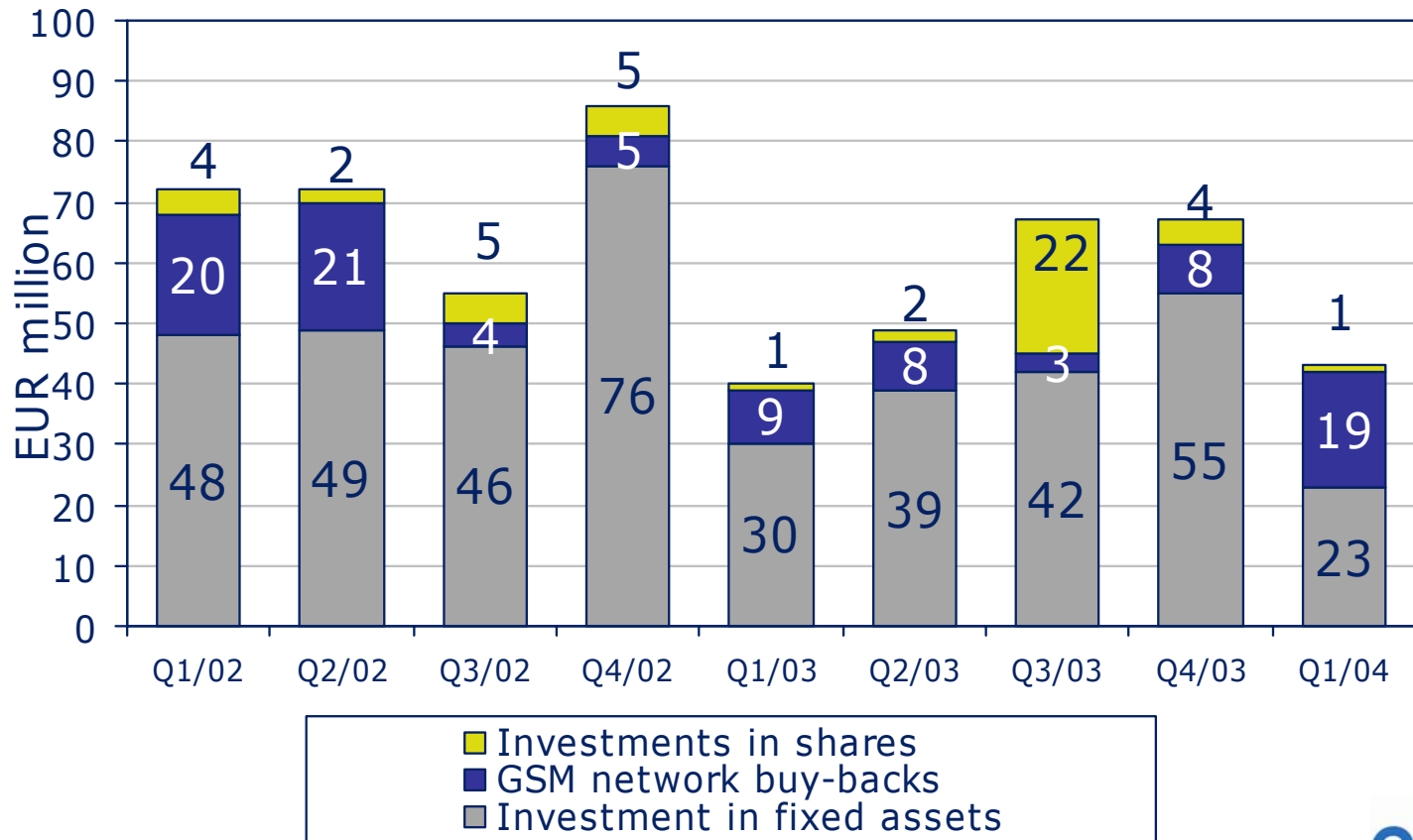
Revenue	Q1/2004	Q1/2003	As reported Q1 2003
Mobile	179	174	175
Fixed network	164	172	170
Germany	-	32	32
Other companies	23	24	33
Internal sales	-33	-31	-39
Total	333	371	371
EBITDA	Q1/2004	Q1/2003	Q1 2003
Mobile	66	43	42
Fixed network	52	45	52
Germany	-	-1	-1
Other companies	3	-1	-1
Group functions	-2	-2	-7
Total	119	85	85
EBIT	Q1/2004	Q1/2003	Q1 2003
Mobile	37	8	5
Fixed network	25	17	24
Germany	-	-10	-10
Other companies	1	-3	-3
Group functions	-4	-4	-9
Total	59	7	7

Smaller
internal
sales

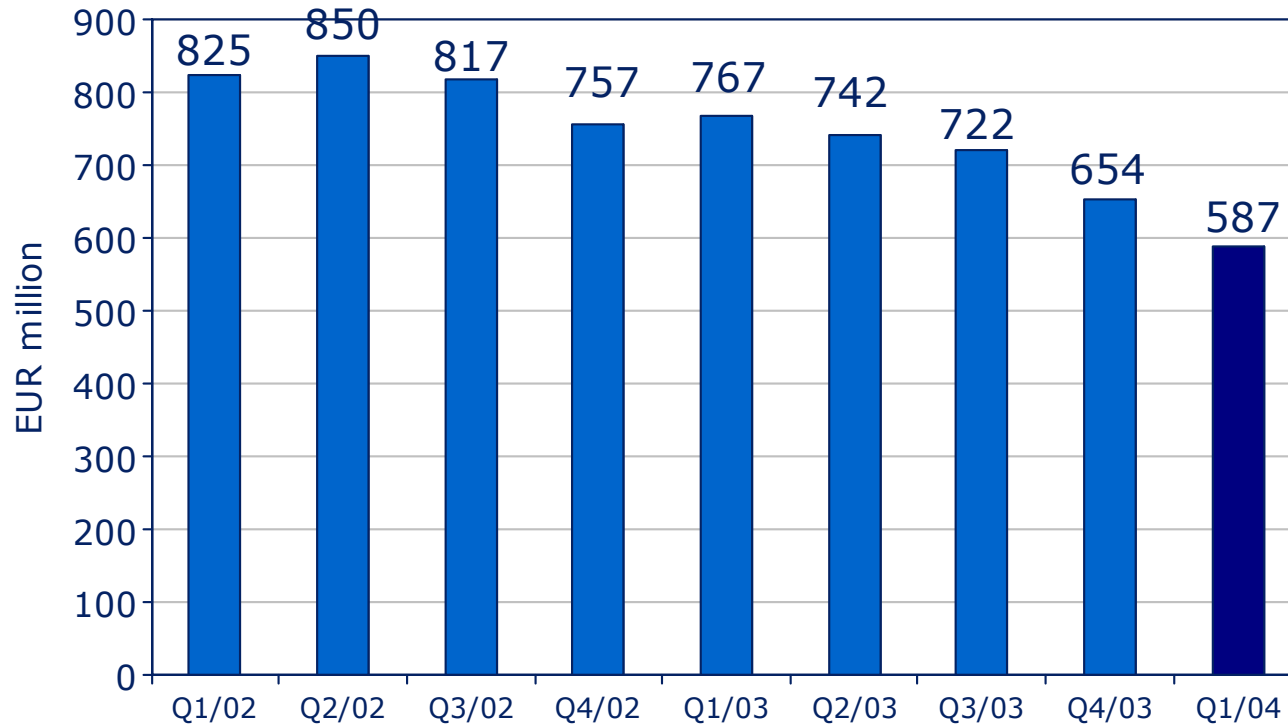
Group staff
costs to fixed
line operations

elisa

Operative CAPEX 7% of Revenue



Net Debt Decreased



Cash Flow

EURm	Q1/04	Q1/03	2003
Profit before extraordinary items	51	-5	-74
Depreciation and value adjustments	60	79	418
Other adjustments	5	11	36
Cash inflow before working capital	116	85	381
Change in working capital	-32	-13	-21
Cash inflow before taxes and financials	85	72	360
Interests and dividends	-20	-24	-40
Taxes	-5	-20	-15
Free funds from operations	60	29	305
Cash flow in investments	-41	-39	-200
Cash flow after investments	19	-10	105

Good Financial Position

- Gearing 67% (below 100%)
- Equity Ratio 44% (above 40%)
- Net Debt/EBITDA* 1.4x (below 2x)
- EBITDA/financial expenses* 11.0x (above 8x)

*Calculated from last four quarters

Elisa

Interim Report

1 January 2004 – 31 March 2004

Mobile Business Key Figures

Mobile business, EURm	Q1/04	Q1/03	%	2003
Revenue	179	174	3 %	762
Clean EBITDA	66	42	56 %	215
Clean EBITDA-%	37 %	24 %		28 %
CAPEX	26	16	61 %	103
CAPEX excl. network buy-backs	7	7	-6 %	75
Oper CAPEX / sales	4 %	4 %		10 %
No. of Subscriptions in Finland *	1 319 007	1 348 183	-2 %	1 374 146
ARPU, EUR **	38,6	38,5	0 %	41,6
Churn **	47,4 %	14,4 %		18,6 %
Minutes of use, million *	596	531	12 %	2 310
Minutes of use / subs / month **	150	136	10 %	146
No. of SMS, million *	121	109	11 %	453
No. of SMS / subs / month **	31	28	11 %	29
Value added services / revenue	13 %	13 %		12 %

* Network operator

** Service operator

Elisa's Key Figures (1/2)

Elisa Group EURm

	Q1/04	Q4/03	Q3/03	Q2/03	Q1/03	Q4/02	Q3/02	Q2/02	Q1/02
Revenue	333	391	385	391	371	385	388	406	384
EBITDA	119	96	107	97	85	118	51	86	78
<i>EBITDA-%</i>	36 %	25 %	28 %	25 %	23 %	31 %	13 %	21 %	20 %
Clean EBITDA	119	118	107	97	85	88	84	86	86
<i>Clean EBITDA-%</i>	36 %	30 %	28 %	25 %	23 %	23 %	22 %	21 %	22 %
EBIT	59	-83	26	17	7	39	-43	-32	-13
Clean EBIT	59	33	26	17	7	10	6	6	12
<i>Clean EBIT-%</i>	18 %	8 %	7 %	4 %	2 %	3 %	2 %	1 %	3 %
Pre-Tax Profit	51	-93	17	7	-5	26	-56	-49	-25
Clean Pre-Tax Profit	51	23	17	7	-5	-3	-7	-11	0

Financial position

Net debt	587	654	722	742	767	757	817	850	825
Equity ratio	44 %	40 %	40 %	40 %	38 %	38 %	35 %	38 %	38 %
Net debt / EBITDA	1,5	1,7	1,9	2	2,2	2,2	2,4	2,45	2,7
Net interest coverage	10,5	9,6	10	8,9	8,1	7	6,7	7,2	6,8
Gearing	76 %	87 %	88 %	91 %	97 %	95 %	105 %	102 %	94,1 %

Investments

in fixed assets	23	55	42	39	30	76	46	49	48
Operative CAPEX/Sales	7 %	14 %	11 %	10 %	8 %	20 %	12 %	12 %	13 %
in network buy-backs	19	8	3	8	9	5	4	21	20
in shares	1	4	22	2	1	5	5	2	4
Total	43	67	67	49	40	86	55	72	72
CAPEX/Sales	13 %	17 %	17 %	13 %	11 %	22 %	14 %	18 %	19 %

Elisa's Key Figures (2/2)

Segments	Q1/04	Q4/03	Q3/03	Q2/03	Q1/03	Q4/02	Q3/02	Q2/02	Q1/02
Mobile									
Revenue	179	203	195	190	175	185	188	192	174
ARPU, EUR	38,6	43,7	42,5	41,7	38,5	41,3	43,0	43,5	41,4
Churn, %	47,4	22,9	24,2	13,4	14,4	21,2	14,0	12,7	18,2
Subscriptions	1 319 007	1 374 146	1 374 847	1 356 881	1 348 183	1 342 417	1 301 621	1 289 016	1 348 710
Clean EBITDA	66	66	58	49	42	37	50	55	52
<i>Clean EBITDA-%</i>	37 %	33 %	30 %	26 %	24 %	20 %	27 %	29 %	30 %
Leasing adjusted EBITDA	-	70	64	56	49	43	57	66	63
<i>Leasing adj. EBITDA-%</i>	-	34 %	33 %	29 %	28 %	23 %	30 %	34 %	36 %
Fixed network									
Revenue	164	169	163	175	170	174	177	181	203
Subscriptions, total	1 194 480	1 186 584	1 182 402	1 181 008	1 184 222	1 184 938	1 141 658	1 142 755	1 147 000
Broadband subscriptions	148 270	127 388	107 875	93 677	81 781	71 855	58 974	43 865	36 000
ISDN channels	190 921	200 455	211 510	222 153	229 252	237 263	249 667	260 015	269 000
Cable TV subscriptions	186 097	183 469	179 858	176 506	172 400	169 900	143 700	139 000	136 000
Analogue and other subs	669 192	675 272	683 159	688 672	700 789	705 920	689 317	699 875	706 000
Clean EBITDA	52	52	50	50	52	56	57	52	52
<i>EBITDA-%</i>	32 %	31 %	31 %	29 %	31 %	32 %	32 %	29 %	26 %

Q1/04 segment figures are not comparable with previous quarters

Q1/04 Key Figures per Segment

Segments EUR million	Revenue		EBITDA		EBIT	
	1-3/04	1-3/03	1-3/04	1-3/03	1-3/04	1-3/03
Mobile	179	174	66	43	45	17
Group bookings					-8	-9
Total	179	174	66	43	37	8
Fixed network	164	172	52	45	26	18
Group bookings					-1	-1
Total	164	172	52	45	25	17
Germany	-	32	-	-1	-	-9
Group bookings					-	-1
Total	-	32	-	-1	-	-10
Other companies						
Comptel	13	12	3	1	3	0
Other companies	10	12	0	-2	-2	-3
Total	23	24	3	-1	1	-3
Group functions			-2	-2	-4	-4
Group total	333	371	119	85	59	7

Excluding one-off items	Revenue		Clean EBITDA		Clean EBIT	
	1-3/04	1-3/03	1-3/04	1-3/03	1-3/04	1-3/03
Mobile	179	174	66	43	37	8
Fixed network	164	172	52	45	25	17
Germany		32		-1		-10
Others	23	24	1	-3	-3	-8
Intra segment sale	-33	-31				
Group total	333	371	119	85	59	7

Cash Flow by Quarters

CONSOLIDATED CASH FLOW STATEMENT	Q1/2004	Q4/2003	Q3/2003	Q2/2003	Q1/2003
Cash inflow from operating activities					
Profit before extraordinary items	51	-94	17	8	-5
Adjustments:					
Depreciation and value adjustments	60	179	80	80	79
Other financial income and expenses	7	10	9	10	11
Sales profits from the disposal of fixed assets	0	-2	-1	0	0
Sales profits from business operations	-2	-1	0	0	0
Other adjustments	0	2	-1	0	0
Cash inflow before working capital	116	94	104	98	85
Change in working capital	-32	20	-8	-20	-13
Cash inflow before taxes and financials	85	114	96	78	72
Received dividends and interests and interest paid	-20	-4	-4	-8	-24
Taxes paid	-5	21	-7	-9	-20
Free funds from operations	60	131	85	60	29
Cash flow in investments					
Investments in fixed assets	-42	-63	-45	-47	-39
Disposal of fixed assets	1	4	0	0	1
Investments in shares and other investments	-1	-4	-21	-2	-1
Disposal of shares and other investments		0	2	14	0
Disposal of business operations	2	1	0	0	0
Cash flow in investments	-41	-62	-64	-36	-39
Cash flow after investments	19	70	21	25	-10

Comparable Quarters 2003

<u>Interim reports 2003</u>						<u>Pro forma excluding Germany-based business 2003</u>					
EUR million	Q1/03	Q2/03	Q3/03	Q4/03	2003	EUR million	Q1/03	Q2/03	Q3/03	Q4/03	2003
Revenue	371	391	385	391	1538	Revenue	339	356	351	358	1404
Other operating income	4	9	8	13	34	Other operating income	2	6	5	7	21
EBITDA	85	97	107	96	385	EBITDA	86	96	106	94	381
<i>EBITDA margin</i>	<i>23 %</i>	<i>25 %</i>	<i>28 %</i>	<i>25 %</i>	<i>25 %</i>	<i>EBITDA margin</i>	<i>25 %</i>	<i>27 %</i>	<i>30 %</i>	<i>26 %</i>	<i>27 %</i>
Depreciation	-65	-66	-67	-70	-267	Depreciation	-58	-59	-57	-63	-236
Goodwill amortisation	-14	-14	-14	-15	-57	Goodwill amortisation	-11	-11	-11	-12	-45
Write-downs				-94	-94	Write-downs					
EBIT	7	17	26	-83	-34	EBIT	17	26	38	19	100
<i>EBIT margin</i>	<i>2 %</i>	<i>4 %</i>	<i>7 %</i>	<i>-21 %</i>	<i>-2 %</i>	<i>EBIT margin</i>	<i>5 %</i>	<i>7 %</i>	<i>11 %</i>	<i>5 %</i>	<i>7 %</i>
Share of assoc. comp. result	-1	0	1	-1	0	Share of assoc. comp. result	-1	0	1	-1	0
Net financial items	-11	-10	-10	-10	-40	Net financial items	-10	-9	-9	-9	-36
Pre Tax Profit	-5	7	17	-93	-74	Pre Tax Profit	6	17	30	10	63
<u>Excluding one-off items 2003</u>						<u>Pro forma excluding Germany and one-off items 2003</u>					
EUR million	Q1/03	Q2/03	Q3/03	Q4/03	2003	EUR million	Q1/03	Q2/03	Q3/03	Q4/03	2003
Revenue	371	391	385	391	1538	Revenue	339	356	351	358	1404
Other operating income	4	9	8	13	34	Other operating income	2	6	5	7	21
EBITDA	85	97	107	118	407	EBITDA	86	96	106	116	404
<i>EBITDA margin</i>	<i>23 %</i>	<i>25 %</i>	<i>28 %</i>	<i>30 %</i>	<i>26 %</i>	<i>EBITDA margin</i>	<i>25 %</i>	<i>27 %</i>	<i>30 %</i>	<i>32 %</i>	<i>29 %</i>
Depreciation	-65	-66	-67	-70	-267	Depreciation	-58	-59	-57	-63	-236
Goodwill amortisation	-14	-14	-14	-15	-57	Goodwill amortisation	-11	-11	-11	-12	-45
EBIT	7	17	26	33	83	EBIT	17	26	38	42	123
<i>EBIT margin</i>	<i>2 %</i>	<i>4 %</i>	<i>7 %</i>	<i>9 %</i>	<i>5 %</i>	<i>EBIT margin</i>	<i>5 %</i>	<i>7 %</i>	<i>11 %</i>	<i>12 %</i>	<i>9 %</i>
Share of assoc. comp. result	-1	0	1	-1	0	Share of assoc. comp. result	-1	0	1	-1	0
Net financial items	-11	-10	-10	-10	-40	Net financial items	-10	-9	-9	-9	-36
Pre Tax Profit	-5	7	17	23	43	Pre Tax Profit	6	17	30	32	86