

# Elisa Communications Interim Report

April 1, 2002 – June 30, 2002

## Group Business Proceeded Favourably in the Second Quarter of 2002

- Revenue growth of 23% exceeded clearly sector growth
- EBITDA excluding one-time items grew 13% mainly contributed by core business
- CAPEX was on a moderate level, CAPEX per Sales was 17% (23%)
- Operative cash flow was turned positive in H1/2002
- Profitability of Mobile Business improved further, EBITDA margin rose to 29 (25)
- EBITDA of Fixed Network Business grew by 30% and profitability improved on Q1/2002 (EBITDA margin Q2: 29%, Q1: 26%)
- Profitability development of German-based Business was on track. The amount of new business customers exceeded the objectives

# Elisa's View on the Changes in the Domestic Competition Environment

- Finland is the main market of Elisa
- Elisa offers in the domestic market comprehensive telecommunication solutions tailored for the needs of Finnish customers
- Already occurred player changes in the market of fixed network services as well as the anticipated take-over of the main competitor by a Swedish company will strengthen the position of Elisa as domestic solution provider
- Conducting the business with strong partners, Elisa Group continues to maintain an ability to operate independently – the scale is suitable for the scope of the market

## Key Figures of Elisa Group Q2/2002

EUR million	Q2/02	Q2/01	change	Excluding one-time items		
				Q2/02*	Q2/01**	change
Revenue	406	331	23 %	<b>406</b>	331	23 %
EBITDA	86	75	-	<b>86</b>	76	13 %
EBIT	-32	15	-	<b>6</b>	19	-68 %
Pre Tax Profit	-48	3	-	<b>-11</b>	7	-

- Revenue growth 23 %. The new domestic group companies contributed EUR 40m.
- EBIT and pre-tax profit were affected by one-time write-offs from fixed assets and goodwill
- EBITDA growth 13% and EBITDA margin 21%
- EBIT excluding one-time items was EUR 6m (19) and pre-tax profit EUR -11m (7)
- EBIT and pre-tax profit were affected by weak performance of non-core business
- Sale of Elisa Instalia's business will be booked on Q3/2002

\* Q2/02: GSM write-off EUR -26m, DCS 1800 write-off EUR -6m and write-offs from German-based business EUR -6m (TIme CityLink and Hansacom)

\*\* Q2/01: GSM write-off EUR -3m, capital gain EUR 3m and penalty payment EUR -4m

# Turn in Operative Cash Flow in H1/2002

<b>Operative cash flow, EURm</b>	<b>H1/2002</b>	<b>H1/2001</b>	<b>2001</b>
Clean EBITDA	171	145	336
Change in working capital	11	-3	26
Investments in fixed assets	-97	-135	-324
Net financial items	-25	-22	-48
Taxes	-13	-11	-30
<b>Free operative cash flow</b>	<b>47</b>	<b>-26</b>	<b>-40</b>

- Q2 CAPEX was kept on a moderate level: EUR 70m (76)
- Share acquisitions amounted to EUR 2m\* (141)
- The positive development of operative cash flow will be continued during H2/2002

\* The share transactions in Tropolys were booked against each other

# Business Areas: Mobile Business Q2/2002

Mobile	Revenue			EBITDA			EBIT		
	Q2/02	Q2/01	change	Q2/02	Q2/01	change	Q2/02	Q2/01	change
Service- and network operators	181	177	3 %	54	47		5	28	-
Distribution companies	20	16	25 %	1	-1	-	0	-3	-
Intra-SBA sales	-9	-5							
One-time items					1		26	4	
Group bookings							-10	-10	
<b>Total excl. one-offs</b>	<b>192</b>	<b>188</b>	<b>3 %</b>	<b>55</b>	<b>47</b>	<b>17 %</b>	<b>21</b>	<b>19</b>	<b>-</b>

- Mobile Business revenue growth was 3%. Lower interconnection charges since September 2001 have a dragging effect to top-line growth of over 5%.
- EBITDA improved 17% to EUR 55m (47) and EBIT 11% to EUR 21m (19)
- GSM network one-time write-down amounted to EUR -26m resulting from repurchasing leasing agreements from several telcos
- Profitability of Mobile Business improved, EBITDA margin was 29% (25%)
- Leasing-adjusted EBITDA was EUR 66m (60) and EBITDA margin 34% (32%)
- ARPU of the service operator was 43.5 EUR per month (45,2)

## Mobile Business (cont.)

- Amount of subscribers of the network operator increased with 1% to about 1.29m subscriptions (1.28) due to the intensive sales efforts of the service operator itself
- Amount of subscribers decreased with 4% compared with the previous quarter, as Telia switched their Dual subscriptions off the Radiolinja network
- DCS1800-based business was transferred within Elisa Group to Radiolinja. Now mobile business is centralised to Radiolinja subgroup.
- Voice traffic in the networks amounted to 541m minutes (503), growth 8% and amount of SMS sent was 107m (97), growth 10 %
- Average MOU per month increased to 141 minutes (135) and average amount of SMS per user per month amounted to 27 (26)
- Revenue share of value added services remained flat at 11% (11%)
- Annualised churn ended up with 12.7% (13.9%)

# The Remaining Leasing Liability of Radiolinja

- Radiolinja has in the period of years 1990 – 1999 leased with long-term agreements a significant part of the mobile network in its exclusive use from local telephone companies in Finland
- The UMTS delivery agreements executed by Radiolinja will reduce the economical life time of the network leased from telcos significantly. It will become shorter than the term of the lease agreements.
- The new technology will facilitate lower total construction and maintenance cost of the 2G and 3G networks
- Radiolinja endeavours to rearrange the lease agreements latest by the beginning of the year 2004
- The related one-time write-down will be booked in accordance with the current practice (2/3 of the repurchase value will be written down)
- Remaining leasing liability of Radiolinja exceeds with an amount of about EUR 77m the book value of a corresponding network depreciated according to regular plan



# Business Areas:

## Fixed Network Business Q2/2002

Fixed network	Revenue			EBITDA			EBIT		
	Q2/02	Q2/01	change	Q2/02	Q2/01	change	Q2/02	Q2/01	change
Service operator	170			7			-3		
Network operator	80			42			16		
Intra-SBA sales	-69								
One-time items							6		
Group bookings				3			4		
<b>Total excl. one-offs</b>	<b>181</b>	<b>126</b>	<b>44 %</b>	<b>52</b>	<b>40</b>	<b>30 %</b>	<b>23</b>	<b>20</b>	<b>15 %</b>

- Revenue growth 44%. New domestic subsidiaries contributed about EUR 40m.
- EBITDA improved 30% to EUR 52m (40) and EBIT 15% to EUR 23m (20)
- DCS1800 network was written down as a one-time item to an amount of EUR -6m
- Service operator business includes the ElisaCom sub-group and the local telephone companies Kestel, Soon Com, Lounet, Riihimäen Puhelin and Tikka Communications
- Network operator business includes the Elisa Networks sub-group and the local network operator companies Soon Net and Kesnet

## Fixed Network Business (cont.)

- The amount of subscriptions in Elisa group was 1.14 million (0.76)
- The broadband access market leadership was further enhanced. Market share of Elisa increased to about 35%.
- The number of ADSL channels reached 43 900 (14 900)
- The nationwide market share of Elisa's network operator companies amounts to about 34%

<b>Subscriptions, '000</b>	Q2/2002	Q2/2001	Q2/2001*	change*
ISDN channels	260	229	280	-7 %
ADSL channels	44	12	15	194 %
Cable TV	139	12	126	10 %
Analogue and others	700	505	721	-3 %
<b>Total</b>	<b>1143</b>	<b>758</b>	<b>1143</b>	<b>0 %</b>

\* includes also subscriptions of Soon, Yomi, RPO and Lounet

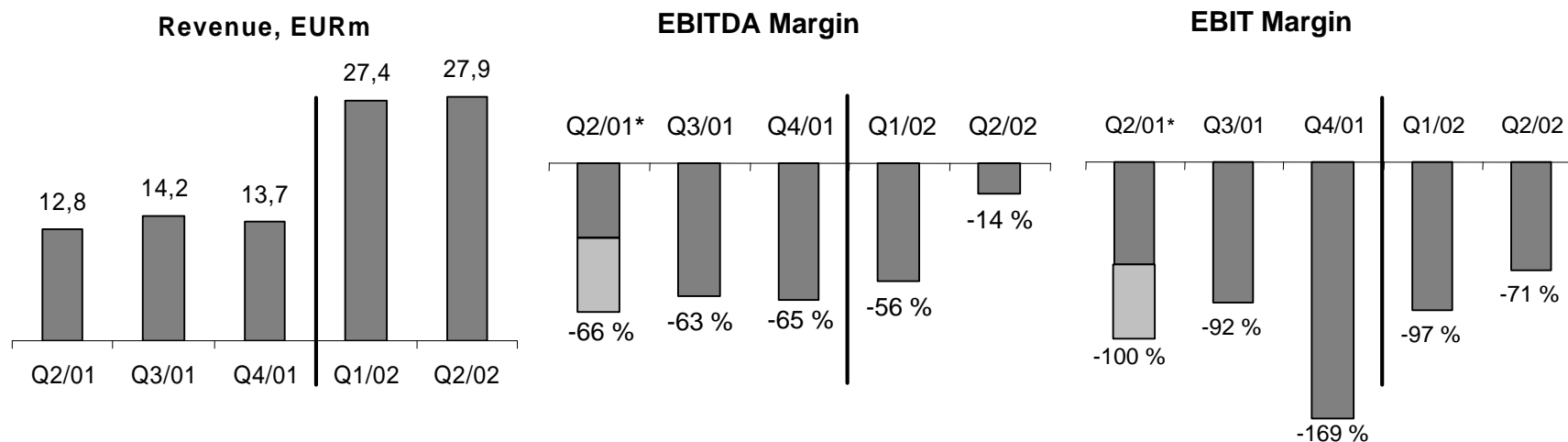
# Business Areas: Germany-based Business Q2/2002

Germany	Revenue		EBITDA		EBIT		Net result*	
	Q2/02	Q2/01	Q2/02	Q2/01	Q2/02	Q2/01	Q2/02	Q2/01
Carrier-business	28	10	-4	-1	-19	-4	-17	-9
Mäkitorppa GmbH	0	3	0	-4	0	-4	0	-4
One-time items				-4	6	-4	6	-4
Group bookings								
<b>Total excl. one-offs</b>	<b>28</b>	<b>13</b>	<b>-4</b>	<b>-9</b>	<b>-13</b>	<b>-12</b>	<b>-11</b>	<b>-17</b>

\* Elisa Kommunikation GmbH sub-group

- City carrier business progressed according to plan: strong revenue growth and both EBITDA and EBIT margin improvement
- Consolidated revenue more than doubled to EUR 28m (13)
- Share of associated company loss was reduced to EUR -2m (-4)
- Elisa acquired all the shares of TIME CityLink and the company was merged into Tropolys effective July 1, 2002. The integration of TIME CityLink facilitates the transformation of Tropolys from a regional city carrier group to a nationwide telecommunications operator.
- Shutdown of the mobile retail business was completed according to plan

# Germany-based Business (continued)



- EBITDA margin improved compared to previous quarter (Q2: -14%, Q1: -56%)
- City carrier revenue growth was 8% compared with previous quarter. Total revenue growth was 4%. The growth was dragged down by the shutdown of the mobile retail business.
- Increase of business customer amount exceeded objectives
- CAPEX has been restrained to moderate level and the level of financial commitment meets with the plan

\* Q2/2001 includes EUR 4m non-recurring capital gain from sale of city carrier stakes.

## Future Outlook

- In line with previous guidance, the Group's revenue is expected to grow faster than the sector in general in 2002
- In line with previous guidance, Euro value of EBITDA without one-time items is estimated to improve compared to 2001
- Operative cash flow, which already turned positive in H1, is expected to stay positive during H2
- The positive impact of the restructuring programs will take full effect in the latter half of 2002. Profitability is estimated to improve towards the year-end.
- Due to uncertainties in the market and increased pension expenses, Euro value of PTP without one-time items is estimated not to reach the level of 2001
- Revenue of the Germany-based Business of Elisa is estimated to grow faster than the sector in Germany. EBITDA of the Elisa Kommunikation GmbH sub-group is expected to turn positive by the end of 2002, and EBIT to turn positive by the end of 2003.

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# Elisa Communications' Q2/2002 P&L

Elisa Communications Group EURm	Excl. one-off items *			
	Q2/02	Q2/01	Q2/02	Q2/01
<b>Revenue</b>	<b>406</b>	<b>331</b>	<b>406</b>	<b>331</b>
Other income from operations	1	9	1	6
<b>EBITDA</b>	<b>86</b>	<b>75</b>	<b>86</b>	<b>76</b>
<i>EBITDA margin</i>	21 %	23 %	21 %	23 %
Depreciation	-98	-48	-64	-45
Goodwill depreciation	-20	-12	-16	-12
<b>EBIT</b>	<b>-32</b>	<b>15</b>	<b>6</b>	<b>19</b>
<i>EBIT margin</i>	-8 %	5 %	2 %	6 %
Share of associated companies result	-3	0	-3	0
Net financial items	-13	-12	-13	-12
<b>Pre Tax Profit</b>	<b>-48</b>	<b>3</b>	<b>-11</b>	<b>7</b>

\*Q2/02: GSM write-off EUR -26m, DCS 1800 write-off EUR -6m and write-offs from German business EUR -6m (TIme CityLink and Hansacom)

Q2/01: GSM write-off EUR -3m, capital gain EUR +3m and sanction fee EUR -4m

# Key Figures of Elisa Communication

<b>Elisa Group</b>	<b>Q2/02</b>	<b>Q1/02</b>	<b>Q4/01</b>	<b>Q3/01</b>	<b>Q2/01</b>	<b>Q1/01</b>
<b>EURm</b>						
Revenue	406	384	386	389	331	333
EBITDA	86	78	183	91	75	76
<i>EBITDA-%</i>	<i>21 %</i>	<i>20 %</i>	<i>47 %</i>	<i>23 %</i>	<i>23 %</i>	<i>23 %</i>
Adjusted EBITDA	86	86	97	91	77	68
<i>Adj. EBITDA-%</i>	<i>21 %</i>	<i>22 %</i>	<i>25 %</i>	<i>23 %</i>	<i>23 %</i>	<i>20 %</i>
EBIT	-32	-13	58	16	15	19
Adjusted EBIT	6	12	19	22	31	13
Pre-Tax Profit	-48	-25	44	-1	3	0
Adj. Pre-Tax Profit	-11	0	5	5	24	-6
<b>Financial position</b>						
Net debt	850	825	756	814	773	774
Equity ratio	38 %	38 %	40 %	40 %	39 %	37 %
Net debt / EBITDA	2,45	2,7	1,8	2,5	2,6	2,1
Net interest coverage	7,2	6,8	8,8	7,3	6,8	7,8
Gearing	102 %	94,1 %	88,4 %	96,7 %	91,1 %	112,8 %



## Key Figures (cont.)

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

# Reconciliation of Clean Sales, EBITDA and EBIT

Sales, EBITDA and clean EBIT

<b>EURm</b>	<b>Q2 2002</b>
Sales	406
Other income	1
Opex	-321
<b>EBITDA</b>	<b>86</b>
Depreciation	-98
Goodwill depreciation	-20
Write-off in Radiolinja	26 1)
Write-off in fixed line business	6 2)
Write-off in Elisa Kommunikation GmbH	6 3)
<b>Clean EBIT</b>	<b>6</b>

1) One-time write-offs from fixed assets (GSM network)

2) One-time write-offs from fixed assets (DCS 1800)

3) One-time write-offs in TIME CityLink and Hansacom

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

	Revenue		EBITDA		EBIT		Clean EBITDA		Clean EBIT	
	Q2/02	Q2/01	Q2/02	Q2/01	Q2/02	Q2/01	Q2/02	Q2/01	Q2/02	Q2/01
<b>Mobile</b>										
Service- and network operators	181	177	54	47	5	28	54	48	31	32
Distribution companies	20	16	1	-1	0	-3	1	-1	0	-3
Intra-SBA sales	-9	-5								
Group bookings					-10	-10			-10	-10
<b>Total</b>	<b>192</b>	<b>188</b>	<b>55</b>	<b>46</b>	<b>-5</b>	<b>15</b>	<b>55</b>	<b>47</b>	<b>21</b>	<b>19</b>
<b>Fixed network</b>										
Service operator	170		7		-3		7		-3	
Network operator	80		42		16		42		22	
Intra-SBA sales	-69									
Group bookings			3		4		3		4	
<b>Total</b>	<b>181</b>	<b>126</b>	<b>52</b>	<b>40</b>	<b>17</b>	<b>20</b>	<b>52</b>	<b>40</b>	<b>23</b>	<b>20</b>
<b>Germany</b>										
Carrier-business	28	10	-4	-1	-19	-4	-4	-5	-13	-8
Mäkitorppa GmbH	0	3	0	-4	0	-4	0	-4	0	-4
Group bookings										
<b>Total</b>	<b>28</b>	<b>13</b>	<b>-4</b>	<b>-5</b>	<b>-19</b>	<b>-8</b>	<b>-4</b>	<b>-9</b>	<b>-13</b>	<b>-12</b>
<b>Other companies</b>										
Comptel	14	19	1	8	0	6	1	8	0	6
Other companies	16	1	-7	0	-10	-1	-7	4	-10	3
Group bookings					-1		-3		-4	
<b>Total</b>	<b>30</b>	<b>20</b>	<b>-6</b>	<b>8</b>	<b>-11</b>	<b>5</b>	<b>-9</b>	<b>12</b>	<b>-14</b>	<b>9</b>
<b>Group functions</b>										
Group functions*	10	4	-11	-14	-14	-17	-8	-14	-11	-17
*) headquarter staff, centralized R&D and group internal services										
<b>Elisa Group</b>										
Business areas total	441	351	86	75	-32	15	86	76	6	19
Inter-SBA sales	-35	-20								
<b>Group total</b>	<b>406</b>	<b>331</b>	<b>86</b>	<b>75</b>	<b>-32</b>	<b>15</b>	<b>86</b>	<b>76</b>	<b>6</b>	<b>19</b>