

elisa

Roadshow

September 2004

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# Q2 2004 Highlights

- Growth in mobile subscriptions
- Strong growth in broadband subscriptions
- Cost reduction program exceeding expectations
- Financial position strengthened

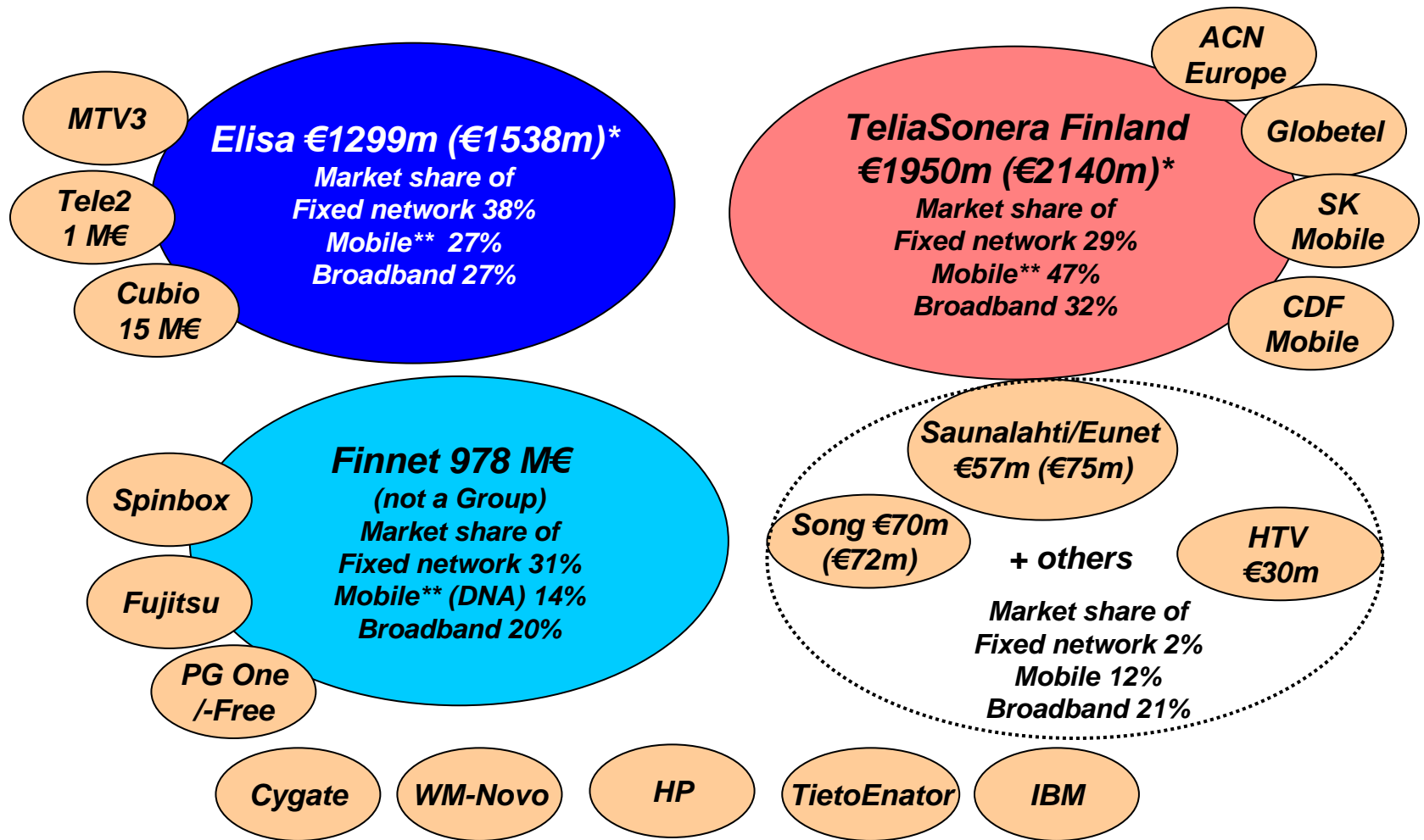


# Q2 2004 Financial Highlights

- Improved result, decreased revenue
  - Revenue EUR 339m (391)
  - EBITDA EUR 95m (97)
  - Pre-tax profit EUR 28m (7)
- Financial position strengthened
  - Cash flow EUR 67m (25)
  - Net debt EUR 513m (742)
  - Equity ratio 46% (40)
  - Gearing 64% (91)



# Finnish Telecom Market Q2 2004



\* Revenue in Finland in 2003 (total revenue of the company)

\*\* Own service provider

Source: company data and Elisa estimates



# Finnish Telecom Market

- Telecom market growth very modest
  - Mobile penetration above 90%
  - Growth in mobile MOU 6%
  - Growth in SMS 15%,
  - Price erosion offsets usage growth
  - Fixed line broadband growth above 70%
  - Broadband penetration 22% of households
  - Decrease in analogue fixed lines 5%
- New businesses emerging, effect still minor
  - MMS growth more than 100%, but still marginal in revenues
  - 3G stands by

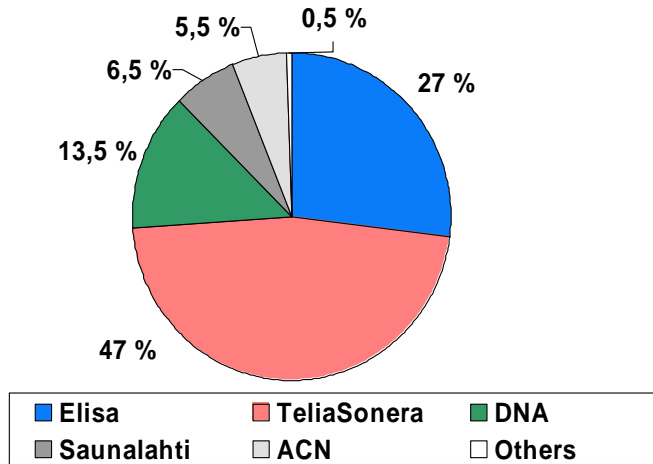


# Mobile Business

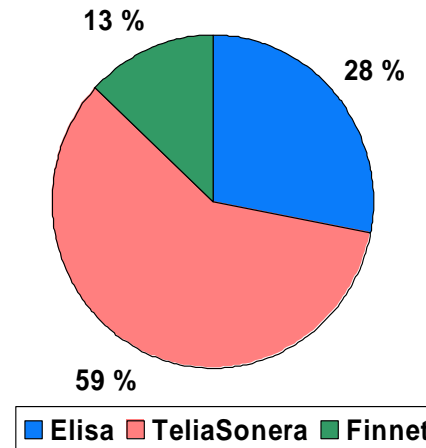
## Elisa has Stronger Position in the Mobile Market

- Number of subscriptions up again (QoQ +12.000)
- Growth in subscriber usage, price erosion offsets (YoY MOU +6% and SMS +14%)
- Churn decreased in Q2 (QoQ 47.4% => 29.4%)

Service provider market shares



Network operator market shares



Source: company data and Elisa estimates



# Mobile's Result Improved

## Key figures in Q2

- Revenue EUR 175m (188)
  - Change in revenue booking procedure
  - Increased usage compensated for price erosion
- EBITDA EUR 44m (46), 25% of revenue (24)
  - Strategic market activities to improve Elisa's market position and brand
- EBIT EUR 15m (10), 9% of revenue (5)



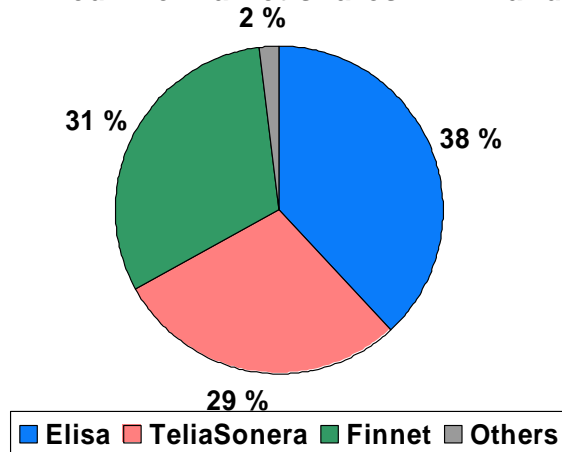


# Fixed Network Business

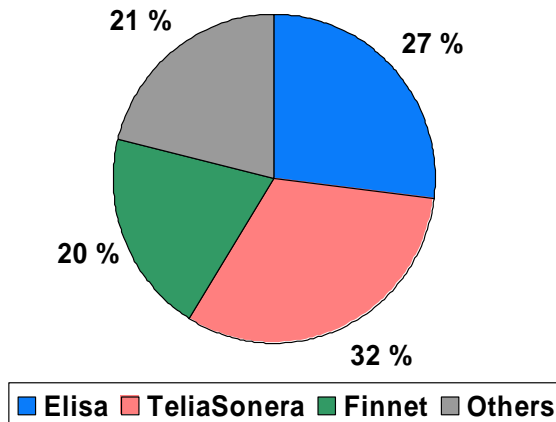
## Elisa's Market Share is Stable

- Broadband lines growing fast (yoy +71%)
- Traditional access lines decreasing (yoy -4%)
- Broader service offering

Fixed line market shares in Finland



Broadband market shares



Source: company data and Elisa estimates



# Fixed Network Profitability Stable

## Key figures in Q2

- Revenue EUR 166m (177)
- EBITDA EUR 45m (47), 27% of revenue (27)
  - Investments in brand
- EBIT EUR 19m (18), 11% of revenue (10)
- Broadband subscriptions up 71% to 160,500 (93,700)



# Operational Priorities

1. Customer orientation
  - National offering of Elisa broadband services launched
  - Elisa the first registered CERT commercial enterprise
2. Simplification of structure
  - Successful launch of Elisa umbrella brand
  - Finnet International 100% owned company (from 51%)
  - Simplified legal structure from 1 July 2004
3. Significant profitability improvement
  - Outsourcing of IT operations and maintenance to Fujitsu (100 persons)



# Cost Reduction Program for 2004 Exceeds the Target

- H1 2004 annualised cost base decreased by EUR 57m (target of the program EUR 40m)
- Target of total cost reduction program for 2004/2005 (EUR 80m) will be clearly exceeded



# 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
- Q3 and Q4 EBITDA still at the same level than Q2
  - Cost saving program will not reach its full extent in 2004



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# Elisa's Q2 2004 P&L

EURm	Comparable figures			Interim report		
	Q2/04	Q2/03*	2003**	Q2/04	Q2/03	2003
<b>Revenue</b>	<b>339</b>	<b>351</b>	<b>1404</b>	<b>339</b>	<b>391</b>	<b>1538</b>
Other operating income	4	6	21	4	9	34
<b>EBITDA</b>	<b>95</b>	<b>96</b>	<b>403</b>	<b>95</b>	<b>97</b>	<b>385</b>
<i>EBITDA margin</i>	<i>28 %</i>	<i>27 %</i>	<i>29 %</i>	<i>28 %</i>	<i>25 %</i>	<i>25 %</i>
Depreciation	-49	-58	-236	-49	-66	-267
Goodwill depreciation	-11	-12	-45	-11	-14	-57
Write-downs						-94
<b>EBIT</b>	<b>35</b>	<b>26</b>	<b>122</b>	<b>35</b>	<b>17</b>	<b>-34</b>
<i>EBIT margin</i>	<i>10 %</i>	<i>7 %</i>	<i>9 %</i>	<i>10 %</i>	<i>4 %</i>	<i>-2 %</i>
Share of assoc. comp. result	-1	0	-1	-1	0	0
Net financial items	-7	-9	-36	-7	-10	-40
<b>Pre Tax Profit</b>	<b>28</b>	<b>17</b>	<b>86</b>	<b>28</b>	<b>7</b>	<b>-74</b>
Taxes	-11	-11	-36	-11	31	60
Minority shares	-2	-1	-5	-2	-1	-3
<b>Net Result</b>	<b>15</b>	<b>6</b>	<b>45</b>	<b>15</b>	<b>37</b>	<b>-17</b>
EPS, EUR	0,11	0,04	0,33	0,11	0,27	-0,12

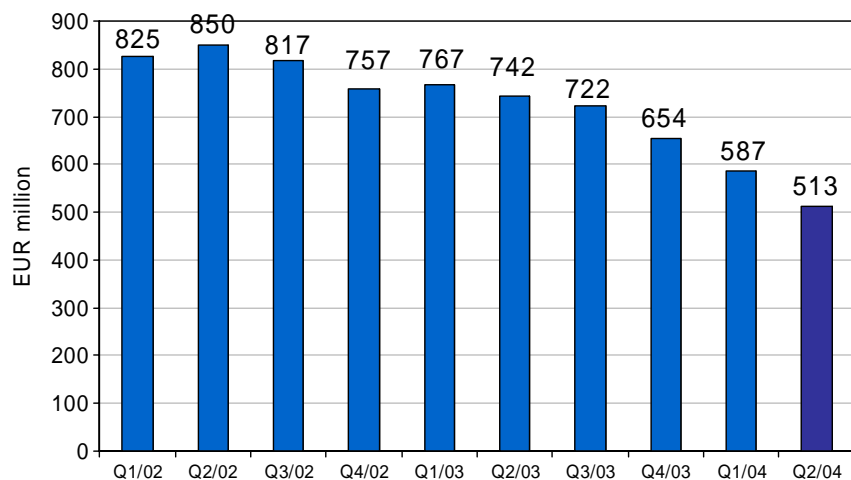
\* excluding one-off items, Germany-based business and adjusted with the change in revenue booking procedure

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

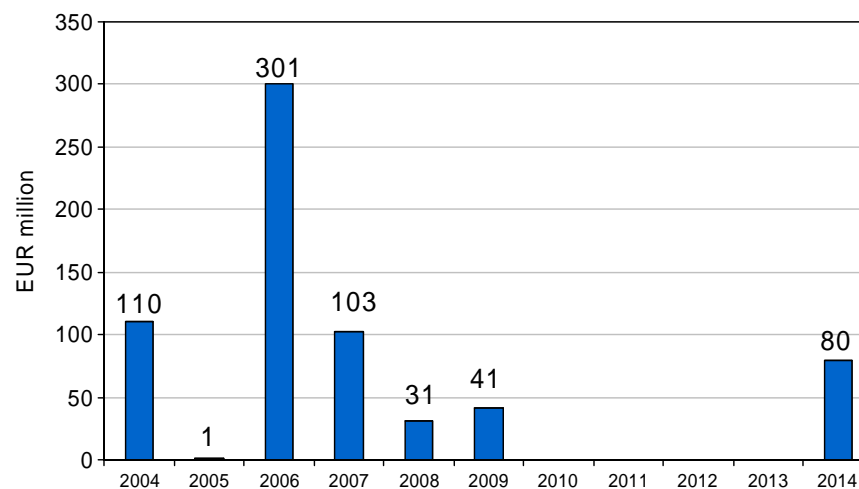


# Net Debt Decreased

## Net Debt Development



## Debt Maturity Profile





# Change in Cost Structure

- Target of the program: EUR 80m reduction in annual cost base by the end of 2005, EUR 40m by the end of 2004
- Cost structure decreased by EUR 57m on an annual basis

EUR million	FY 2003	H1 2004	annualised H1 2004	change on annual basis
Elisa's costs excl. one-offs	1165	469		
- Germany *	-130			
- Yomi *	-46	-24		
- Comptel *	-45	-20		
- Radiolinja Estonia *	-44	-24		
<b>Total costs</b>	<b>900</b>	<b>401</b>		
Adjustements **	-42			
<b>Comparable costs</b>	<b>858</b>	<b>401</b>	<b>802</b>	<b>57</b>

\* Not within the cost reduction program

\*\* Estimated cost effect of the change in the booking procedure, EUR 22m and estimated revenue related cost adjustment, EUR 20m



# Cash Flow

EURm	H1/04	H1/03	2003
Profit before extraordinary items	79	3	-74
Depreciation and value adjustments	120	159	418
Other adjustments	-7	8	31
<b>Cash inflow before working capital</b>	<b>192</b>	<b>170</b>	<b>376</b>
Change in working capital	3	-20	-16
<b>Cash inflow before taxes and financials</b>	<b>195</b>	<b>150</b>	<b>360</b>
Interests and dividends	-28	-33	-40
Taxes	-11	-29	-15
<b>Free funds from operations</b>	<b>156</b>	<b>89</b>	<b>305</b>
Cash flow in investments	-70	-74	-200
<b>Cash flow after investments</b>	<b>86</b>	<b>15</b>	<b>105</b>

