

INTERIM REPORT

Q2 2016



Agenda

CEO's review

Veli-Matti Mattila, CEO

Financial review

Jari Kinnunen, CFO

CEO's review

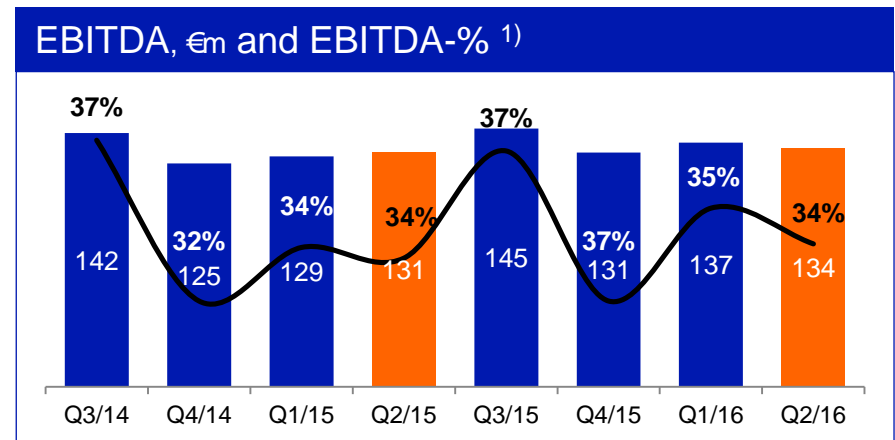
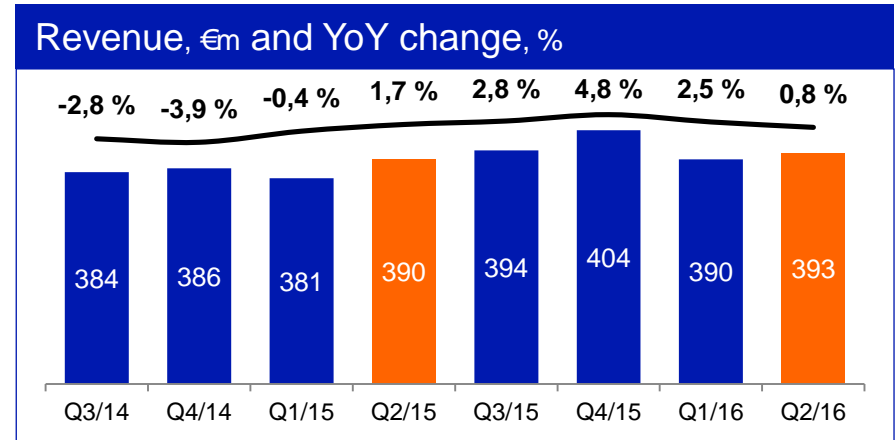
- Q2 2016 financial and operational highlights
- Segment review
- Strategy execution
- Outlook and guidance for 2016

Q2 2016 highlights

- Revenue grew by 1% and EBITDA by 2%
- Mobile service revenue grew by 7%
- 2016 guidance upgraded to “slightly higher” for both revenue and EBITDA
- Anvia’s ICT businesses acquisition completed, consolidation has been started 1 July 2016
- Mobile subscriptions base increased, fixed broadband slightly down
- Good profit growth in Consumer Customers segment again, Corporate Customer segment at last year’s level
- Demand for faster data speeds continued, smartphone penetration 71%
 - Smartphones 92% of new sales, all 4G-capable
- Success of Elisa Viihde service continued

Best ever Q2, revenue and EBITDA improved

- Revenue €393m (390)
- EBITDA €134m (131)
- EBIT €81m (79)
- EPS €0.38 (0.38)
- Net debt / EBITDA 1.9 (2.0)
- CAPEX €56m (49)

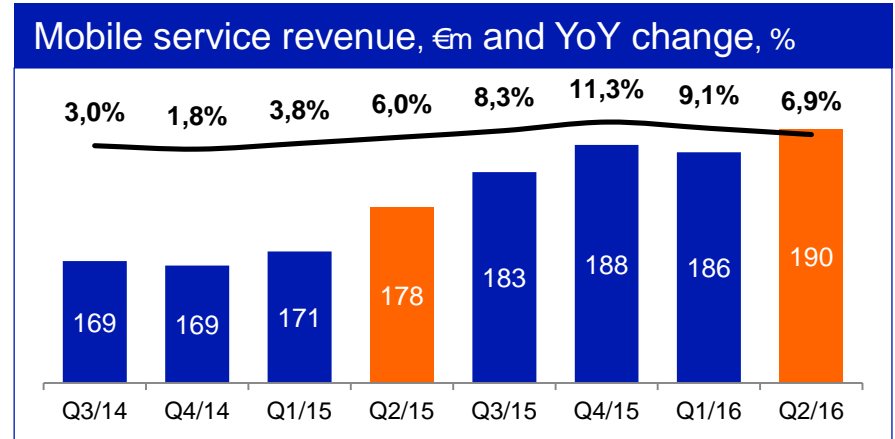


¹⁾ Excluding one-offs

Mobile service revenue growth continues

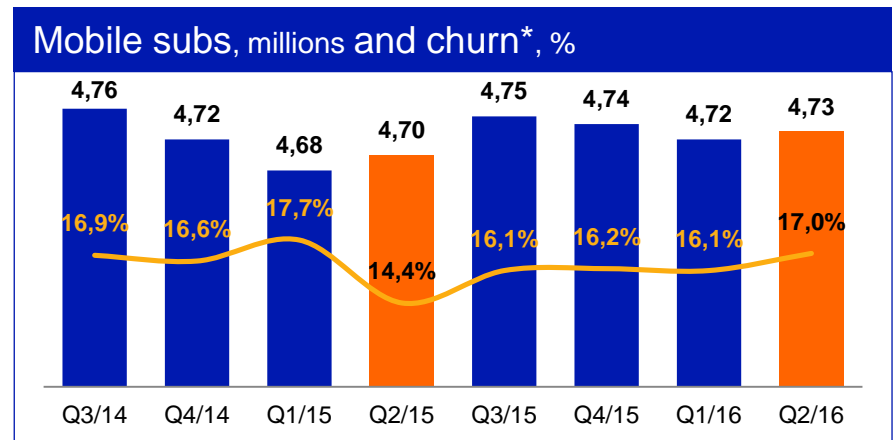
- Mobile service revenue up by 7%

- Up-selling to higher speeds
- More smartphones and data bundle subscriptions
- Price changes



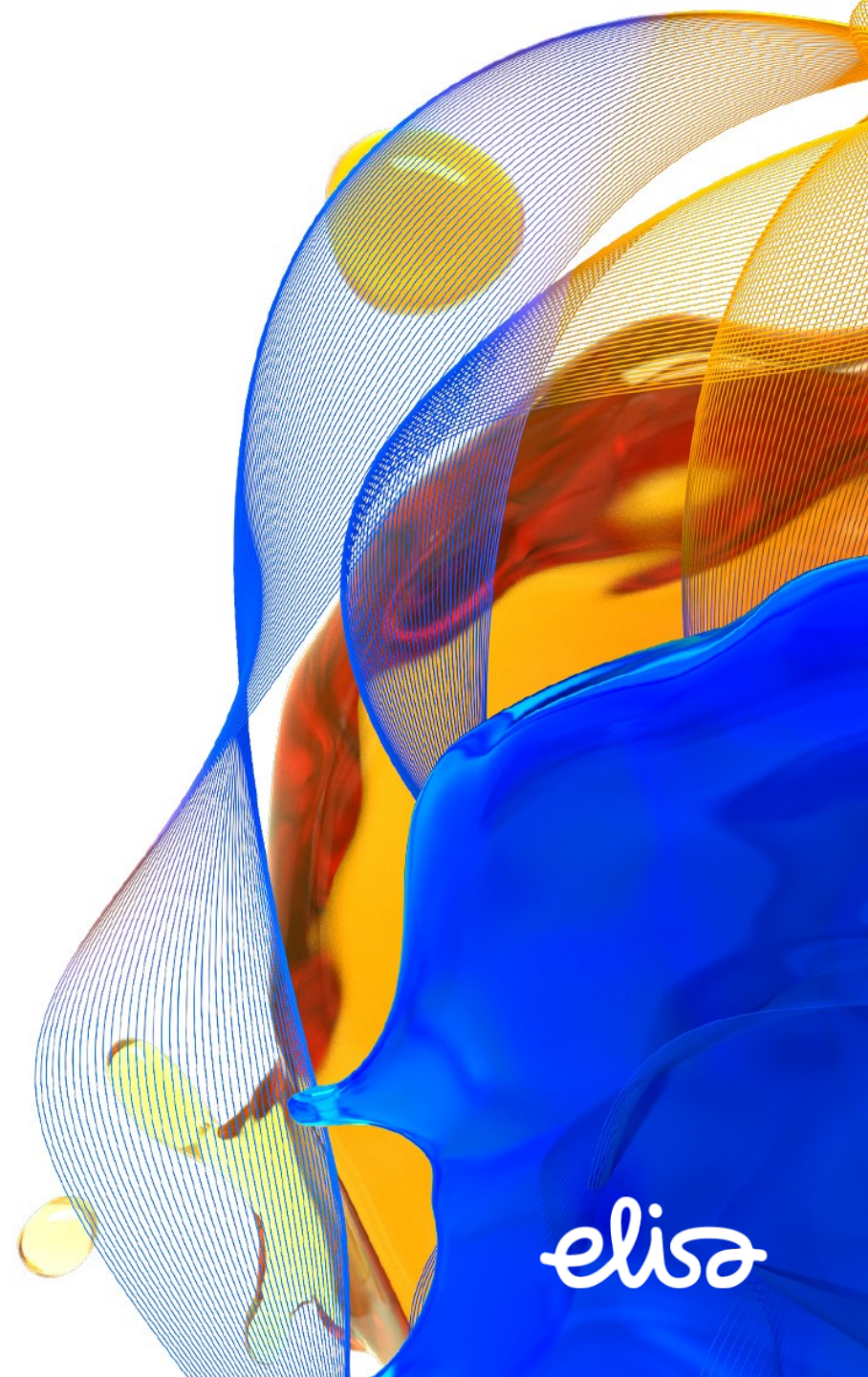
- Growth in mobile subs base, fixed broadband slightly down

- Finland +10,000, growth in corporate segment and prepaid
- Estonia -3,400, prepaid base down
- Fixed broadband down by 4,200
- Growth in Elisa Viihde service
- Churn 17.0%



* Annualised

Business segments

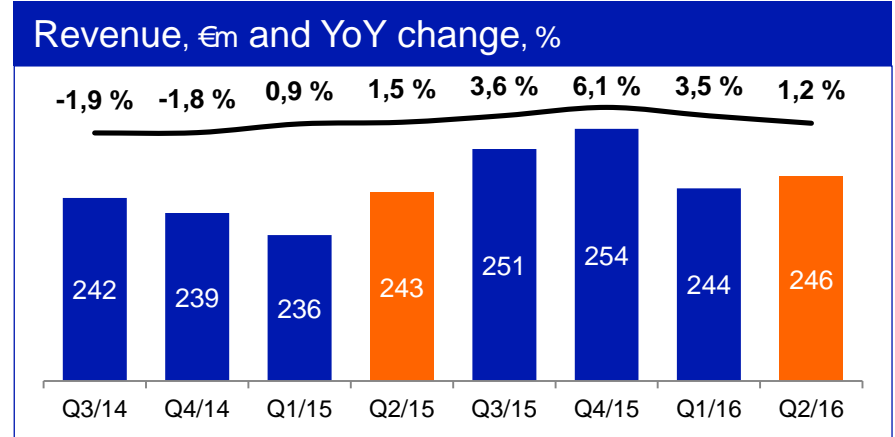


elisa

Revenue and EBITDA increased

- Revenue €246m (243)

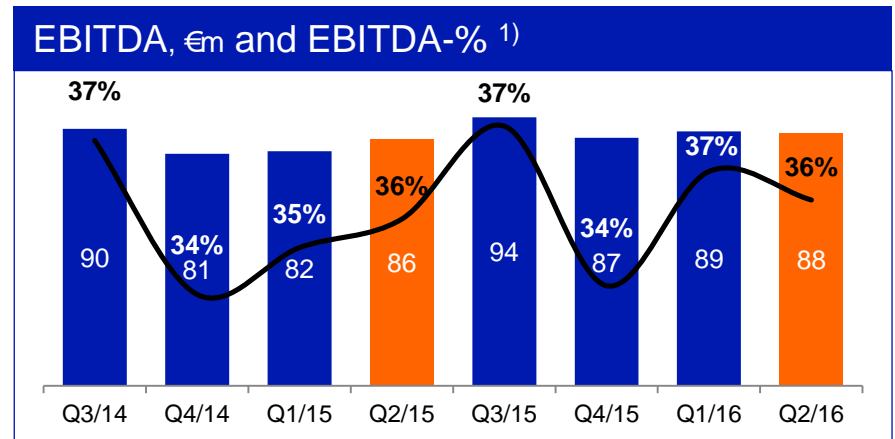
- Strong growth in mobile service revenue
- Growth in digital services
- Traditional fixed revenue, interconnection revenue and equipment sales decreased



- EBITDA €88m (86)

- Mobile service revenue growth
- Productivity improvements

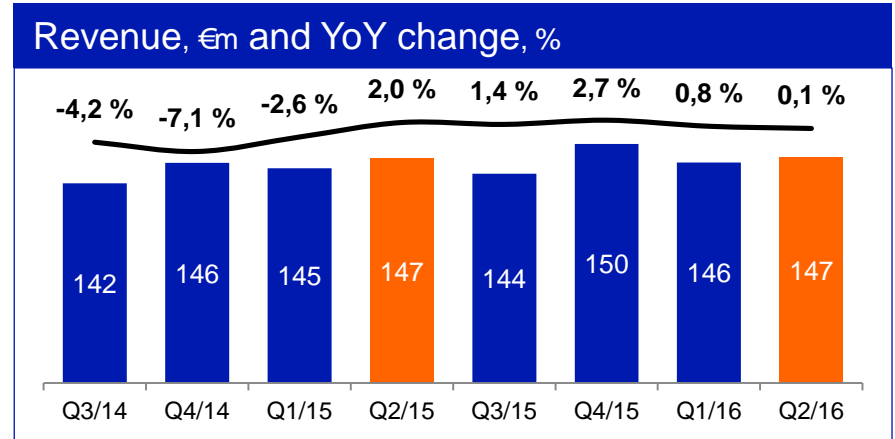
- CAPEX €31m (27)



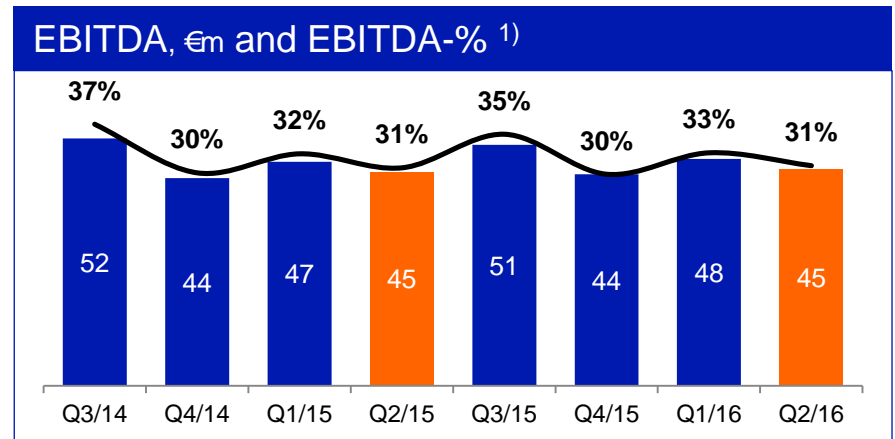
¹⁾ Excluding one-offs

Revenue and EBITDA at the previous year's level

- Revenue €147m (147)
 - Growth in mobile service revenue
 - Visual communication and equipment sales decreased
 - Decrease in interconnection revenue



- EBITDA €45m (45)
- CAPEX €25m (21)



¹⁾ Excluding one-offs


Strategy execution



Build value on data



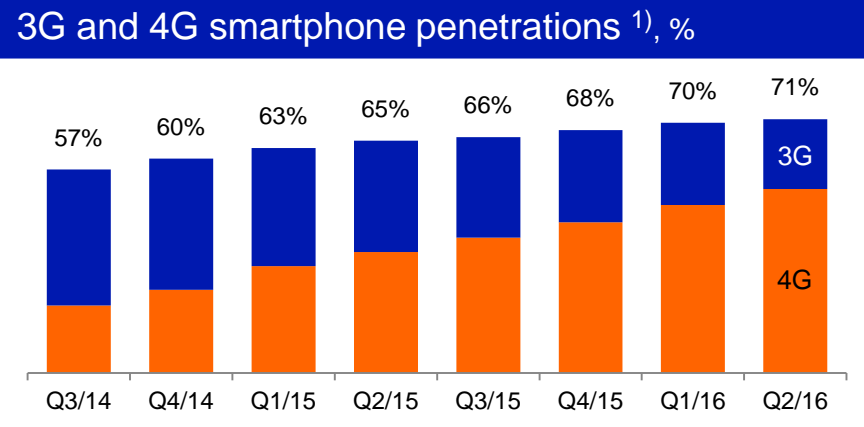
Accelerate digital service businesses



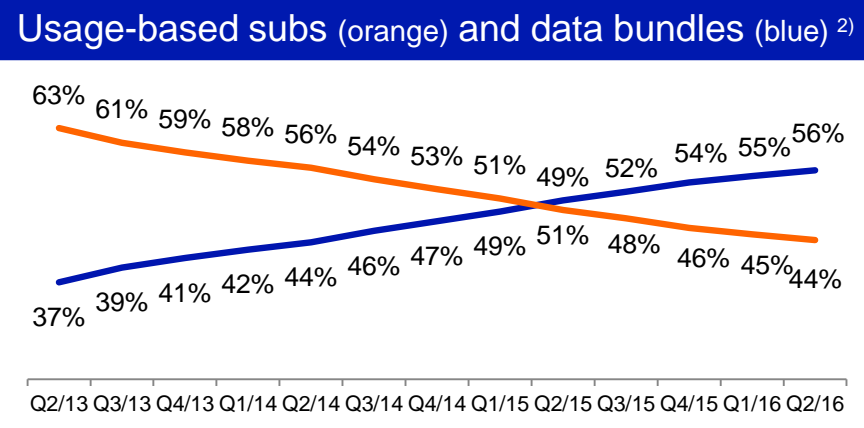
Improve performance with
customer intimacy and operational excellence

Growth in 4G smartphones and data bundles continue

- 71% of customers use a smartphone
 - 72% of smartphones are 4G-capable
- Of all models sold in Q2
 - 92% were smartphones, of which all 4G-capable (94% and 99% respectively in Q1)



- Proportion of data bundles continues to grow
 - 56% of voice subs²⁾ are new types of fixed-monthly-fee, “all-you-can-eat” data bundles
 - Majority still at 3G speeds, good 4G up-selling potential



¹⁾ iOS (iPhone), Android, and Windows phones of the total phone base (no tablets)
²⁾ Post-paid subscriptions in Finland (unlimited usage)

Even faster fixed broadband connections

- Fast fibre connections to single-family dwellings
 - Saunalahti Broadband 100/100M
 - Symmetrical loading speed
 - Ideal for remote working and for several simultaneous video watching
 - New speed available for approximately 8,000 customers in new single-family housing areas
- New G.fast technology tested
 - Technology allows even affordable 1 Gb/s fixed connections to single-family dwellings
 - Technology uses existing copper wire connections
 - Elisa was the first in Finland to test this technology



Elisa's sales channel first in Europe to offer trendy OnePlus phone

- OnePlus phones have previously been available only by invitation
- OnePlus is well known for its stylish design
 - Top-class design and technical features
- Demand exceeds supply – corporates are also interested



Elisa was the first in the Nordic countries to test the 700 MHz frequency

- Frequency will be used in mobile broadband
 - New frequency will improve network coverage and capacity, especially in rural areas
 - Ficora gave permission for the frequency test
- 700 MHz auction at the end of the year
 - Auction principles are in a circulation of a proposal for comment
 - Maximum amount of frequencies is limited to 2x10 MHz per operator
 - Total 700 MHz band is 2x30 MHz
 - Reserve price of the total band is €90m
 - Frequencies are expected to be in use in 2017



International recognition for Elisa's IoT service

- Elisa's IoT service received an award for best IoT solution
 - The award was granted at the LiveWorx 2016 business event
- Service creates a virtual 3D view from tens of different systems
 - Improves data understanding, control of processes and equipment, fault-finding and service planning



Upgraded outlook and guidance for 2016

Macroeconomic environment still weak in 2016, competition remains challenging

- Revenue slightly higher than in 2015
- EBITDA excluding one-offs slightly higher than in 2015
- CAPEX maximum 12% of revenue

Agenda

CEO's review

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Financial review

Jari Kinnunen, CFO

Growth continues, best ever Q2

- Revenue growth 1%
- EBITDA growth 2%
 - Mobile service revenue growth
 - Productivity improvements
 - Anvia acquisition costs €1.5m
- Depreciation at same level
- Financials
 - Associated companies' profit -€0.5m (1.0)
- Taxes
 - Deferred tax assets recognised in 2015, no deduction in P&L in 2016
 - Higher PTP
- EPS at same level

| EUR million, excl. one-offs | Q2/16 | Q2/15 | Δ ¹⁾ | Δ% | H1/16 | H1/15 | Δ ¹⁾ | Δ% | 2015 |
|-----------------------------|-----------|-----------|-----------------|----|-----------|-----------|-----------------|----|-----------|
| Revenue | 393 | 390 | 3 | 1 | 783 | 771 | 12 | 2 | 1,569 |
| EBITDA | 134 | 131 | 2 | 2 | 270 | 260 | 10 | 4 | 536 |
| <i>EBITDA-%</i> | <i>34</i> | <i>34</i> | | | <i>35</i> | <i>34</i> | | | <i>34</i> |
| Depreciation | -53 | -52 | | | -105 | -106 | | | -220 |
| EBIT | 81 | 79 | 2 | 3 | 165 | 155 | 10 | 7 | 322 |
| <i>EBIT-%</i> | <i>21</i> | <i>20</i> | | | <i>21</i> | <i>20</i> | | | <i>20</i> |
| Net financial items | -6 | -5 | | | -12 | -10 | | | -21 |
| Profit before tax | 75 | 74 | 1 | 2 | 153 | 145 | 8 | 5 | 300 |
| Income taxes | -15 | -13 | | | -30 | -26 | | | -47 |
| Net Profit | 60 | 60 | 0 | 0 | 123 | 119 | 4 | 3 | 246 |
| EPS, € | 0,38 | 0.38 | 0.00 | -1 | 0.77 | 0.75 | 0.02 | 3 | 1.54 |

¹⁾ Difference is calculated using exact figures prior to rounding

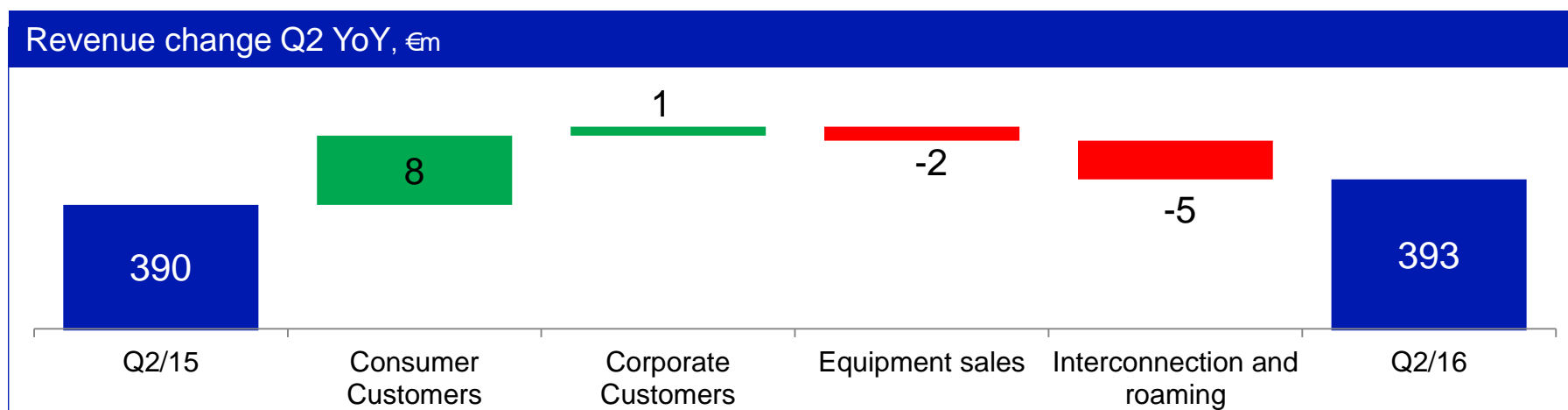
Revenue growth in both business segments

- **Consumer Customers**

- Growth in mobile and digital services
- Decrease in fixed services

- **Corporate Customers**

- Growth in mobile services and IT services
- Decrease in visual communications

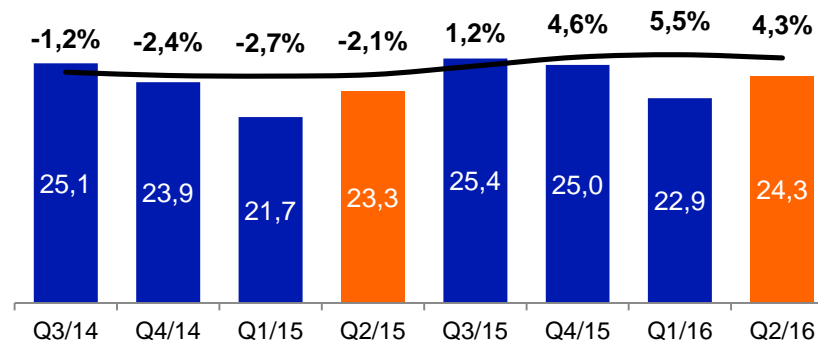


Growth continues in Estonia

- Revenue €24.3m (23.3)

- Growth in mobile service revenue and equipment sales
- MTR cut to €0.01 (-10%) 1 July 2015
- Subscription base down by 3,400

Revenue, €m and YoY change, %



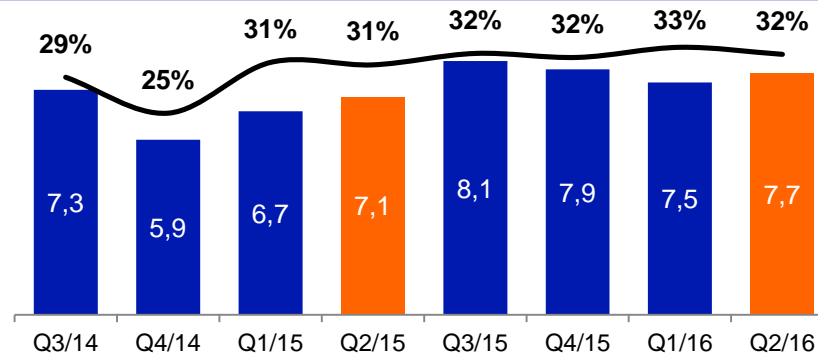
- EBITDA €7.7m (7.1)

- Mobile service revenue
- Productivity improvements

- CAPEX €2.2m (2.3)

- CAPEX / sales 9%

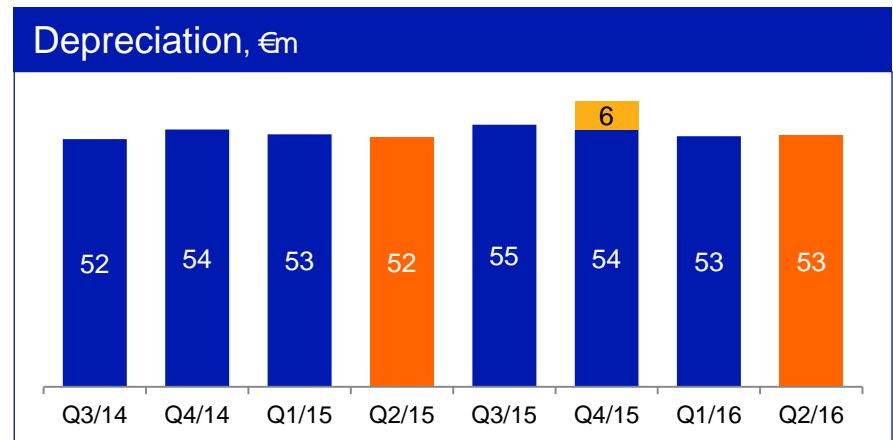
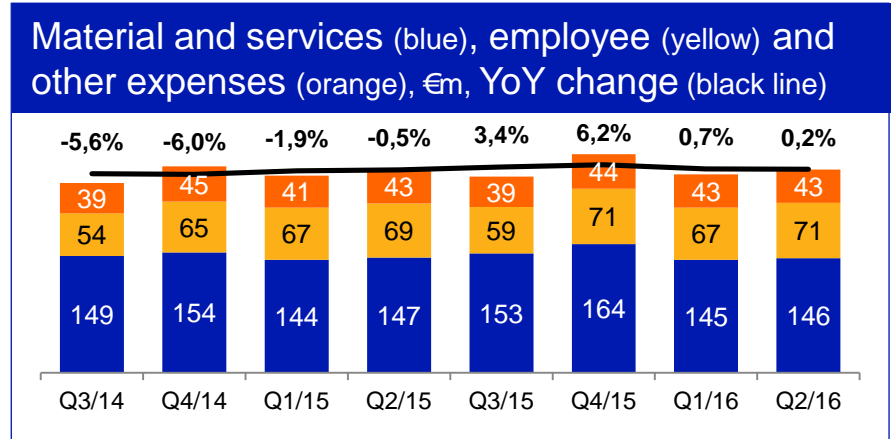
EBITDA, €m and EBITDA-%



Total expenses at the same level

- Total OPEX €260m (259)
- OPEX increased
 - Anvia acquisition costs €1.5m
 - Increase in employers' social security contributions, collective labour agreement increases
- OPEX decreased
 - Interconnection and roaming
 - Continuous productivity improvements

- Stable depreciation
 - Long-term stable CAPEX level
 - Elisa Rahoitus write-down <€1m



* EUR 6m one-off in Q4/15

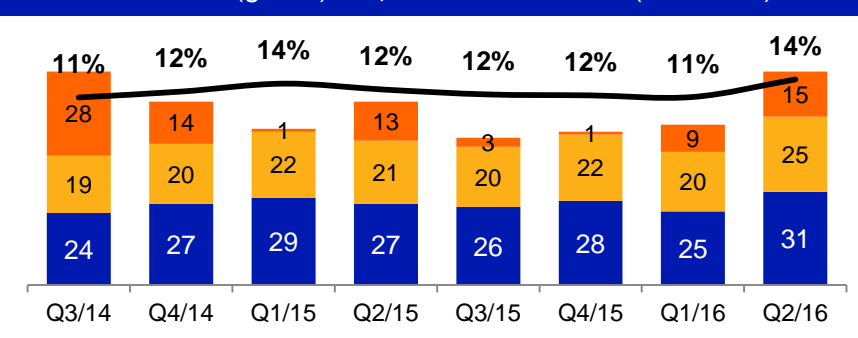
CAPEX slightly higher, full year guidance intact

- CAPEX €56m (49)
 - Consumer €31m (27)
 - Corporate €25m (21)
 - CAPEX / sales Q2 14.2%, H1 12.8%
- CAPEX / sales guidance for 2016 unchanged, max. 12%

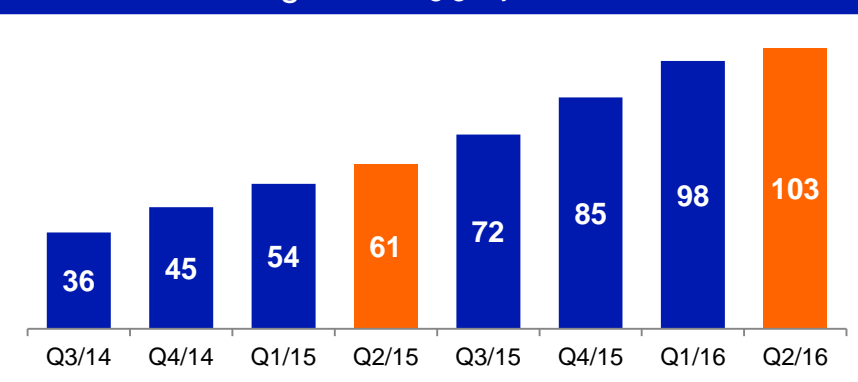
- Stable CAPEX level despite strong mobile data growth

- Mobile data YoY growth 69%

Consumer (blue), Corporate (yellow), shares (orange) and licences (green) €m, CAPEX/sales (black line) % *



Mobile data usage, million gigabytes

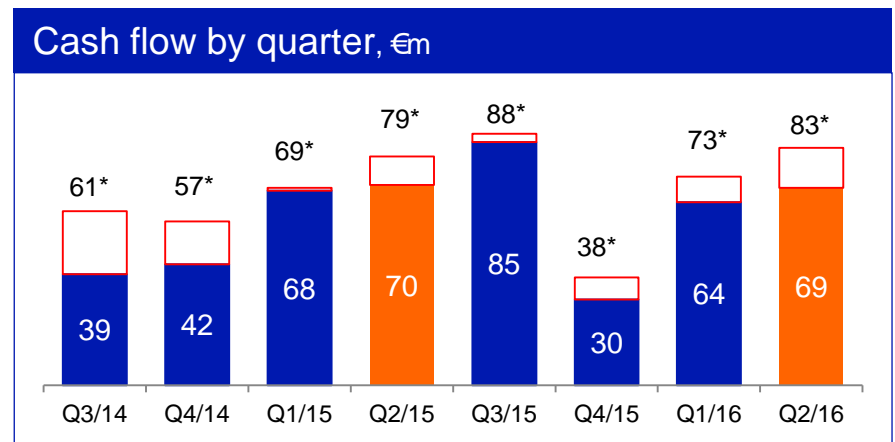
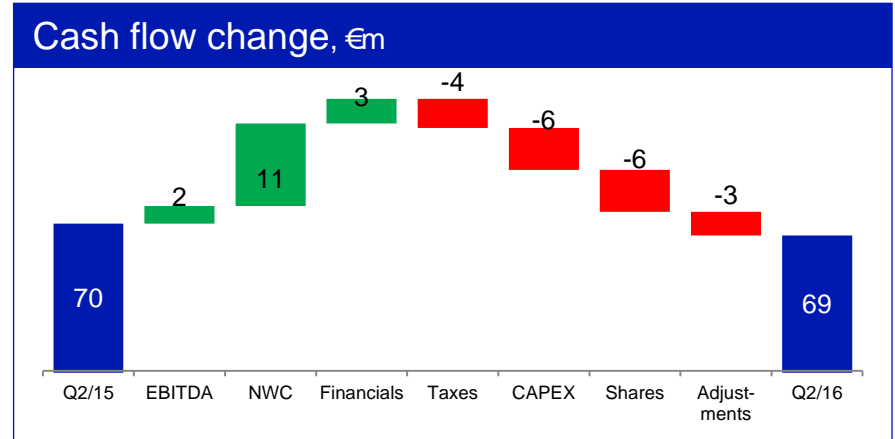
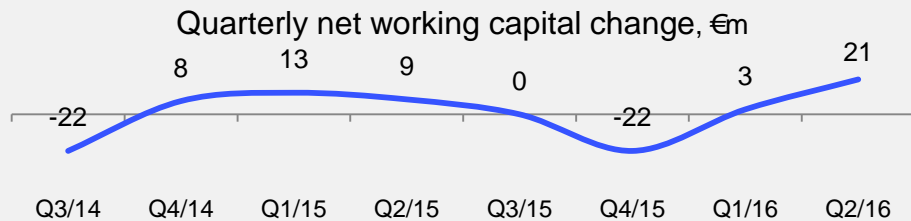


* CAPEX/sales excluding investments in shares and licence fees.
 Q3/14 includes purchases of Anvia and Videra shares
 Q4/14, Q2/15, Q3/15, Q1/16 and Q2/16 includes purchases of Anvia shares.



Strong cash flow generation continues

- Cash flow YoY change -€1m, excluding share purchases +€5m
- Growth excl. share purchases 6%
- EBITDA cash conversion 62% *
- Positive NWC change
 - Lower inventories
 - Lower receivables
- Taxes higher due to payments relating to previous years taxes -€3m (+2)



* Excluding share purchases and licence payments

Solid liquidity position

- Cash and undrawn committed credit facilities €425m (270)

- From €300m RCF €80m drawn
- €130m RCF extended by 2 years to 2021 in Q2
- EIB €150m loan commitment undrawn

- Commercial paper programme

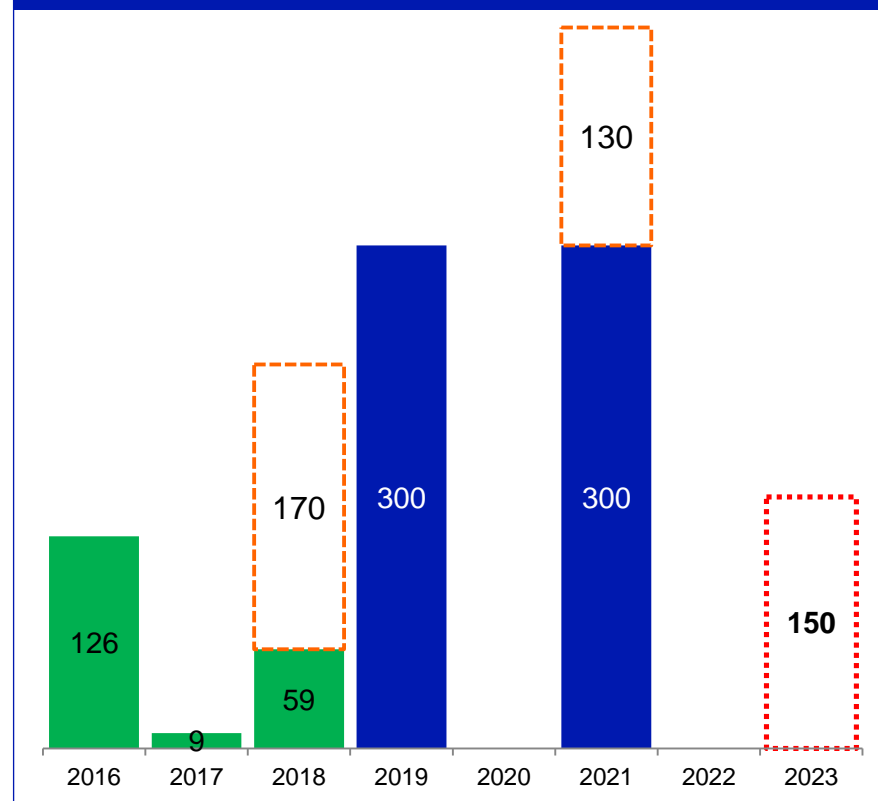
- €215m in use as of 30 June 2016

- Credit ratings

- S&P BBB+ Stable outlook
- Moody's Baa2 Stable outlook

Bonds and bank loan maturities 30 June 2016

Bonds (blue), loans (green), RCF (orange) and EIB loan (red), €m



Capital structure on target and return ratios improved

- Net debt at target level

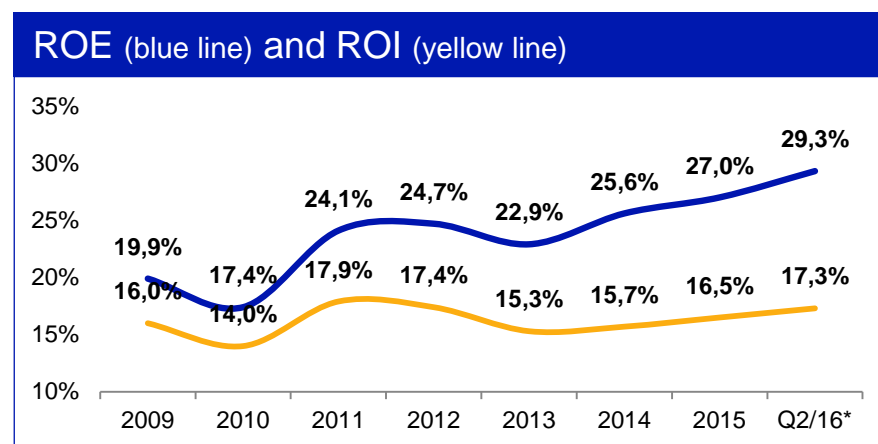
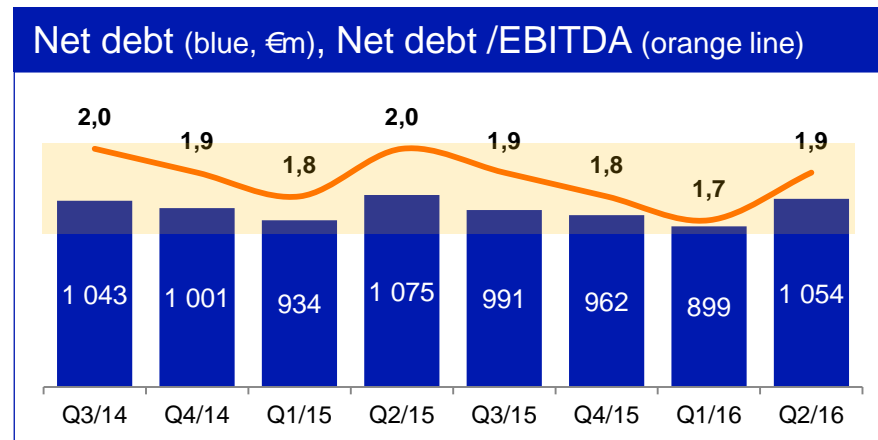
- Net debt / EBITDA 1.9x
- Gearing 128%, equity ratio 37%

- Target setting

- Net debt / EBITDA 1.5–2x
- Equity ratio >35%

- Return ratios improved further

- Improved result
- Efficient capital structure



*Last four quarters profit per average of last four quarters equity

Competitive remuneration continues

- Dividend €1.40 per share paid in April

- Dividend growth 6%
- Total €223m
- Payout ratio 92%

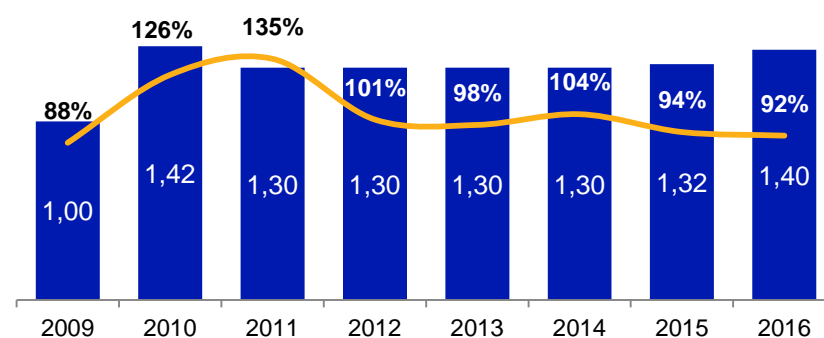
- Dividend yield 4.0% ¹⁾

- Strong commitment to competitive shareholder remuneration

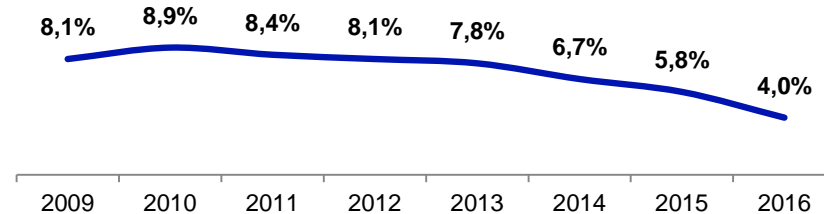
- Distribution policy 80–100% of net profit
- Authorisation of 5m shares buyback

¹⁾ as per share price of 30 December 2015 (€34.79)

Dividend and pay-out ratio

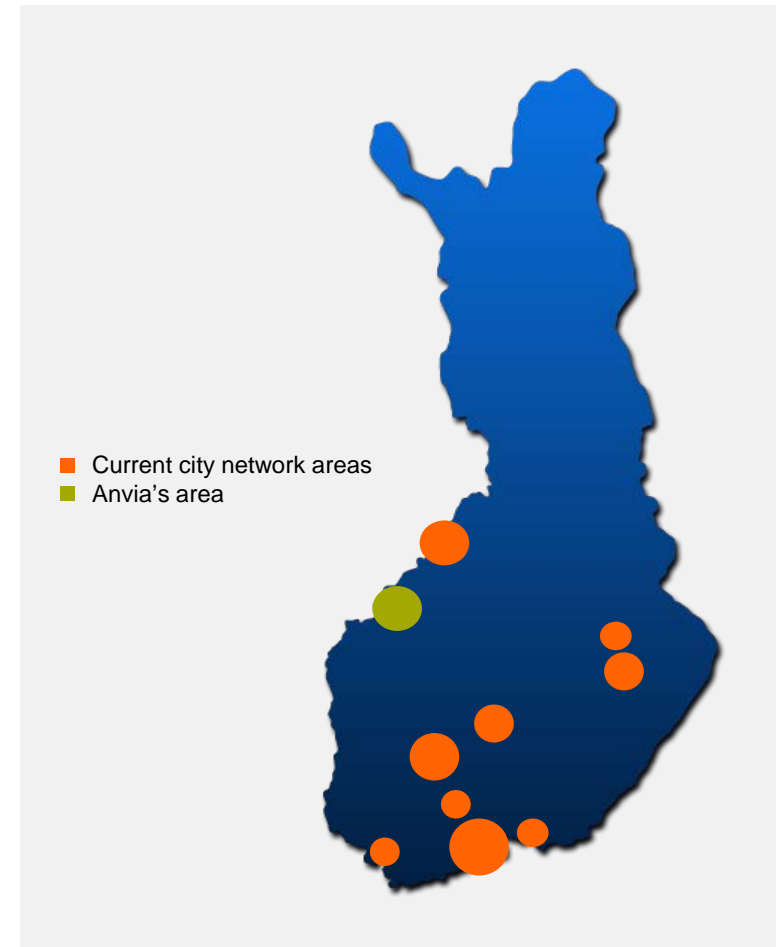


Dividend yield



Anvia transaction

- Elisa acquired Anvia's ICT businesses
 - Including telecom, IT, hosting and entertainment service
 - 2015 revenue of acquired businesses €82m and EBITDA €15m
 - Anvia operates fixed networks in Ostrobothnia, western Finland
- Acquisition price approx. €107m
 - Approx. €76m paid in Anvia shares
 - Approx. €30m paid in cash
 - €1m paid in Tansec shares
- The transaction was completed on 1 July 2016
 - Consolidation from 1 July 2016
- Elisa has excellent track record of domestic fixed network consolidation



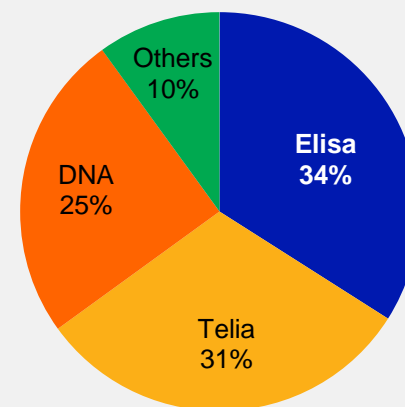
Financial effects

- Estimated synergy benefit sources
 - Networks
 - Overlapping functions and systems
 - Procurement
 - CAPEX synergies
- Preliminary synergy benefits
 - H2/2016: EUR 2–4m negative impact on EBITDA
 - Transfer taxes, integration costs
 - 2017: EUR 5–8m positive impact on EBITDA
 - 2018: additional EUR 5–8m positive impact on EBITDA
- New cross selling opportunities for Elisa
 - e.g. mobile services and Elisa Viihde
- Expected EPS effect
 - Neutral in 2016, accretive on 2017 onwards
- No impact on dividend payment capability
 - No material impact on net debt

Fixed subscriptions

| Subs '000 | Elisa | Anvia | Total | Change |
|-----------|---------|-------|-------|--------|
| | Q2/2016 | 2015 | | |
| PSTN | 144 | 43 | 187 | +30% |
| Broadband | 524 | 62 | 586 | +12% |
| Cable TV | 341 | 80 | 421 | +23% |

Fixed Broadband Market shares July 2016 *



* Elisa estimates



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Elisa IR app



APPENDIX

Cash flow YoY comparison

| € million | Q2/16 | Q2/15 | Δ ¹⁾ | Δ% | H1/16 | H1/15 | Δ ¹⁾ | Δ% | 2015 |
|--|-------|-------|-----------------|-----|-------|-------|-----------------|-----|------|
| EBITDA | 134 | 131 | 2 | 2% | 270 | 260 | 10 | 4% | 532 |
| Change in receivables | 19 | 15 | | | 21 | 10 | | | -2 |
| Change in inventories | 3 | -2 | | | 10 | 3 | | | -6 |
| Change in payables | -2 | -3 | | | -7 | 9 | | | 7 |
| Change in NWC | 21 | 9 | 11 | | 23 | 22 | 1 | | -0 |
| Financials (net) | 2 | -1 | 3 | | -8 | -11 | 3 | | -18 |
| Taxes for the year | -13 | -13 | | | -25 | -26 | | | -54 |
| Taxes for the previous year | -3 | 2 | | | -3 | 2 | | | 2 |
| Taxes | -15 | -11 | -4 | | -28 | -24 | -4 | | -52 |
| CAPEX | -56 | -50 | -6 | | -100 | -100 | 0 | | -193 |
| 800 MHz licences ²⁾ | 0 | | | | 0 | 0 | 0 | | -7 |
| Investments in shares ³⁾ | -15 | -9 | -6 | | -24 | -10 | -14 | | -13 |
| Sale of assets and adjustments | -2 | 2 | -3 | | -2 | 0 | -2 | | 4 |
| Cash flow after investments | 69 | 70 | -1 | -2% | 133 | 138 | -5 | -4% | 253 |
| Cash flow after investments excl. acquisitions ⁴⁾ | 83 | 79 | 5 | 6% | 156 | 148 | 9 | 6% | 266 |

¹⁾ Difference is calculated using exact figures prior to rounding

²⁾ 800 MHz LTE licence in 2015 €7m

³⁾ Investment mainly in Anvia in 2016 and 2015

⁴⁾ Excluding share acquisitions

APPENDIX

Cash flow by quarters

| € million | Q2/16 | Q1/16 | Q4/15 | Q3/15 | Q2/15 | Q1/15 | Q4/14 | Q3/14 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|
| EBITDA | 134 | 137 | 128 | 145 | 131 | 129 | 125 | 142 |
| Change in receivables | 19 | 2 | 10 | -22 | 15 | -5 | 9 | 0 |
| Change in inventories | 3 | 6 | -12 | 4 | -2 | 5 | -4 | 0 |
| Change in payables | -2 | -6 | -20 | 18 | -3 | 12 | 4 | -22 |
| Change in NWC | 21 | 3 | -22 | 0 | 9 | 13 | 8 | -22 |
| Financials (net) | 2 | -10 | -8 | 1 | -1 | -9 | -9 | -2 |
| Taxes for the year | -13 | -13 | -15 | -13 | -13 | -12 | -13 | -13 |
| Taxes for the previous year | -3 | | | | 2 | | | |
| Taxes | -15 | -13 | -15 | -13 | -11 | -12 | -13 | -13 |
| CAPEX | -56 | -44 | -48 | -45 | -50 | -50 | -46 | -43 |
| 800 MHz licence fees | | | -7 | | | | -7 | |
| Investments in shares | -15 | -9 | -1 | -3 | -9 | -1 | -15 | -22 |
| Sale of assets and adjustments | -2 | -1 | 2 | 2 | 2 | -2 | -2 | -1 |
| Cash flow after investments | 69 | 64 | 30 | 85 | 70 | 68 | 42 | 39 |
| Cash flow after investments excl. acquisitions | 83 | 73 | 30 | 88 | 79 | 69 | 57 | 61 |

APPENDIX

Debt structure

| € million, at the end of the quarter | Q2/16 | Q1/16 | Q4/15 | Q3/15 | Q2/15 | Q1/15 | Q4/14 | Q3/14 |
|--------------------------------------|--------------|------------|------------|------------|--------------|------------|--------------|--------------|
| Bonds and notes | 593 | 593 | 592 | 592 | 592 | 591 | 591 | 590 |
| Commercial papers | 215 | 146 | 171 | 229 | 219 | 169 | 210 | 200 |
| Loans from financial institutions | 195 | 195 | 200 | 200 | 205 | 205 | 211 | 211 |
| Financial leases | 26 | 27 | 28 | 29 | 30 | 30 | 31 | 32 |
| Committed credit lines ¹⁾ | 80 | 0 | 0 | 0 | 90 | 0 | 0 | 50 |
| Interest-bearing debt, total | 1 109 | 961 | 991 | 1 050 | 1 135 | 995 | 1 043 | 1 083 |
| Cash and cash equivalents | 55 | 61 | 29 | 59 | 60 | 61 | 41 | 40 |
| Net debt ²⁾ | 1 054 | 899 | 962 | 991 | 1 075 | 934 | 1 001 | 1 043 |

¹⁾ The committed credit lines are €130m and €170m revolving credit facilities with five banks, which Elisa may use flexibly on agreed pricing. The facilities are valid until 11 June 2021 and 3 June 2018. Elisa has €150m loan agreement with EIB which is undrawn.

²⁾ Net debt is interest-bearing debt less cash and interest-bearing receivables.