



*elisa*

# Half-Year Report 2018

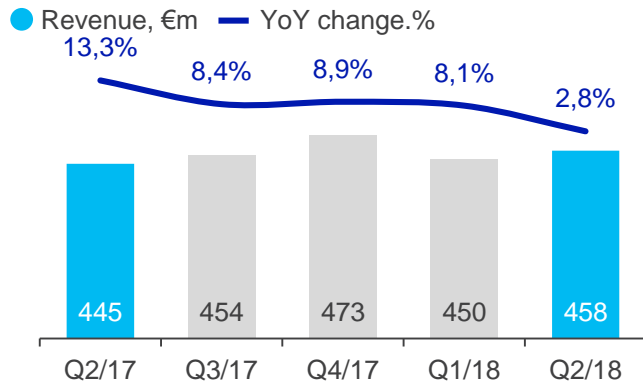
13 JULY 2018

# Q2 2018 highlights

- Record quarter again
- Revenue grew by 3%
  - All organic growth
  - Growth in both customer segments
- Comparable EBITDA growth 4%, EPS growth 6%
- Mobile service revenue growth 2%
  - Up-selling continues, but campaigns have decelerated growth. Good demand for Premium subscriptions.
- Post-paid voice churn down from 19.2% to 17.4%
- Mobile post-paid subs +8,300, pre-paid -1,400, fixed broadband +1,000
- Elisa made 5G video call country to country first in the world

# Growth in revenue and EBITDA continued

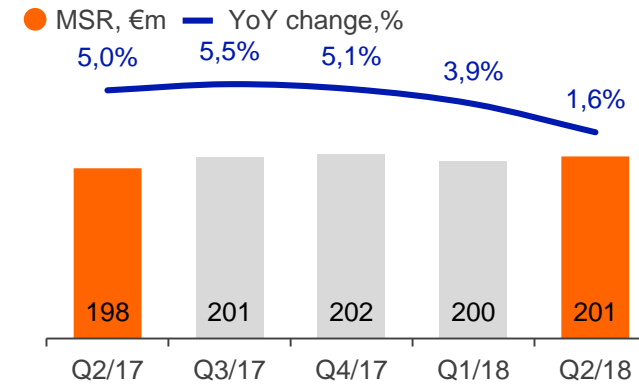
## Revenue



### Growth

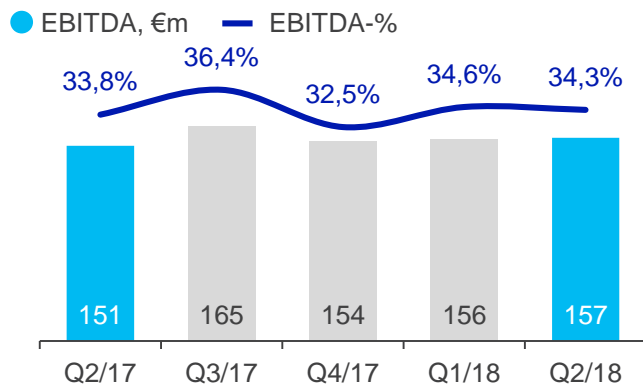
- Mobile and digital services
- Equipment sales
- Estonia

## Mobile service revenue



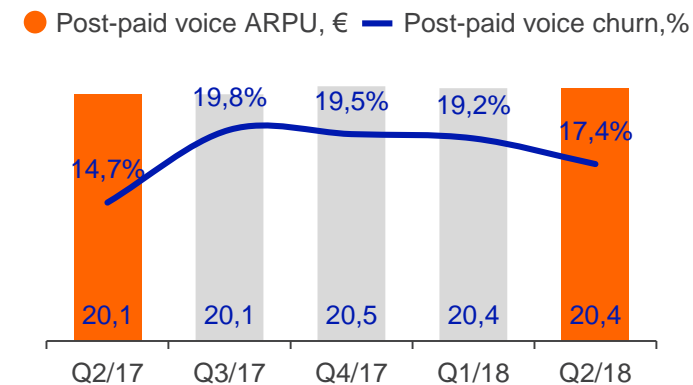
- 4G up-selling continues
- Campaigns have decelerated growth
- Product changes

## EBITDA<sup>1)</sup>



- Growth in revenue
- Efficiency improvements

## ARPU and churn<sup>2)</sup>



- Up-selling and lower MSR growth
- Campaigning continues

1) Comparable

2) Finland, churn annualised

# Solid performance in both customer segments

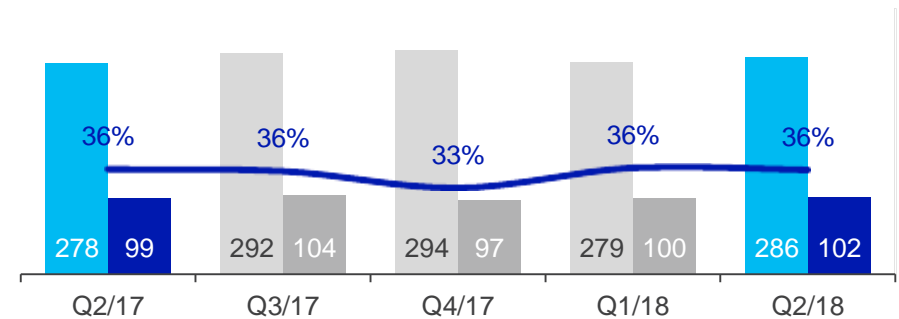
## Consumer Customers

Revenue +3%, EBITDA +3%<sup>1)</sup>

- + Mobile service revenue
- + Equipment sales
- + Digital services
- Traditional fixed services

### Revenue and EBITDA<sup>1)</sup>

● Revenue, €m ● EBITDA, €m — EBITDA-%



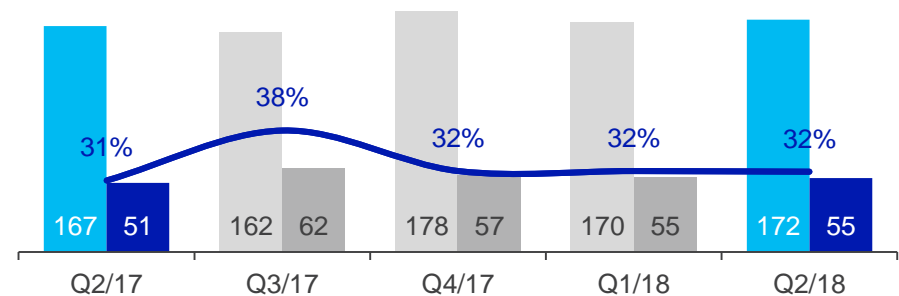
## Corporate Customers

Revenue +3%, EBITDA +7%<sup>1)</sup>

- + Mobile service revenue
- + Equipment sales
- + Digital services
- Traditional fixed services
- Divested businesses

### Revenue and EBITDA<sup>1)</sup>

● Revenue, €m ● EBITDA, €m — EBITDA-%



1) Comparable

# Strategy execution

Build value on data

Accelerate digital service business

Improve performance by engaging people in  
building excellence

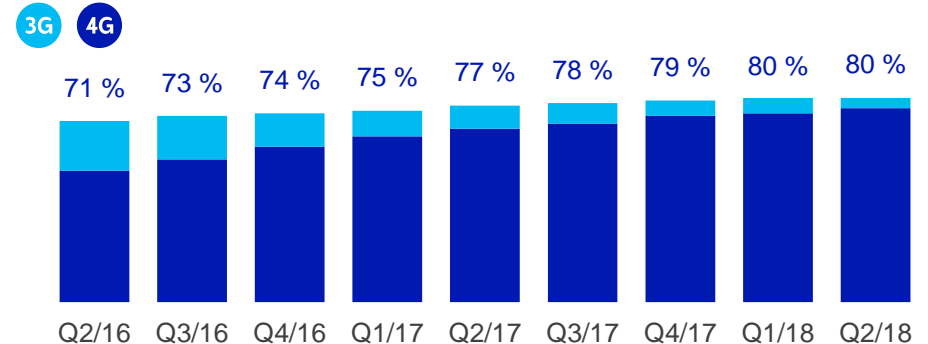


# Growth in 4G and up-selling continues

## Growth in 4G smartphone penetration

- 80% of customers use a smartphone
  - 94% (92) 4G-capable
- 93% of phones sold 4G-capable

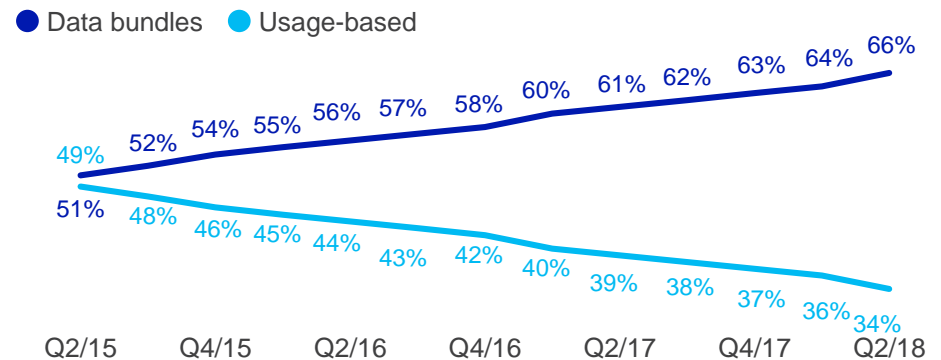
## Smartphone penetration<sup>1)</sup>, %



## Proportion of data bundles growing

- 66% of voice subs<sup>2)</sup> fixed-monthly-fee, “all-you-can-eat” data bundles
- 62% at 4G speeds
  - 3G to 4G up-selling continues
- Strong demand for Premium subscriptions with unlimited usage in Nordics and Baltics
  - Excellent potential for further up-selling in 4G

## Voice subscription<sup>2)</sup> split



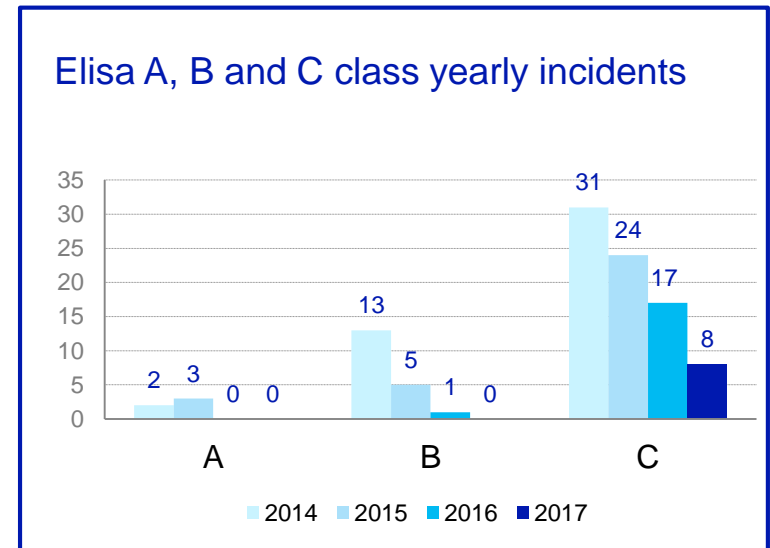
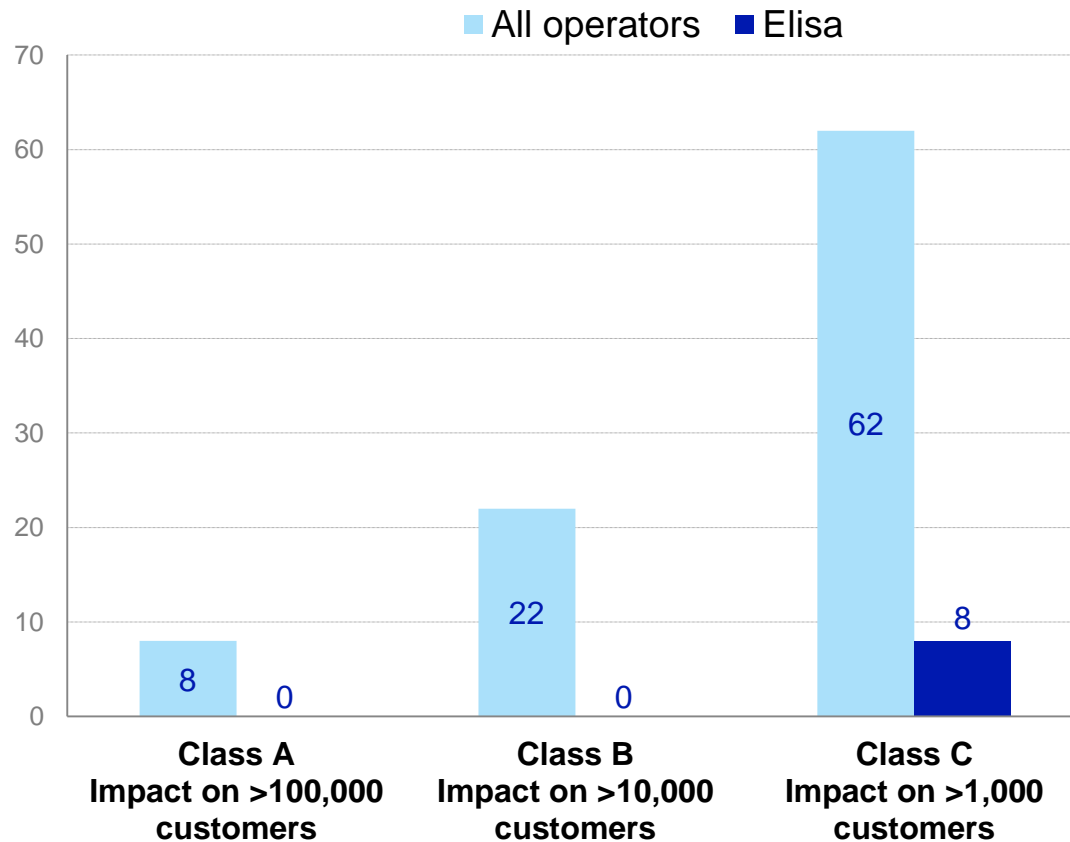
1) iOS (iPhone), Android and Windows smartphones of the total phone base

2) Post-paid subscriptions in Finland (unlimited usage)



# Continuous improvement in quality builds competitive advantage

Significant incidents in 2017 (FICORA)





# Elisa's unique capabilities and innovations drive continuous development of operational excellence



Fully automated Network Operation Center (NOC)

Incidents -50% in first 6 months,  
and customer complaints -15%  
0 persons Network Operation Center



Automated network optimisation with Self-Organising Network (SON)

OPEX and CAPEX savings  
4+ million checks, 4000+ changes daily  
1 person manual optimisation



People and process transformation

Less manual, repeated tasks  
More development, specialist tasks





# Focused portfolio of digital service businesses

Leveraging core business capabilities and providing interesting growth perspective



## Entertaining services

- 300,000+ paying customers and high NPS
- Can be used in all EU countries



## International video conferencing

- Over 400 corporate customers in 90 countries, Vodafone as a sales channel



## Cloud based IT

- New business category “IT+C”
- We combine IT, communication tools and digital working methods into a single functional entity



## Mobile network automation for operators

- Developed and tested in our own network, customers internationally



## Elisa IoT

- Smart Factory: Comprehensive visualisation and machine learning solution for global manufacturers

## M&A to fuel growth

- Disciplined M&A, based on strict criteria, continues
- M&A to support growth and service development
- Bolt-on

# Outlook and guidance for 2018

Macroeconomic environment has improved, but long-term structural challenges still remain. Competition remains challenging.

- Revenue same level or slightly higher than in 2017
- Comparable EBITDA same level or slightly higher than in 2017
- CAPEX maximum 12% of revenue

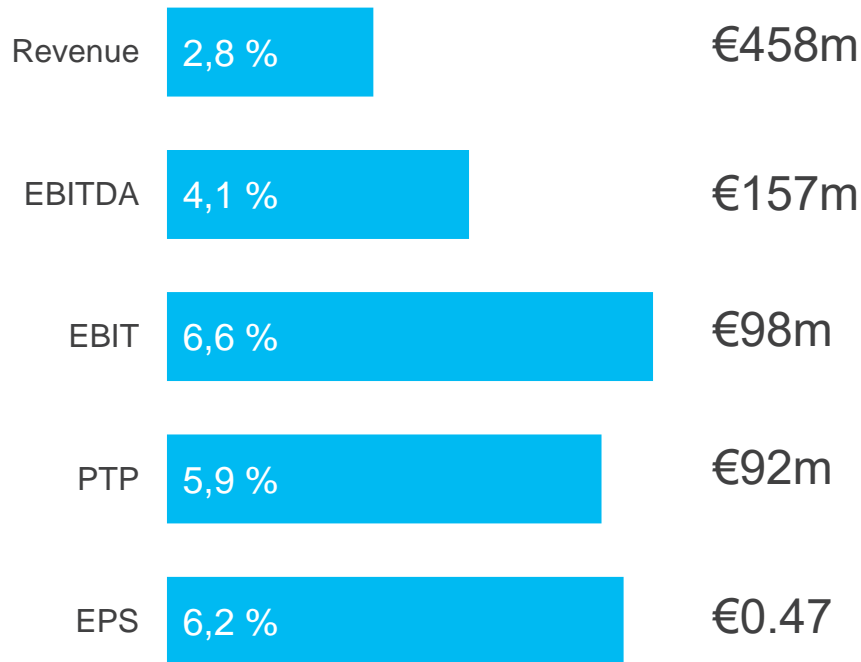


# Financial performance

INTERIM REPORT Q2 2018

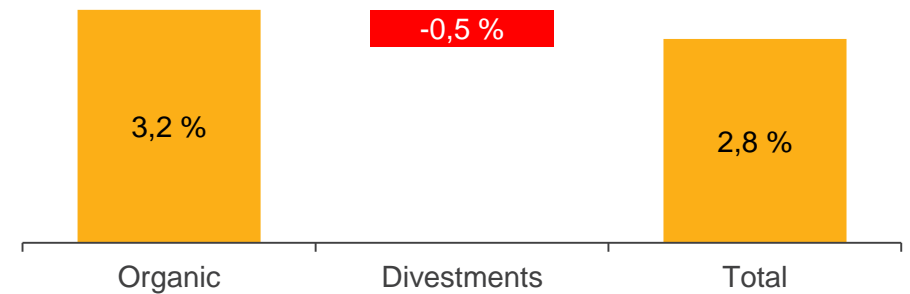
# Earnings growth continues

## Q2 2018 P&L and growth<sup>1)</sup>

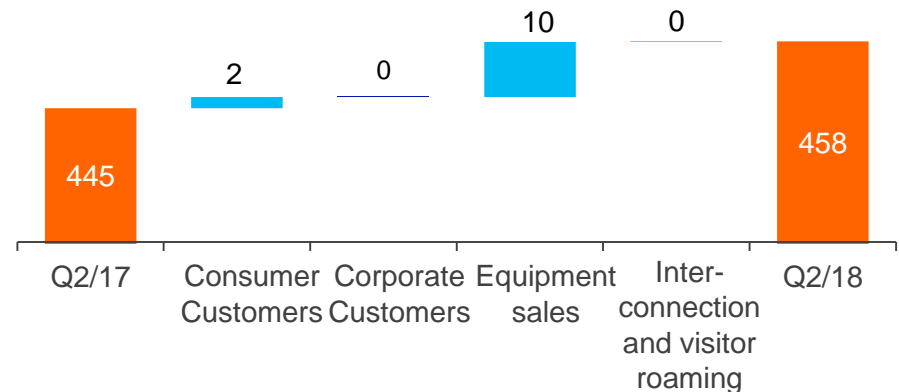


1) With comparable figures. Growth is calculated using exact figures prior to rounding.

## Revenue YoY growth



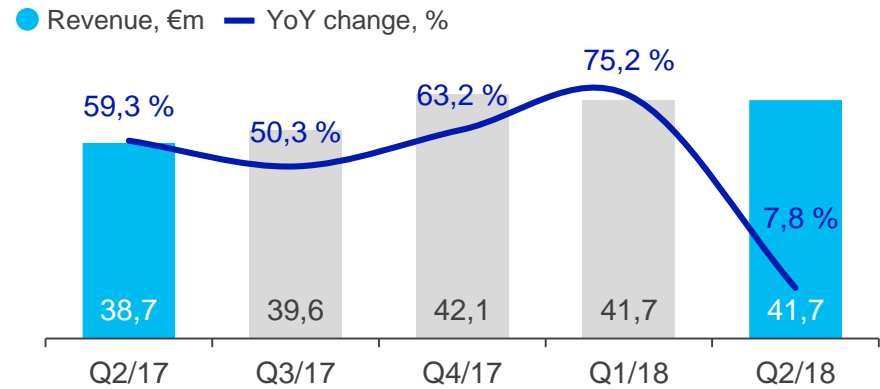
## Revenue change YoY, €12m



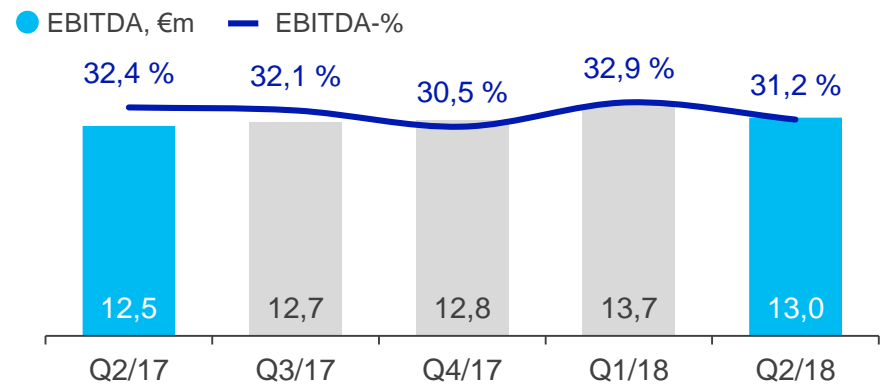
# Organic growth continues in Estonia

- Revenue +8%, EBITDA +4%
  - Mobile and fixed services
- Churn down, post-paid base up
  - Post-paid voice churn 9.5% (12.1% in Q1)
  - Mobile post-paid base +5,000, pre-paid -3,000
- Integration of acquired companies according to plan
  - Synergy estimates intact
  - Starman €4–6m by end 2019
  - SMN €4–5m by end 2019 (includes SMN Finland)

## Revenue



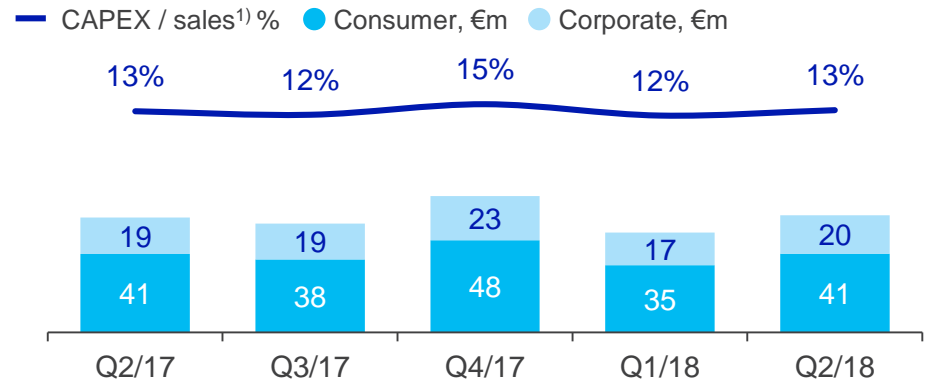
## EBITDA



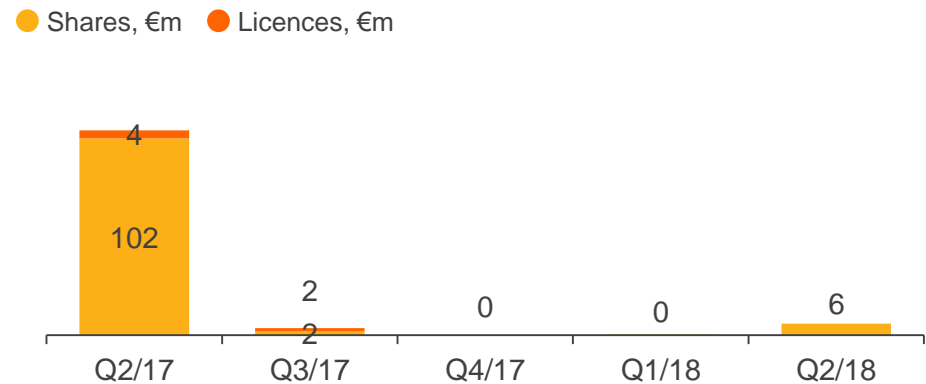
# Stable CAPEX

- CAPEX<sup>1)</sup> €61m (64)
  - Consumer €41m (43)
  - Corporate €20m (21)
  - CAPEX / sales 13%
  - Full year according to 12% guidance
  
- 4G capacity and coverage increases
- Other network and IT investments

## CAPEX



## Investments in shares and licences



1) Excluding investments in shares and licence fees

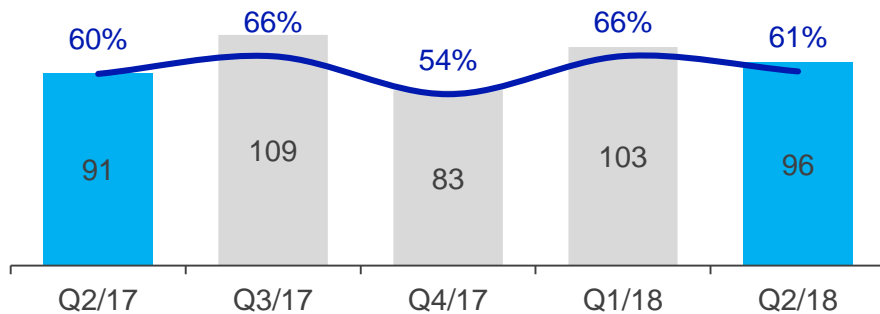
# Solid cash flow continuing

- Q2 cash flow €81m (76), +7%
- + Higher EBITDA
- + Lower investments in shares
- + Positive NWC change
- Higher CAPEX and taxes

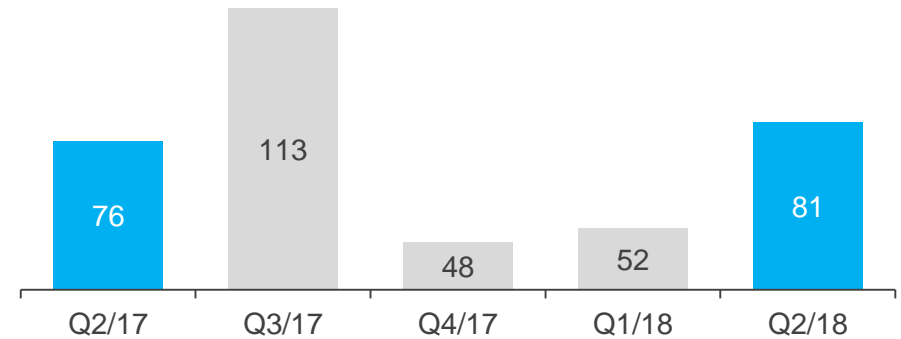
Strong cash conversion continues

## Cash conversion

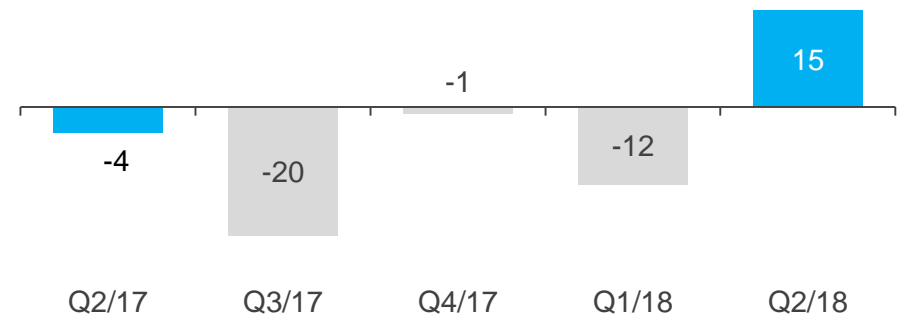
● Operative cash flow, €m<sup>1)</sup> — (EBITDA-CAPEX)/EBITDA, %<sup>2)</sup>



## Cash flow, €m



## Change in net working capital, €m



# Efficient capital structure

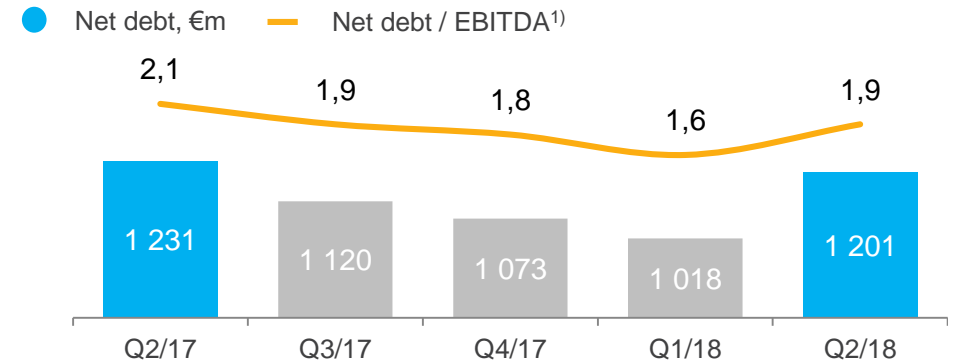
- Capital structure according to target

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

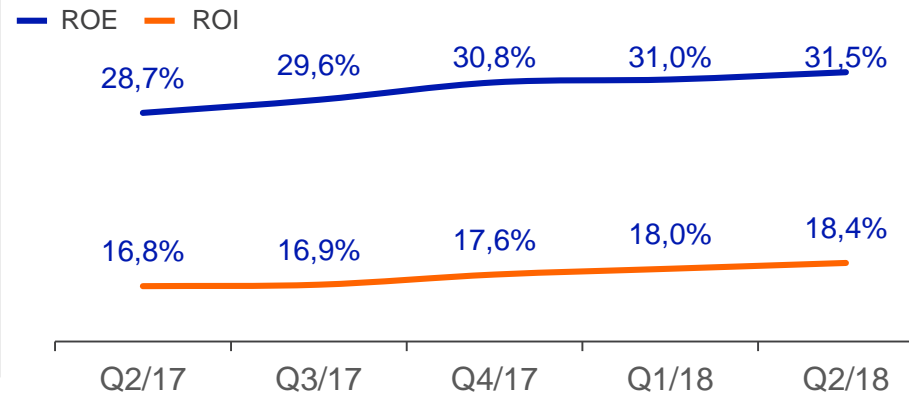
- Return ratios improved further

- Improved earnings
- Efficient capital structure

## Net debt



## Return ratios<sup>2)</sup>



1) Net debt / four previous quarters' comparable EBITDA  
 2) Rolling four quarters, 2017 excluding sale of Comptel shares





Q&A



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## APPENDIX

## P&amp;L by quarter

EUR million	Q2/18	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16
<b>Revenue</b>	<b>457,5</b>	<b>449,6</b>	<b>472,5</b>	<b>453,9</b>	<b>445,1</b>	<b>415,9</b>	<b>434,0</b>	<b>418,7</b>
<i>YoY growth</i>	2,8 %	8,1 %	8,9 %	8,4 %	13,3 %	6,6 %	7,3 %	6,1 %
Other operating income	6,0	1,1	2,6	1,5	0,8	0,7	1,5	1,8
Materials and services	-176,5	-170,0	-190,2	-178,6	-170,0	-156,8	-175,9	-159,3
Employee expenses	-79,6	-81,7	-82,5	-68,1	-79,4	-74,1	-74,1	-63,2
Other operating expenses	-47,6	-45,6	-51,3	-43,5	-49,1	-42,0	-46,7	-44,1
<b>EBITDA</b>	<b>159,8</b>	<b>153,4</b>	<b>151,2</b>	<b>165,3</b>	<b>147,5</b>	<b>143,7</b>	<b>138,8</b>	<b>154,0</b>
<i>EBITDA %</i>	34,9 %	34,1 %	32,0 %	36,4 %	33,1 %	34,6 %	32,0 %	36,8 %
<i>YoY Growth</i>	8,3 %	6,7 %	8,9 %	7,4 %	10,4 %	5,2 %	8,7 %	6,5 %
<b>Comparable EBITDA</b>	<b>156,8</b>	<b>155,6</b>	<b>153,6</b>	<b>165,3</b>	<b>150,6</b>	<b>143,7</b>	<b>138,8</b>	<b>155,1</b>
<i>YoY Growth</i>	4,1 %	8,3 %	10,7 %	6,2 %	12,7 %	5,2 %	5,8 %	7,3 %
<b>Comparable EBITDA %</b>	34,3 %	34,6 %	32,5 %	36,4 %	33,8 %	34,6 %	32,0 %	37,0 %
Depreciation, amortisation and impairment	-59,2	-58,3	-58,6	-56,8	-59,1	-55,1	-63,0	-55,5
<b>EBIT</b>	<b>100,6</b>	<b>95,1</b>	<b>92,6</b>	<b>108,5</b>	<b>88,4</b>	<b>88,6</b>	<b>75,8</b>	<b>98,4</b>
<b>Comparable EBIT</b>	<b>97,5</b>	<b>97,3</b>	<b>95,0</b>	<b>108,5</b>	<b>91,5</b>	<b>88,6</b>	<b>84,8</b>	<b>99,6</b>
Financial income	0,7	0,5	0,5	1,0	46,3	1,2	4,4	0,6
Financial expense	-6,2	-6,2	-6,4	-5,9	-6,0	-5,5	-6,0	-5,8
Share of associated companies' profit	0,0	0,0	-0,1	0,0	0,0	0,0	0,0	0,0
<b>Profit before tax</b>	<b>95,0</b>	<b>89,4</b>	<b>86,6</b>	<b>103,6</b>	<b>128,6</b>	<b>84,3</b>	<b>74,1</b>	<b>93,2</b>
<b>Comparable PTP</b>	<b>92,0</b>	<b>91,6</b>	<b>89,0</b>	<b>103,6</b>	<b>86,9</b>	<b>84,3</b>	<b>79,7</b>	<b>94,3</b>
Income taxes	-17,5	-15,0	-15,1	-19,1	-16,6	-15,7	-15,3	-17,8
<b>Profit for the period</b>	<b>77,6</b>	<b>74,4</b>	<b>71,5</b>	<b>84,6</b>	<b>112,0</b>	<b>68,6</b>	<b>58,8</b>	<b>75,4</b>
<b>Comparable Profit</b>	<b>74,7</b>	<b>76,2</b>	<b>73,5</b>	<b>84,6</b>	<b>70,3</b>	<b>68,6</b>	<b>65,1</b>	<b>76,5</b>
<b>Earnings per share (EUR)</b>	<b>0,49</b>	<b>0,47</b>	<b>0,45</b>	<b>0,53</b>	<b>0,70</b>	<b>0,43</b>	<b>0,37</b>	<b>0,47</b>
<b>Comparable EPS</b>	0,47	0,48	0,46	0,53	0,44	0,43	0,41	0,48
<i>YoY Growth</i>	6 %	11 %	13 %	11 %	17 %	9 %	11 %	12 %

# Cash flow YoY comparison

€ MILLION	Q2/18	Q2/17	CHANGE <sup>1)</sup>	H1/18	H1/17	CHANGE <sup>1)</sup>	2017
<b>EBITDA</b>	<b>160</b>	<b>148</b>	<b>12</b>	<b>313</b>	<b>291</b>	<b>22</b>	<b>608</b>
Change in receivables	19	-23	42	26	-11	37	-59
Change in inventories	1	-8	10	8	-6	13	-11
Change in payables	-5	28	-32	-30	13	-43	45
Change in NWC	15	-4	19	3	-4	7	-25
Financials (net)	0	0	-1	-12	-10	-2	-15
Taxes for the year	-15	-14	-1	-29	-28	-1	-66
Taxes for the previous year	1	2	-1	-1	2	-3	2
Taxes	-14	-12	-2	-30	-26	-3	-64
CAPEX	-64	-59	-5	-116	-111	-5	-238
800, 700 and 2,600 MHz licences <sup>2)</sup>	0	-4	4	-4	-9	4	-17
Investments in shares <sup>3)</sup>	-6	-33	27	-6	-37	30	-39
Starman acquisition <sup>4)</sup>	0	0	0	0	0	0	45
Sale of shares (Mainly Comptel)	0	45	-45	1	45	-44	45
Sale of assets and adjustments	-9	-3	-6	-16	-2	-14	0
<b>Cash flow after investments</b>	<b>81</b>	<b>76</b>	<b>6</b>	<b>133</b>	<b>139</b>	<b>-5</b>	<b>300</b>
<b>Cash flow after investments excl. acquisitions <sup>5)</sup></b>	<b>87</b>	<b>65</b>	<b>23</b>	<b>140</b>	<b>131</b>	<b>9</b>	<b>246</b>

1) Difference is calculated using exact figures prior to rounding

2) €7m 800 MHz licence in Q4/17, €4m 700 MHz licence in Q1/17 in Finland, €4m 2.600 MHz licence in Q2/17 and €2m Q3/17 in Estonia.

3) Investment in Starman, Santa Monica and Tampereen Tietoverkko in 2017, Kepit Systems and Ukkonet in 2018.

4) Starman acquisition finance arrangement

5) Excluding share purchases and sale of Comptel and other shares.

## APPENDIX

## Cash flow by quarter

€ MILLION	Q2/18	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16
<b>EBITDA</b>	160	153	151	165	148	144	139	154
Change in receivables	19	7	-33	-15	-23	12	6	-30
Change in inventories	1	7	-5	0	-8	3	-2	-7
Change in payables	-5	-26	36	-4	28	-15	8	11
<b>Change in NWC</b>	15	-12	-1	-20	-4	0	12	-26
Financials (net)	0	-12	-5	-1	0	-10	-7	-1
Taxes for the year	-15	-15	-21	-16	-14	-14	-22	-15
Taxes for the previous year	1	0	0	0	2		0	0
<b>Taxes</b>	-14	-15	-21	-16	-12	-14	-22	-15
<b>CAPEX</b>	-64	-52	-71	-57	-59	-51	-61	-42
700/800/2,600 MHz licence fees		-4	-7	-2	-4	-4	-7	0
Investments in shares	-6	0	0	-3	-33	-3	-1	-25
Starman acquisition			0	45			-167	
Sale of shares			0	0	45			
Sale of assets and adjustments	-9	-7	1	0	-3	3	-2	3
<b>Cash flow after investments</b>	81	52	48	113	76	63	-115	47
<b>Cash flow after investments excl. acquisitions</b>	87	52	48	71	65	66	53	72

## APPENDIX

# Debt structure

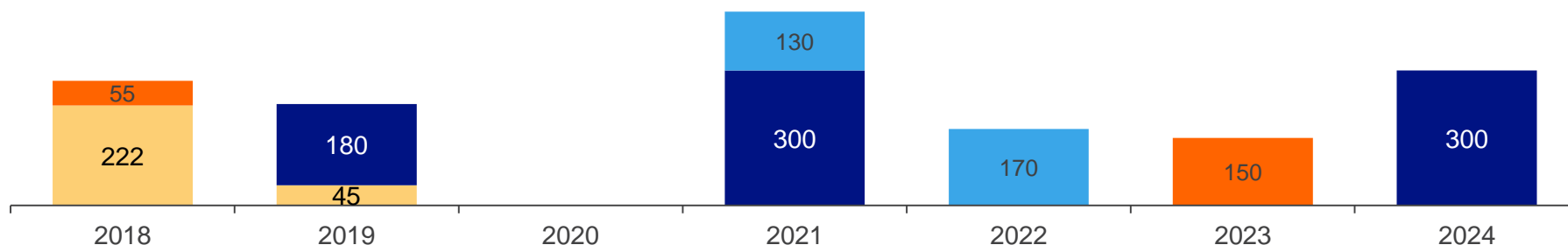
€ MILLION. AT THE END OF QUARTER	Q2/18	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16
Bonds and notes	764	763	767	766	766	765	594	594
Commercial papers	267	151	115	207	258	193	199	201
Loans from financial institutions	205	205	209	210	216	215	218	219
Financial leases	26	26	26	26	26	25	26	25
Committed credit lines <sup>1)</sup>	0	0	0	0	23	80	130	0
<b>Interest-bearing debt. total</b>	<b>1,261</b>	<b>1,145</b>	<b>1,117</b>	<b>1,209</b>	<b>1,289</b>	<b>1,278</b>	<b>1,167</b>	<b>1,039</b>
Cash and cash equivalents	60	127	44	91	58	216	44	33
<b>Net debt <sup>2)</sup></b>	<b>1,201</b>	<b>1,018</b>	<b>1,073</b>	<b>1,118</b>	<b>1,231</b>	<b>1,062</b>	<b>1,123</b>	<b>1,006</b>

1) The committed credit lines are €130m and €170m facilities that Elisa may use flexibly on agreed pricing

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

Nominal values of bond, bank loan and CP maturities, 30 June 2018

● Bonds ● Loans ● RCF<sup>1)</sup> ● CP



1) RCFs are fully undrawn

# Forward-looking statements

Statements made in this document relating to the future, including future performance and other trend projections, are forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. There can be no assurance that actual results will not differ materially from those expressed or implied by these forward-looking statements, due to many factors, many of which are outside of Elisa's control.