



Q2

16 July 2010

2010 Second Quarter Results

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# Agenda

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**CEO's review**

**Veli-Matti Mattila, CEO**

**Financial review**

**Jari Kinnunen, CFO**

# CEO's review

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- Q2 2010 highlights
- Segment review
  - Consumer Customers
  - Corporate Customers
- Execution of the strategy
- Progress of new services
- Outlook for 2010

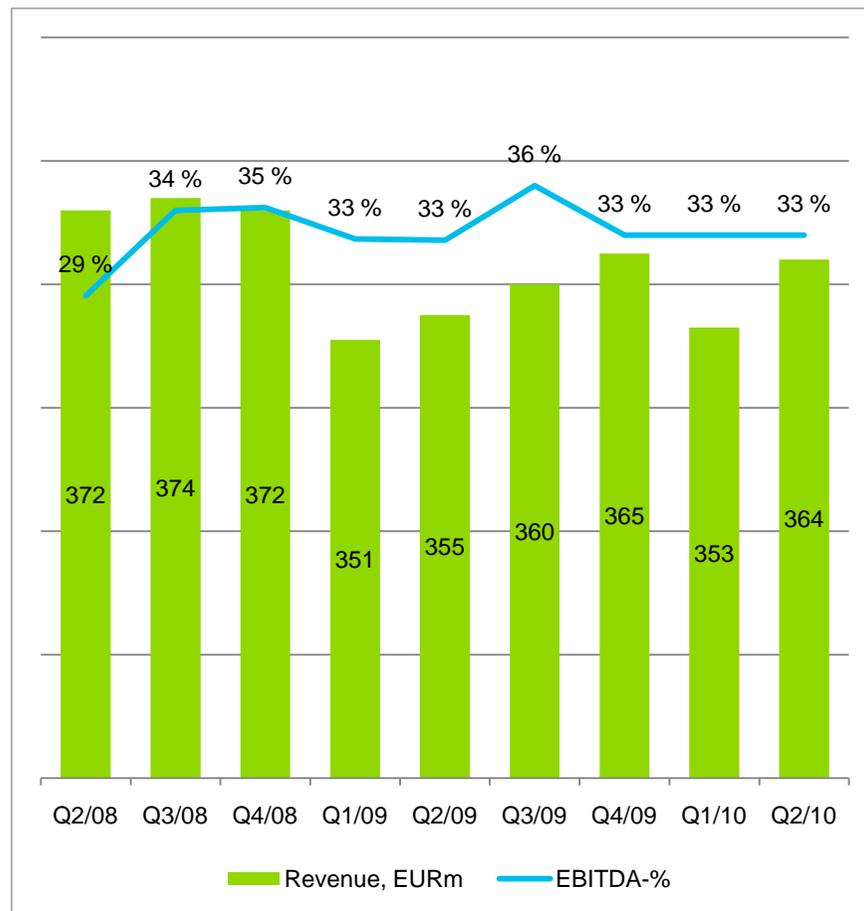
# Q2 2010 highlights

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- YoY revenue growth continued
  - Consumer Customer business €+8m (+4%)
  - Corporate Customer business €+1m (+1%)
- Good profitability and cash flow
- Mobile subscription and usage growth continues
- IPTV Elisa Viihde continues its success
- Corporate Customer business improved
- ICT offering strengthened by Videra acquisition

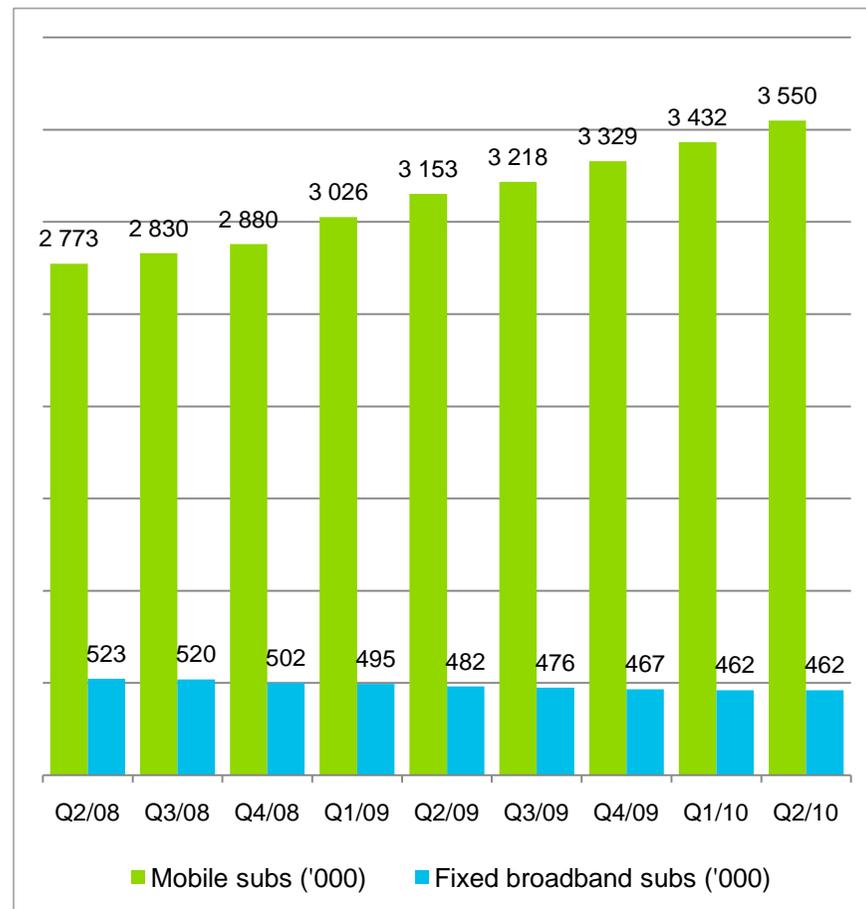
## YoY growth in revenue continued

- Revenue €364m (355)
  - Growth in mobile services
  - Decrease in fixed business
  - Growth in online and ICT service business
- EBITDA €119m (116), 33% of revenue
- CAPEX €47m (36), 13% of revenue
  - H1 CAPEX according to target ( $\leq 12\%$ )
- Net debt €752m (719 in 2009)
  - Cash flow €70m
  - Net debt / EBITDA 1.5 (1.6), according to target



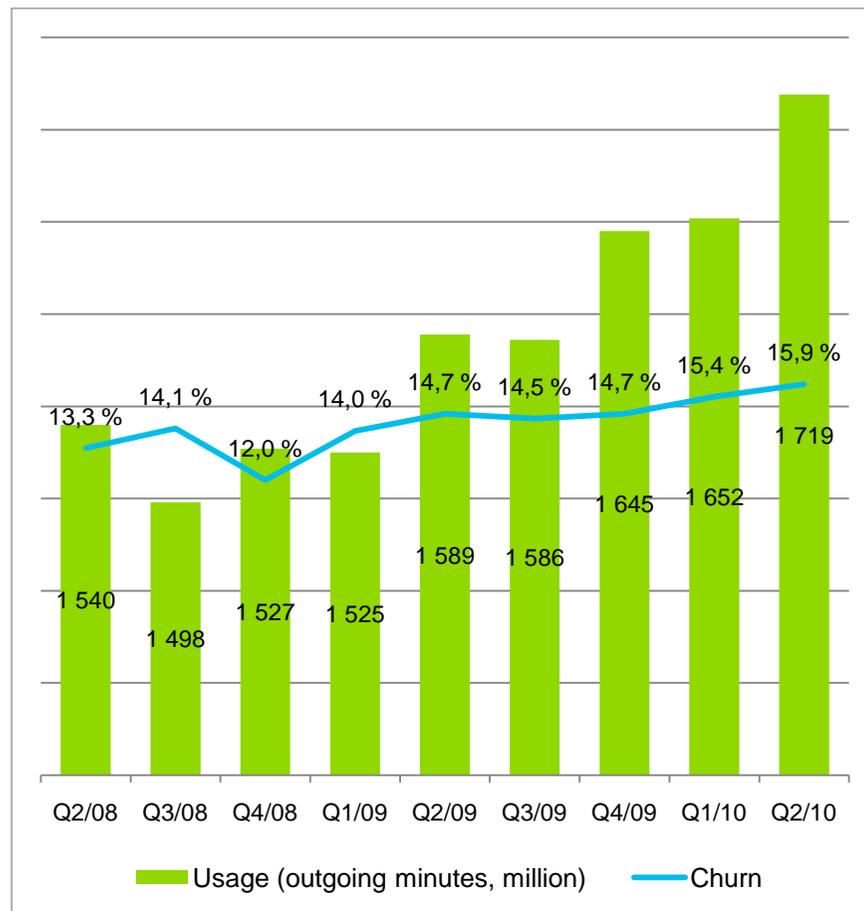
# Mobile subscription growth continued

- **Mobile net adds 118,000 in Q2/10**
  - Growth in both customer segments
  - Growth in mobile broadband, postpaid and prepaid
  - Estonia +14,300 in Q2/10
- **Fixed broadband at the previous quarter's level**
  - Decrease only 200 subs in Q2/10



# Keen but stable competition, growth in mobile usage

- Growth in mobile usage
  - Outgoing minutes growth 8% YoY
  - SMS at the last year's level
- Mobile churn 15.9% (14.7%)
  - Slightly above normal range

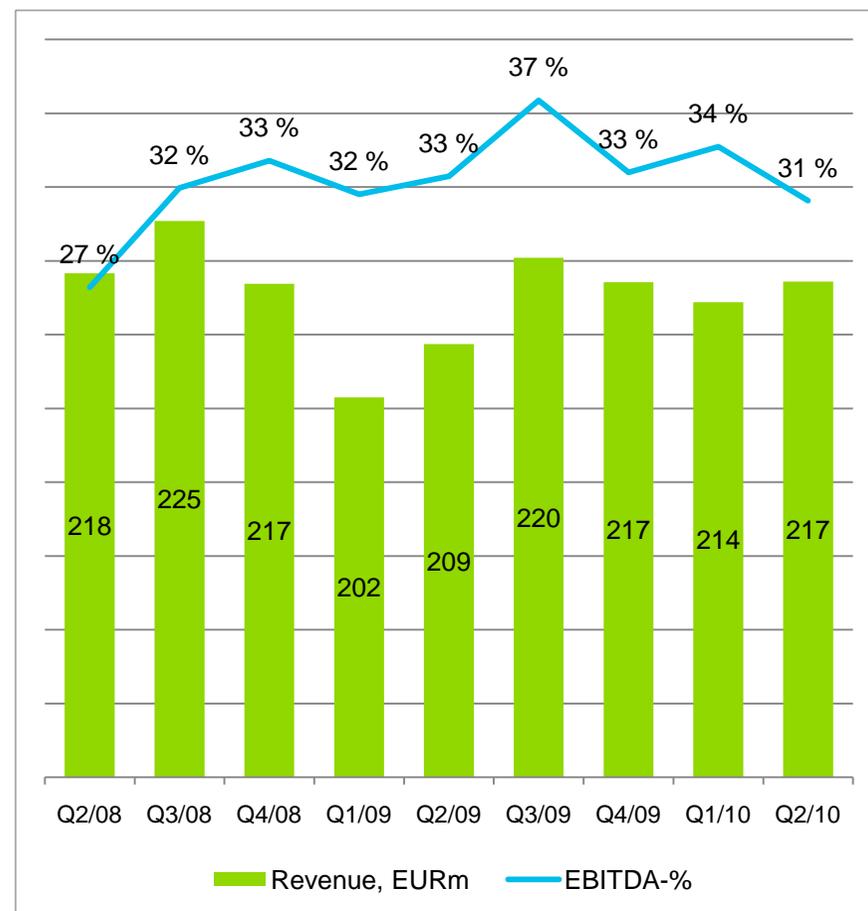


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# Business Segments

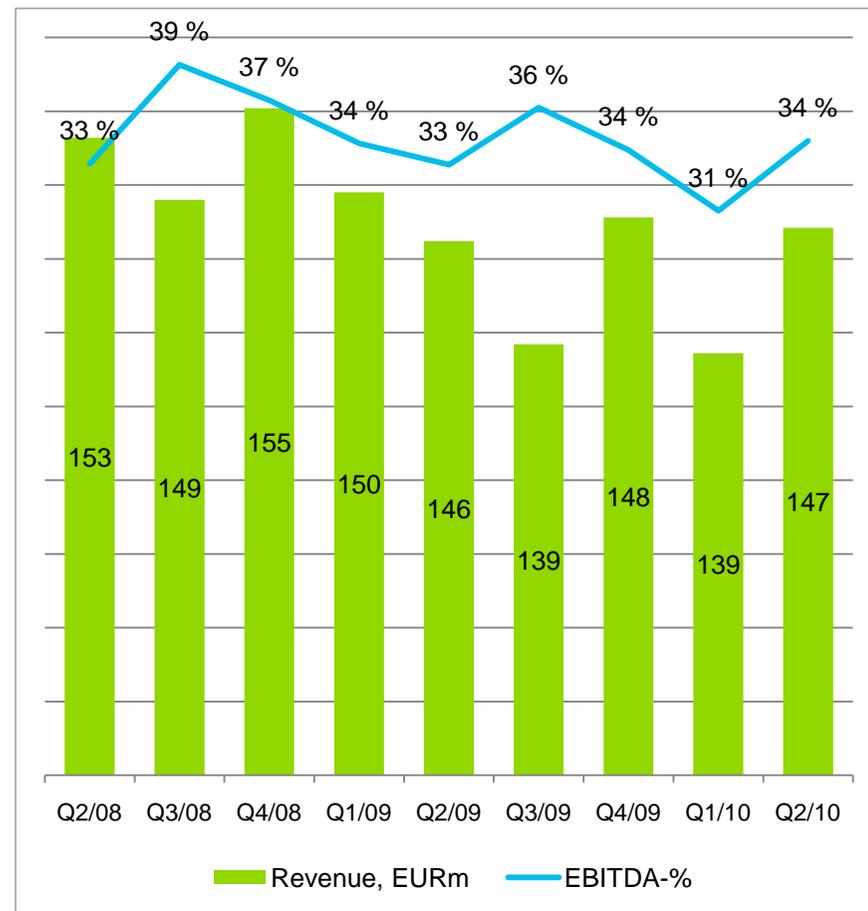
# YoY revenue growth continued

- **Revenue €217m (209)**
  - Growth in mobile customer billing and online services
  - Decrease in fixed business
- **EBITDA €68m (68), 31% of revenue**
  - Revenue growth
  - Increase in sales costs and new service launches
  - Stable mobile SAC per sub
- **CAPEX €27m (19)**
  - Growth in customer equipment and network investments



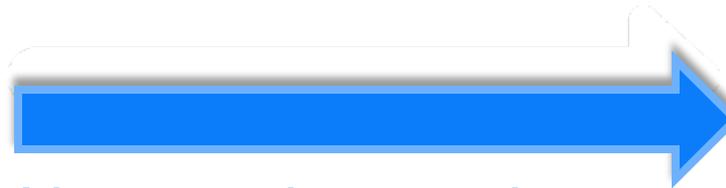
# Corporate Customer business improved

- Revenue €147m (146)
  - Increase in mobile revenue
  - Growth in ICT services
  - Decrease in fixed business
- EBITDA €51m (48), 34% of revenue
  - Revenue increase
  - Decrease in OPEX
- CAPEX €20m (17)

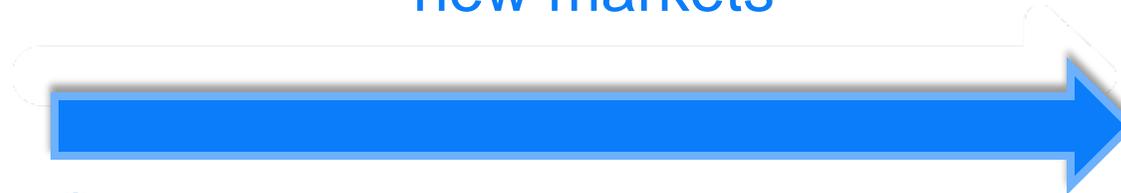


# Strategy execution

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New services and  
new markets



Strengthening market  
position in core markets

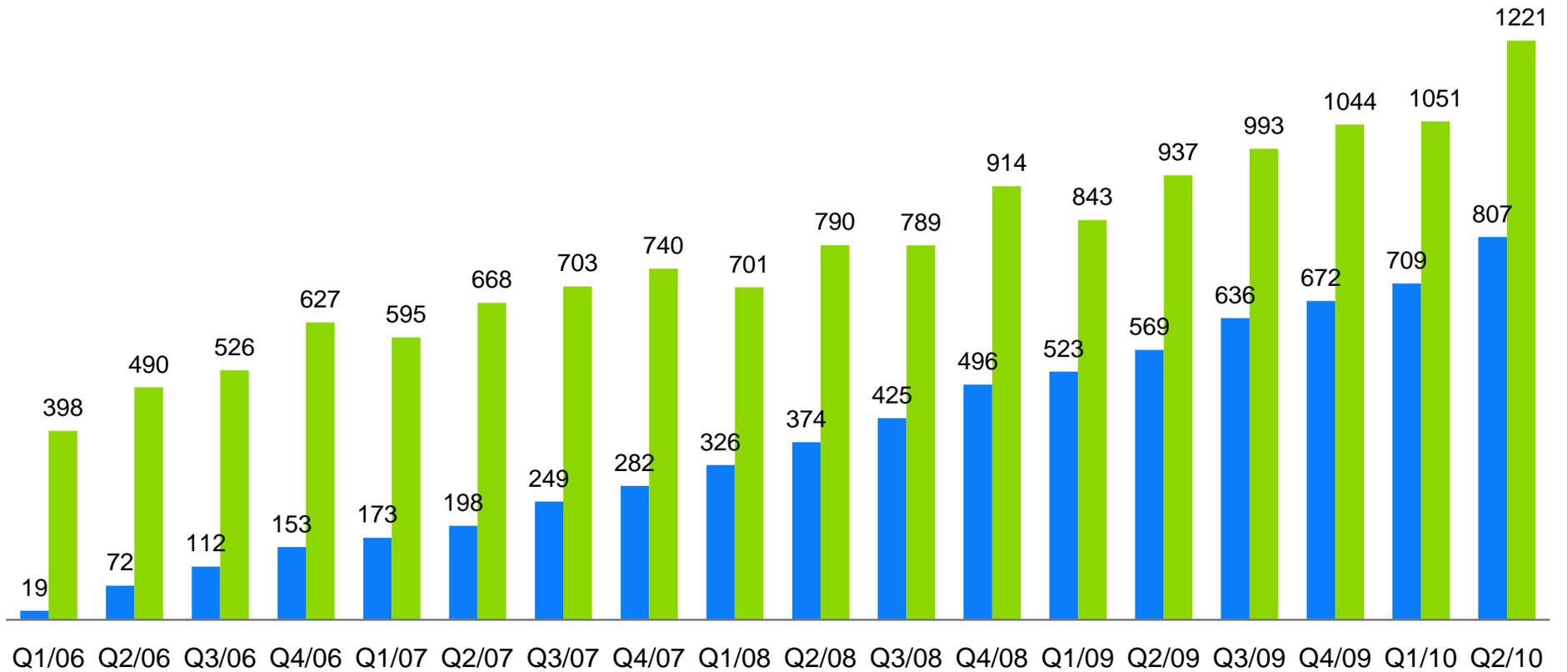


Integration of One Elisa

# Growth in 3G data users continued

Active 3G users      Active GPRS users

Number of active mobile data users in Elisa's network, thousands





# New services: Elisa Audio book

- Streaming from net or downloading to PC, mobile terminal or mp3 player
- Personal electronic bookshelf
- Wide variety of books
  - Service cooperation with publishers
  - Selection includes all audio books published in Finnish
  - Books available also in other languages



# Elisa acquired a leading Nordic video conference company

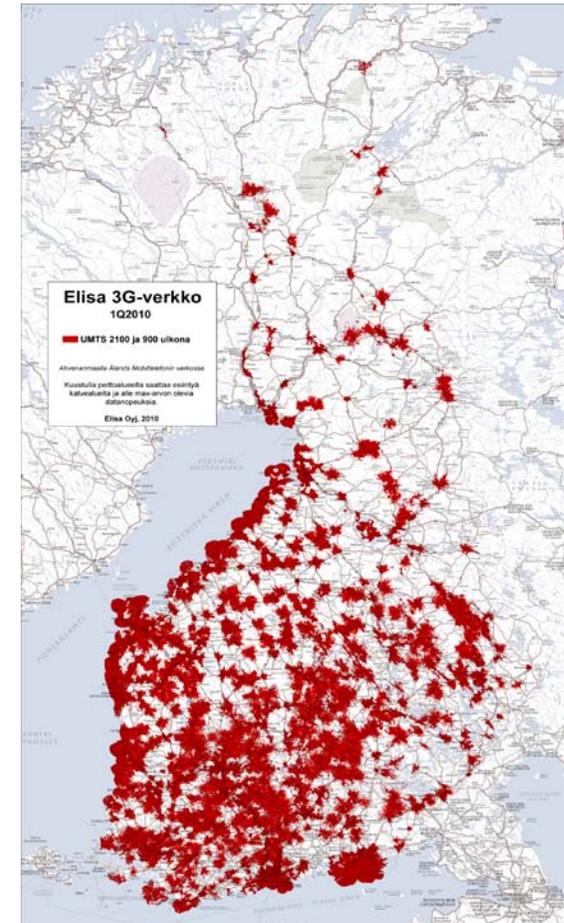
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- Elisa acquired 68.8% of Videra Oy, market leader of video conferencing in Finland
- Revenue approx. EUR 14m
- Acquisition price maximum EUR 13m
- Personnel 43
- Strong position in corporate and public sectors
- Strengthens Elisa's ICT business in the corporate customer unit



# Elisa has widest 3G coverage

- European Communications Engineering research:
  - Elisa has widest coverage
  - Best signal strengths
  - Highest data speeds
  - Lowest interference levels
- Strong 3G network expansion continues
  - Almost 100 new areas
- First 4G network in Helsinki for pre-commercial use



# Outlook for 2010

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- Positive trends of the general economy have continued favourably
  - Bottom of recession seems behind
- Competition remains challenging
- Revenue at the same level as in 2009
- EBITDA excluding one-offs at the same level as in 2009
- CAPEX 10 – 12 per cent of revenue

# Agenda

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**CEO's review**

**Veli-Matti Mattila, CEO**

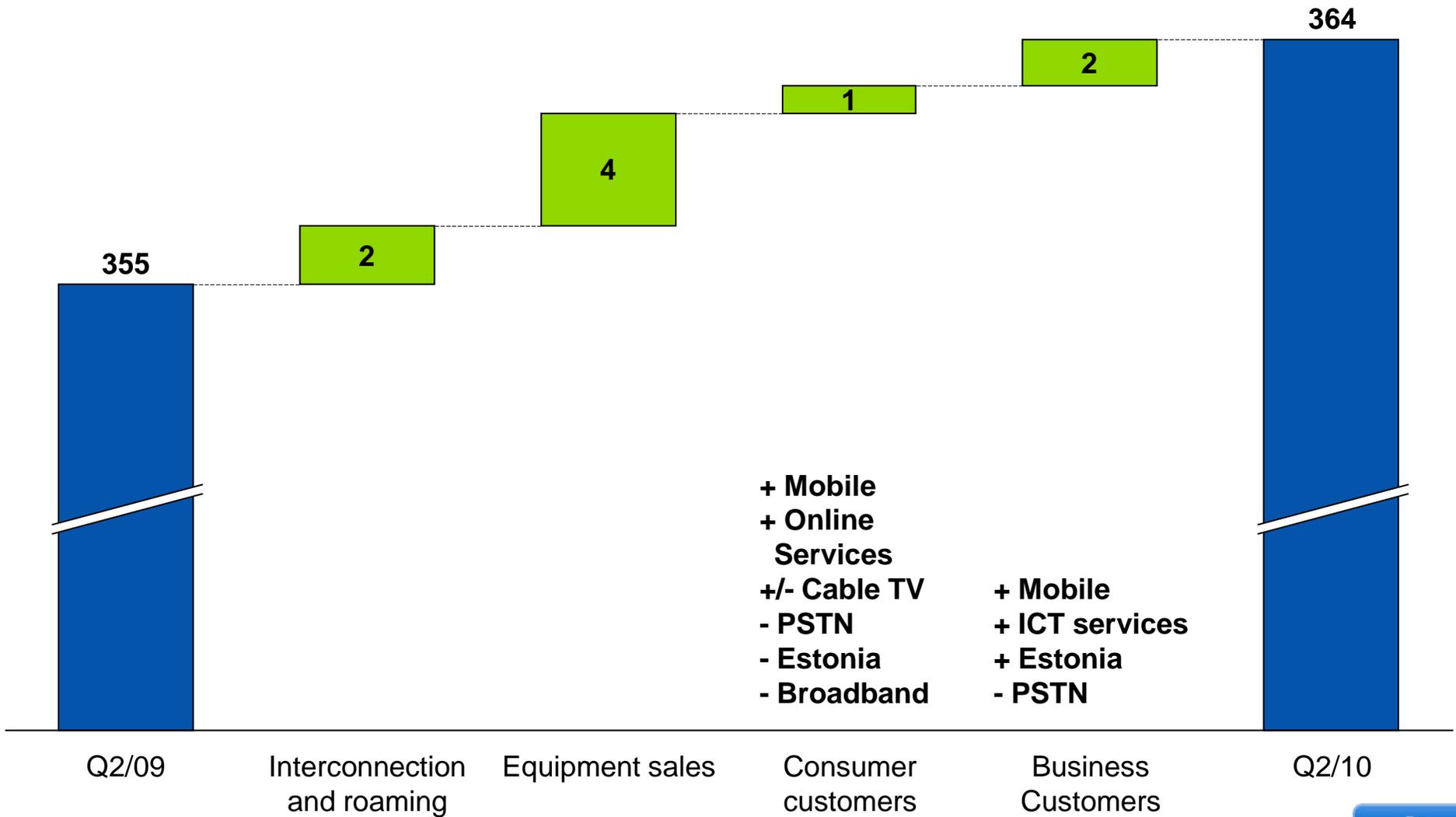
**Financial review**

**Jari Kinnunen, CFO**

# Growth in revenue and EBITDA

EUR million	Q2/10	Q2/09	Δ	H1/10	H1/09	Δ	2009
Revenue	364	355	9	717	706	11	1430
Other operating income	1	1		2	2		4
Operating expenses	-247	-240		-485	-477		-951
EBITDA	119	116	3	234	231	3	484
<i>EBITDA-%</i>	33 %	33%		33 %	33%		34%
Depreciation and amortisation	-54	-53		-108	-106		-216
EBIT	65	64	1	126	126	0	267
<i>EBIT-%</i>	18 %	18%		18 %	18%		19%
Profit before tax	53	56	-3	63	110	-47	235
Profit before tax excl. one-off item	53	56	-3	107	110	-3	
Income taxes	-13	-14	1	-15	-26	11	-58
Net profit	40	42	-2	48	83	-35	177
Net profit excl. one-off item	40	42	-2	81	83	-2	
EPS, EUR/share	0.26	0.27	-0.01	0.31	0.53	-0.22	1.13
EPS, EUR/share excl. one-off item	0.26	0.27	-0.01	0.52	0.53	-0.01	

# YoY revenue growth



# Market activities affected OPEX

- **OPEX decreases**

- Productivity improvements
  - Network operating costs
  - Offices and other facilities

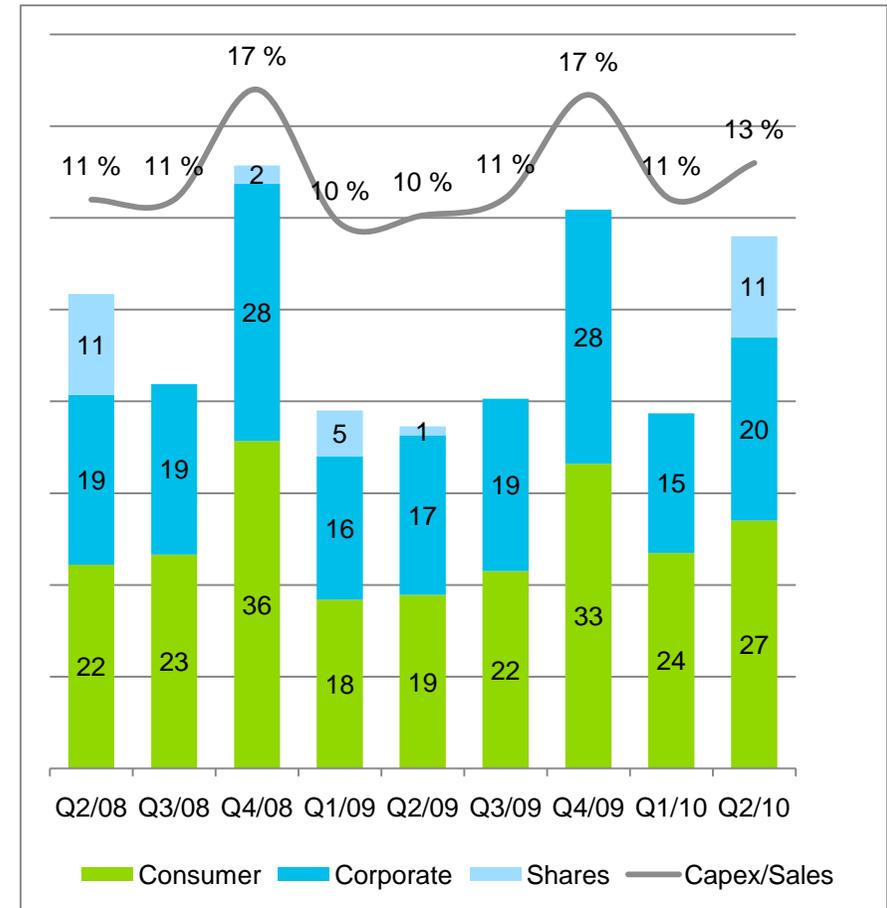
- **OPEX increases**

- M&S: volume related costs
- Personnel increased in call-centers
- Collective labor agreements
- Sales costs and new service launches
  - Stable SAC per subscription

EURm	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
Materials and services	144	143	144	140	148
Employee benefit expenses	48	43	51	55	52
Other operating expenses	48	43	50	43	46
<b>Total expenses</b>	<b>240</b>	<b>229</b>	<b>246</b>	<b>238</b>	<b>247</b>
Depreciation	53	54	57	54	54

# H1 CAPEX in line with guidance

- Total CAPEX in Q2 EUR 47m (36)
  - CAPEX/Sales 13% (10%)
- Total CAPEX in H1 EUR 85m (70)
  - CAPEX/Sales 12% (10%)
- Q2 2010 by segments
  - Consumer EUR 27m (19)
  - Corporate EUR 20m (17)
- Main CAPEX areas
  - 3G network rollout
  - Fixed and corporate networks
  - IT systems
  - Customer equipment



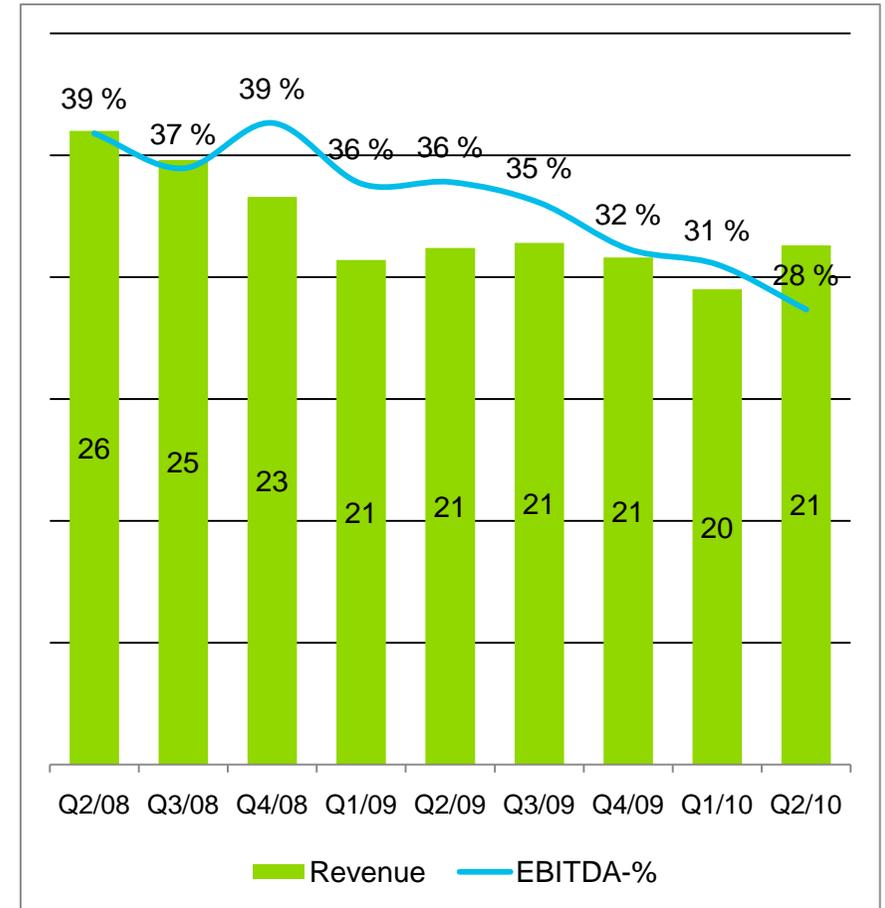
# Solid cash flow continued

EUR million	Q2/10	Q2/09	Δ	H1/10	H1/09	Δ	2009
EBITDA	119	116	3	234	231	3	484
Change in receivables	16	39		21	51		36
Change in inventories	-2	-3		1	-1		-9
Change in payables	6	-6		-6	-16		10
Change in NWC	20	30	-10	16	34	-18	37
Financials (net)	0	-2	2	-15	-17	2	-30
Taxes for the year	-13	-16		-25	-32		-55
Taxes for the previous year	-6	-2		-6	-2		-2
Taxes	-19	-18	-1	-31	-34	3	-57
CAPEX	-46	-36	-10	-85	-70	-15	-170
Investments in shares	-5	-2	-3	-5	-9	4	-10
Sale of assets and adjustments	1	1	0	2	0	2	-2
Cash flow after investments	70	89	-19	115	135	-20	252

# Estonia revenue at the same level

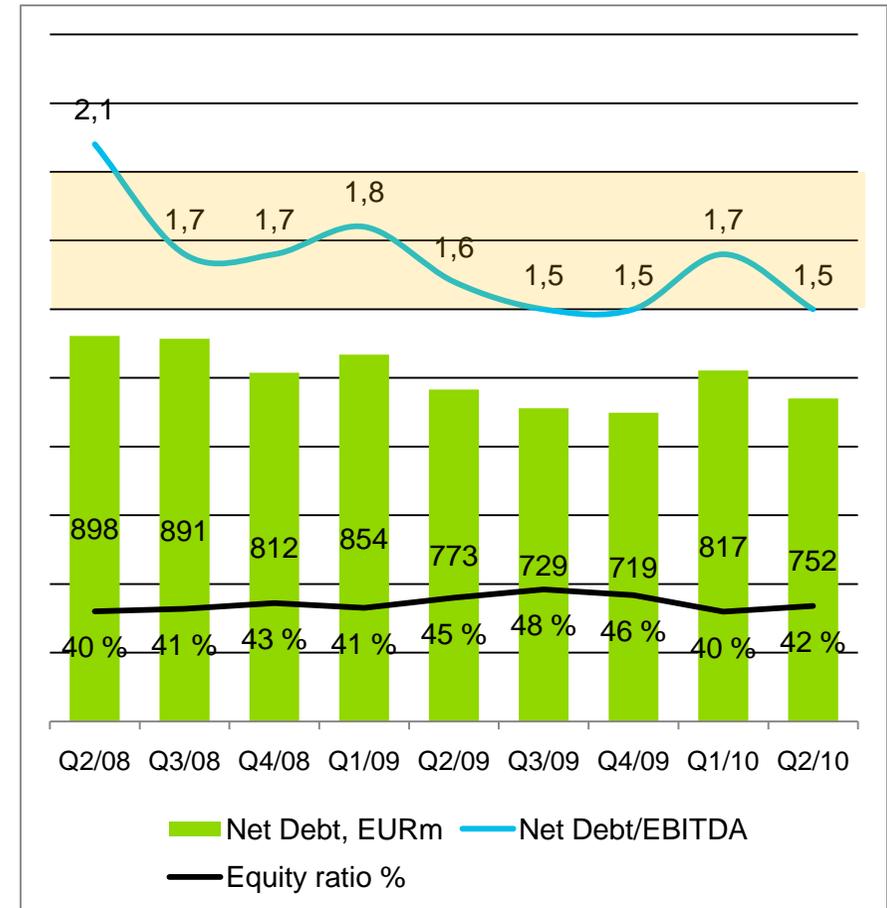
- YoY revenue at the same level
- Market activities affected EBITDA
- 377,800 mobile subscriptions
  - + 31,900 y-o-y
  - + 14,300 q-o-q

EUR million	Q2/10	Q2/09	2009
Revenue	21	21	84
EBITDA	6	8	29
<i>EBITDA-%</i>	<i>28</i>	<i>36</i>	<i>34</i>
EBIT	3	5	18
<i>EBIT-%</i>	<i>15</i>	<i>23</i>	<i>21</i>
CAPEX	2	1	7



# Capital structure in line with targets

- Capital structure
  - Net debt / EBITDA 1.5
  - Gearing 93%, Equity ratio 42%
- Target setting
  - Net debt / EBITDA 1.5 – 2x
  - Equity ratio >35%
- Cash and undrawn committed facilities EUR 332m (324) in Q2



# Distribution capability maintained

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- Capital structure targets unchanged
  - Net debt / EBITDA 1.5 – 2x
- Cash flow generation in focus
  - Net debt / EBITDA and gearing are expected to decrease
- Authorisation from the shareholders
  - Special dividend up to EUR 100m
  - Share buy-backs up to 10m shares



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# Consolidated cash flow statement

EUR million	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
<b>Cash flow from operating activities</b>									
Profit before tax	53	10	56	70	56	53	70	67	38
Adjustments to profit before tax	67	106	64	60	60	61	57	59	67
Change in working capital	20	-4	26	-23	30	4	33	-2	30
Cash flow from operating activities	140	112	146	107	146	119	159	124	135
Received dividends and interests and interest	0	-15	-1	-12	-2	-15	-4	-15	-6
Taxes paid	-19	-13	-11	-11	-18	-17	-11	-15	-22
Net cash flow from operating activities	121	84	134	84	127	87	145	93	108
<b>Cash flow in investments</b>									
Capital expenditure	-46	-38	-61	-40	-36	-34	-60	-42	-40
Investments in shares and other investments	-5	-1		0	-2	-7	-1	-1	-9
Proceeds from asset disposal	1		0	0	1	0	0	0	0
Net cash used in investment	-51	-39	-61	-41	-37	-41	-61	-42	-49
<b>Cash flow after investments</b>	70	45	74	43	89	46	84	51	59
<b>Cash flow in financing</b>									
Share Buy Backs and sales (net)	0	0	0		0		0	-43	
Change in interest-bearing receivables			0		0				
Change in long-term debt	-30	25	0	0	-36		0		50
Change in short-term debt	-33	69	13	-62	-47	40	-70	-1	-136
Repayment of financing leases	-1	-1	-1	-1	-1	-1	-1	-1	-1
Dividends paid	-1	-143	-63	0	-8	-86	-1	0	-1
Cash flow in financing	-65	-50	-51	-64	-92	-47	-72	-45	-87
<b>Change in cash and cash equivalents</b>	<b>5</b>	<b>-5</b>	<b>22</b>	<b>-20</b>	<b>-2</b>	<b>-2</b>	<b>12</b>	<b>6</b>	<b>-28</b>

# APPENDIX SLIDE

## Financial situation

EUR Million	30 Jun 2010	31 Mar 2010	31 Dec 2009	30 Sep 2009	30 Jun 2009	31 Mar 2009	31 Dec 2008	30 Sep 2008	30 Jun 2008
<b>Interest-bearing debt</b>									
Bonds and notes	598	597	572	572	570	606	606	604	604
Commercial Papers	110	118	74	62	119	101	56	81	107
Loans from financial institutions	52	80	80	80	80	80	80	80	80
Financial leases	24	23	23	24	27	27	27	26	26
Committed credit lines 1)	0	25	0	0	5	70	75	120	95
Others 2)	0	0	0	0	1	1	1	1	1
<b>Interest-bearing debt, total</b>	<b>784</b>	<b>843</b>	<b>750</b>	<b>738</b>	<b>802</b>	<b>885</b>	<b>845</b>	<b>912</b>	<b>913</b>
Security deposits									
Securities									
Cash and bank	32	26	31	9	29	31	33	21	15
<b>Interest-bearing receivables</b>	<b>32</b>	<b>26</b>	<b>31</b>	<b>9</b>	<b>29</b>	<b>31</b>	<b>33</b>	<b>21</b>	<b>15</b>
<b>Net debt 3)</b>	<b>752</b>	<b>817</b>	<b>719</b>	<b>729</b>	<b>773</b>	<b>854</b>	<b>812</b>	<b>891</b>	<b>898</b>

- 1) The committed credit lines are EUR 170 million and EUR 130 million revolving credit facilities with five banks, which Elisa Corporation may use flexibly on agreed pricing. The loan arrangements are valid until 17 June 2012 and 23 November 2014.
- 2) Redemption liability for minorities
- 3) Net debt is interest-bearing debt less cash and interest-bearing receivables.