

*elisa*

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CMD

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2016

# Group overview

**Veli-Matti Mattila**

CEO



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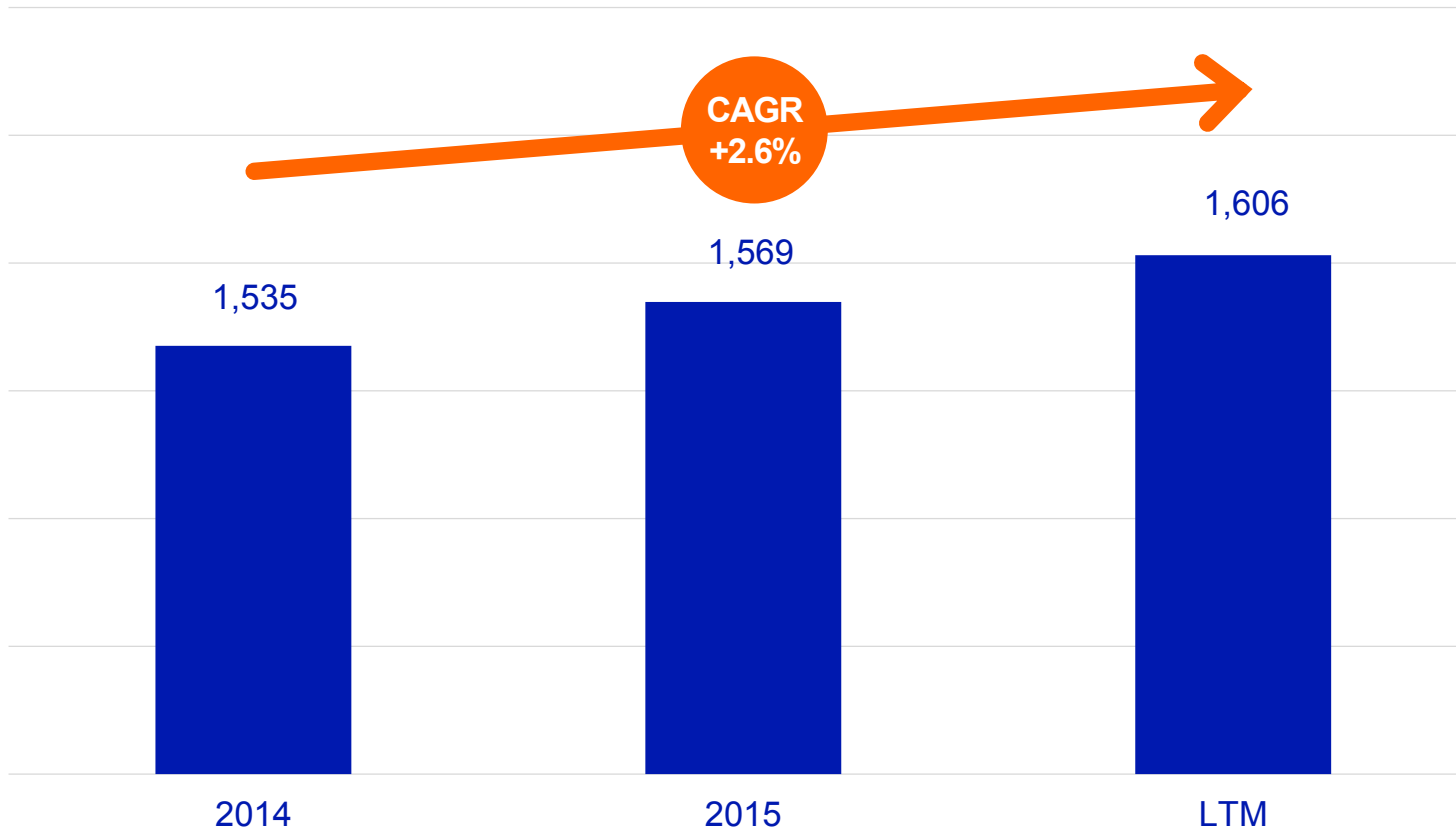
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AGENDA

- 1 Performance update
- 2 Market environment
- 3 Strategy execution
- 4 Mid-term targets and CEO priorities

# Revenue has grown above European telecom operator average<sup>1)</sup>...

Revenue, EURm

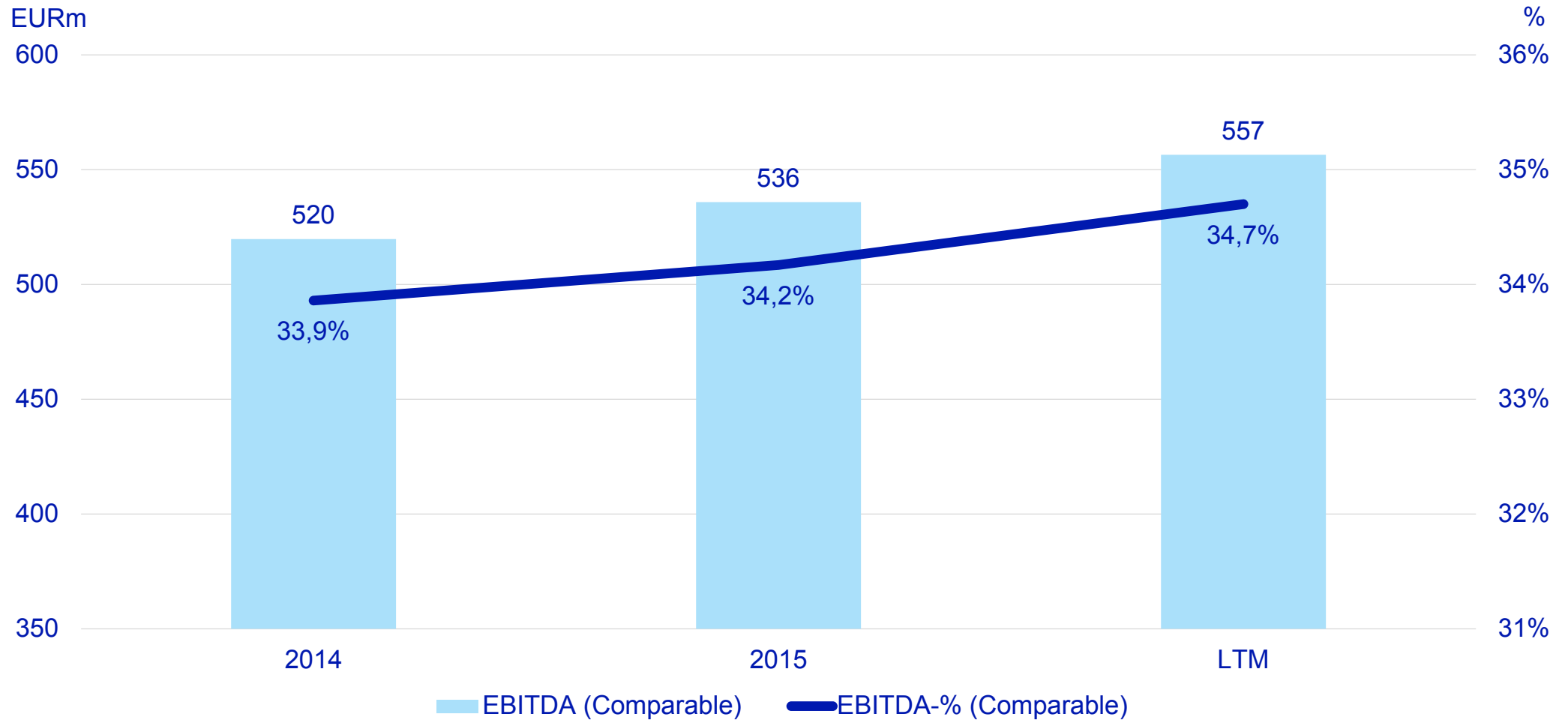


LTM = Last twelve months, 10/2015–9/2016

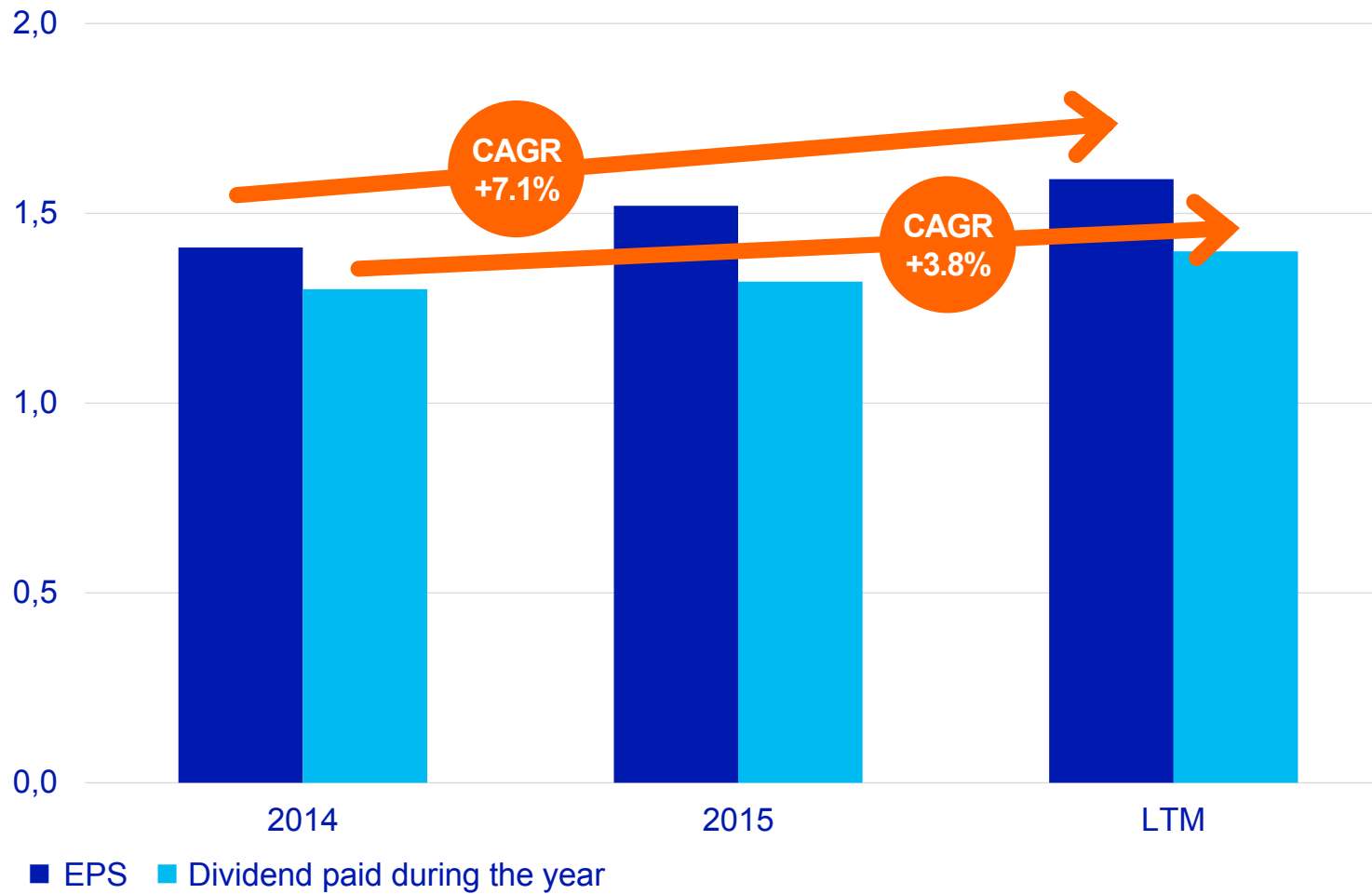
1) Goldman Sachs, European integrated telecom operators, CAGR 1.9% 2014–LTM



# ...and EBITDA has continued to improve...



# ...leading to growing returns



# Mid-term targets on track

## Parameter

Revenue growth

EBITDA margin

CAPEX-to-sales

Capital structure  
Net debt / EBITDA  
Equity ratio

## Target by end of 2017

Above industry<sup>1)</sup> average

Above 36%

≤12%

1.5–2x  
>35%

Performance by 3Q2016



= Below track



= On track

1) European telecom operators

# Strong market drivers and developed domestic markets...

## Global industry demand drivers

- Mobile video annual growth 55%<sup>1)</sup>
- 50% of industries digitally transformed by 2020<sup>2)</sup>
- Online services growing 13% a year<sup>3)</sup>
- Increasing growth in Cyber threats requires quality and resilience<sup>4)</sup>

## Developed domestic markets

### Finland

- GDP/capita 8% above EU28 average, below 1% growth<sup>5)</sup>
- European leader in exploiting ICT for flexible working<sup>6)</sup>

### Estonia

- GDP/capita 26% below EU28 average, over 2.5% growth<sup>5)</sup>
- European leader in digital public services<sup>7)</sup>

1) Ericsson Mobility Report, June 2016

2) Gartner, CEO and Senior Business Executive Survey, 2016

3) A.T. Kearney, The Internet Value Chain, 2016

4) Europol, Internet Organised Crime Threat Assessment (IOCTA), 2016

5) Eurostat, GDP per capita, volume indices 2015; Nordea Economic Outlook, 3/2016

6) Eurofund, Fifth European Working Conditions Survey, "exploiting technology for remote working", 2010

7) EU Commission, Digital Economy and Society Index, 2016



# ...and a regulated industry we are used to operating in...

**EU roaming wholesale pricing and fair use policy still not settled**

**Different ways to adapt to the final regulation**

**EU data protection regulations strengthen customers' rights**

**Privacy and security issues high on companies' agendas**

**Finland is a pioneer in enabling utilisation of frequencies**

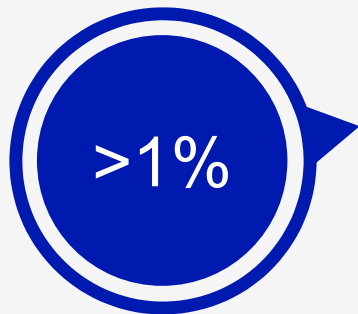
**High ratio of frequency / subscription  
Efficient use of frequencies**

**700 MHz auction starting**  
Max 2x10 MHz per operator  
Total 2x30 MHz, reserve price is EUR 66m

# ...are a good basis for attractive target markets

## Consumer customers

Telecom services



Digital services



## Corporate customers

Telecom services



Digital services



# Demand for fast and high-quality broadband will continue...

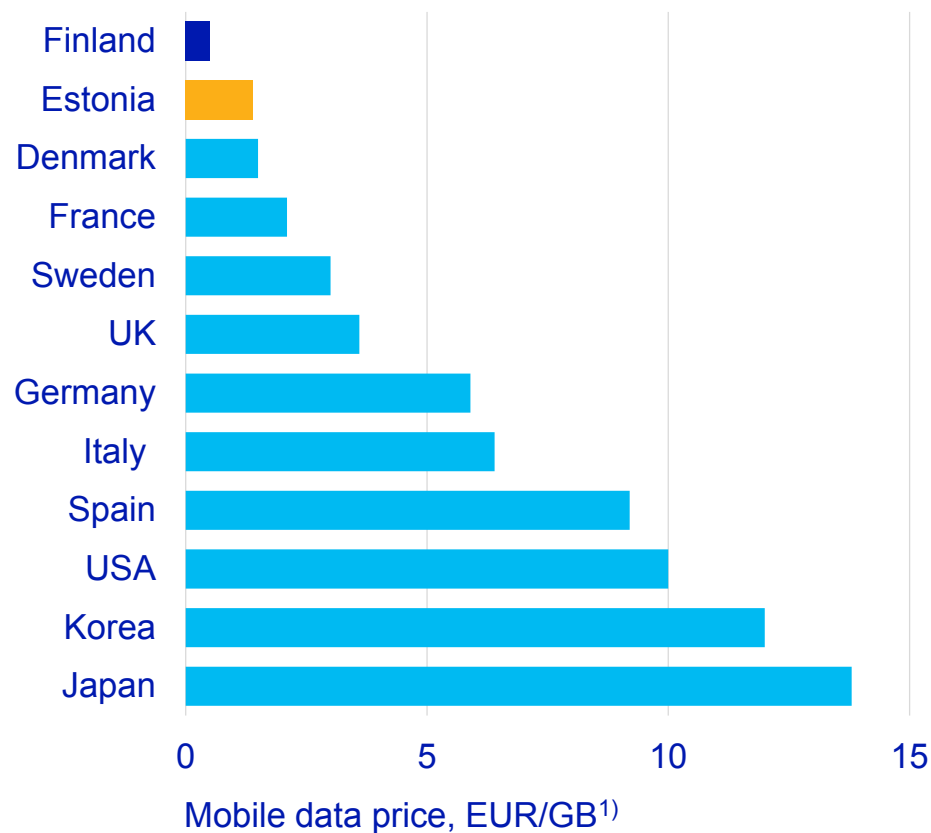
## Drivers

1. Video consumption
  - Video everywhere
  - High quality video
  - Camera development
  - Social media distribution
2. Augmented and virtual reality
3. Internet of Things
  - Connected things
  - Mission critical applications
4. Cloud
  - Everything as SaaS
  - Cloud storage
  - Mobile work



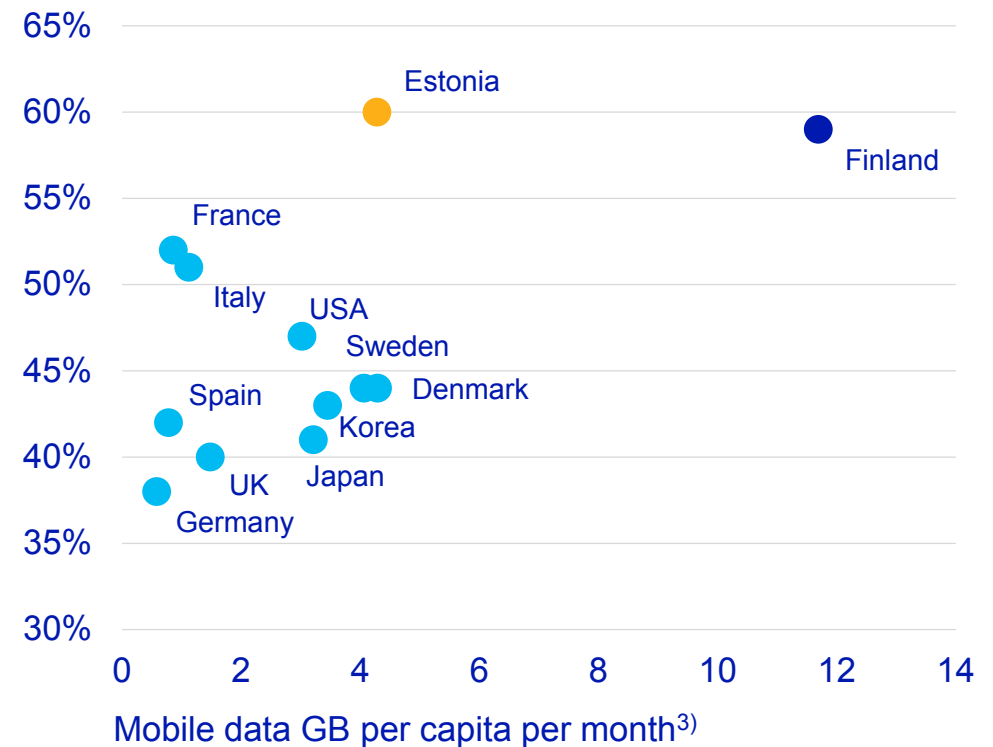
# ...and drive the most user-friendly mobile market in the world further...

## Lowest prices with unlimited mobile data



## High mobile data time share & highest usage in the world

% of time used on mobile network<sup>2)</sup>



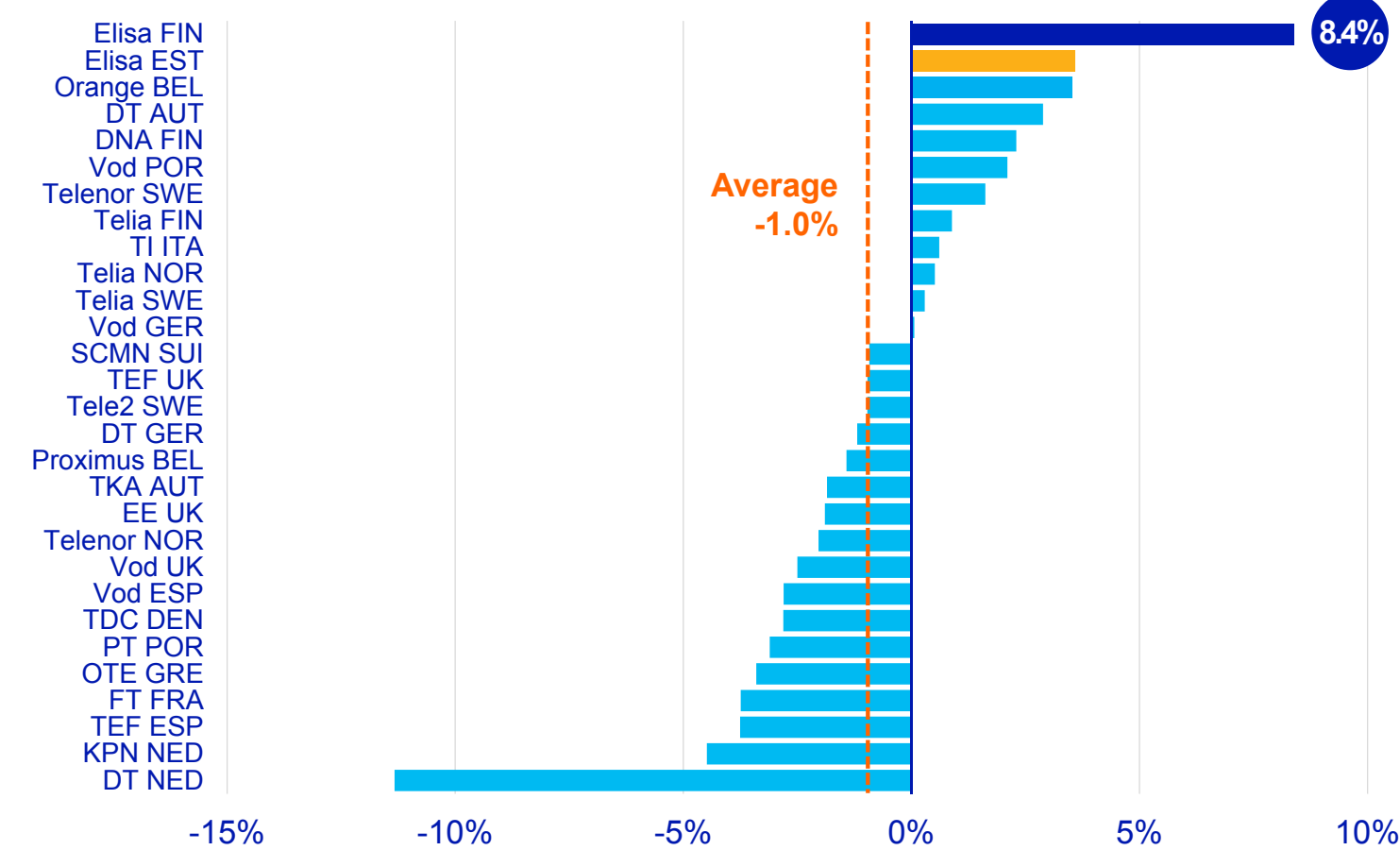
1) Rewheel, DFMonitor-PRO service. 4G LTE smartphone plans with at least 1,000 minutes & SMSs, country median, unlimited plans calculated with 60 GB. Prices from September 2016

2) OpenSignal: Global State of Mobile Signals August 2016 (Wi-Fi, Cellular)

3) Analysys Mason 4Q2015

# ...while enabling strong value capture

Mobile service revenue growth<sup>1)</sup> 1H2015 to 1H2016



1) Citi Research, 2016; Elisa analysis



# Elisa is unique...

## Unique set of choices

- Unlimited mobile data pricing
- Long-term, systematic way to improve productivity
- Disciplined M&A policy and uncomplicated business model
- Customer and value-driven CAPEX policy
- Customer-centric network operations



## Best-in-class performance

- Revenue growth exceeds industry average
- EBITDA growth exceeds industry average
- Best-in-class cash conversion
- Best-in-class ROCE
- Strong shareholder remuneration



**Unique  
communications  
service provider**

# ...and our strategic focus areas have significant further potential

Build value on data

Accelerate digital service business

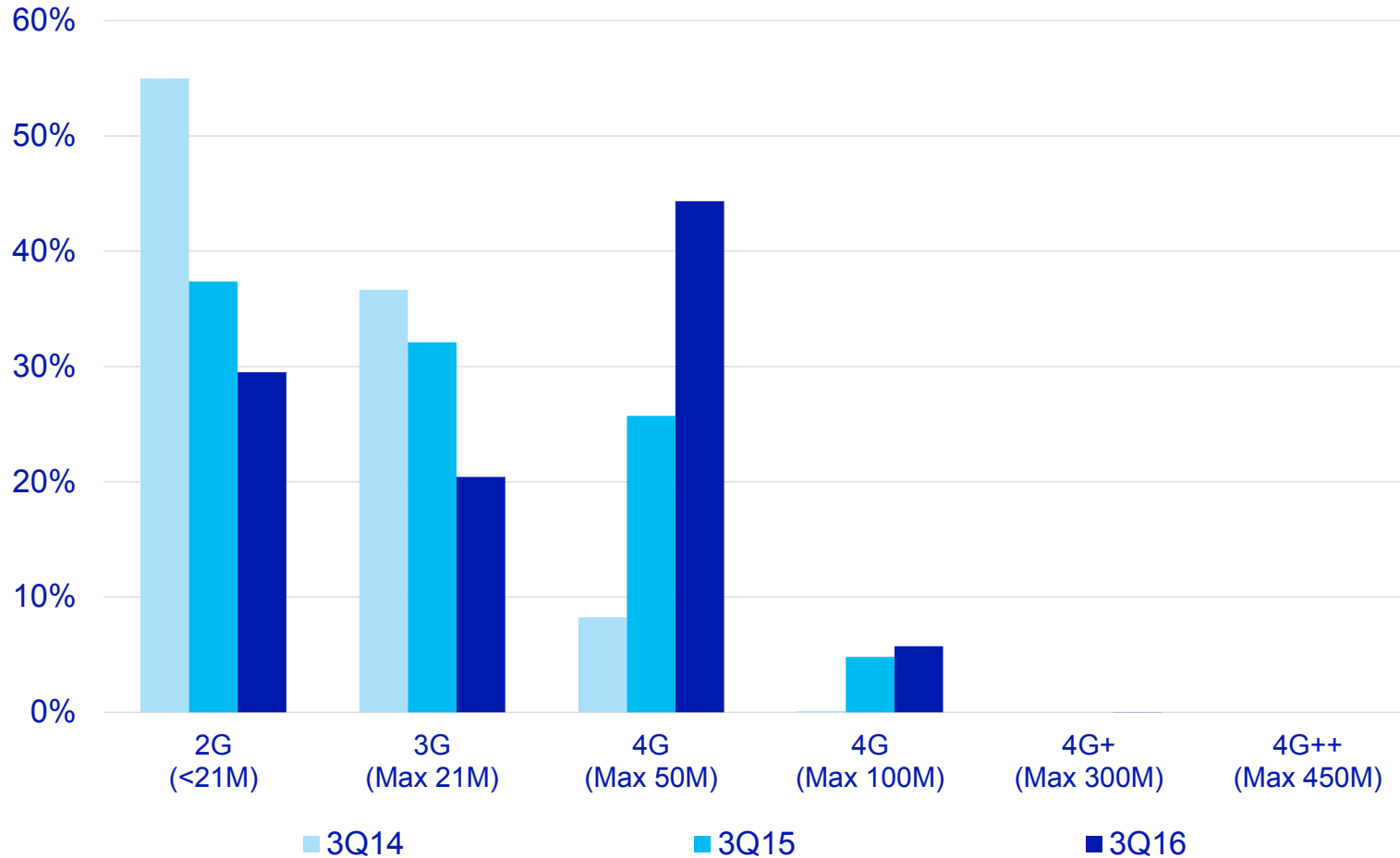
Improve performance through customer  
intimacy and operational excellence



# We continue to increase mobile service revenues by upselling...



Share of voice subscription types



Mobile network connectivity suits to Pokémon GO type of applications





# ...while cutting-edge network operation is a key enabler for unlimited mobile data...

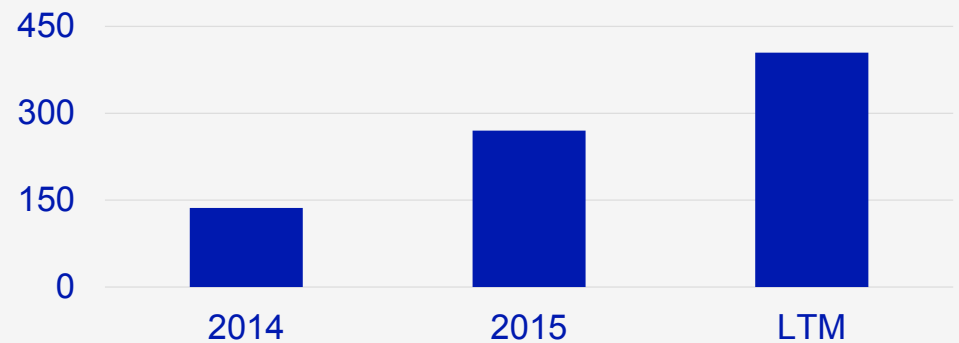
## 1. Own innovations in

- Network design and implementation
- End-to-end mobile data capacity management
- Automation

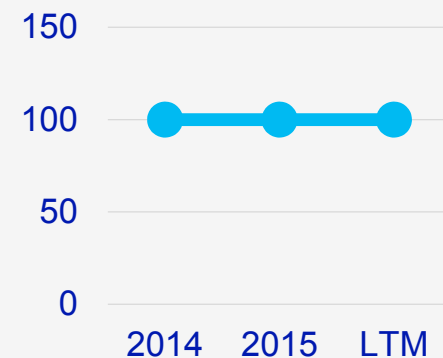
## 2. Customer and value-driven CAPEX policy

## 3. Cost optimisation culture

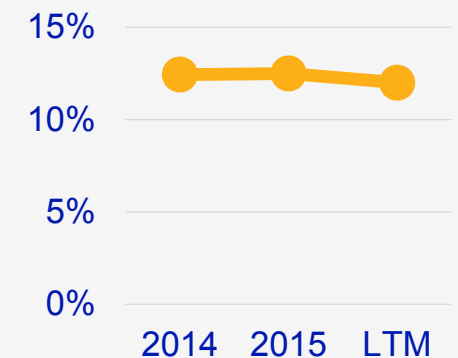
Mobile data traffic in Elisa network, million GB/year



Production OPEX (index)

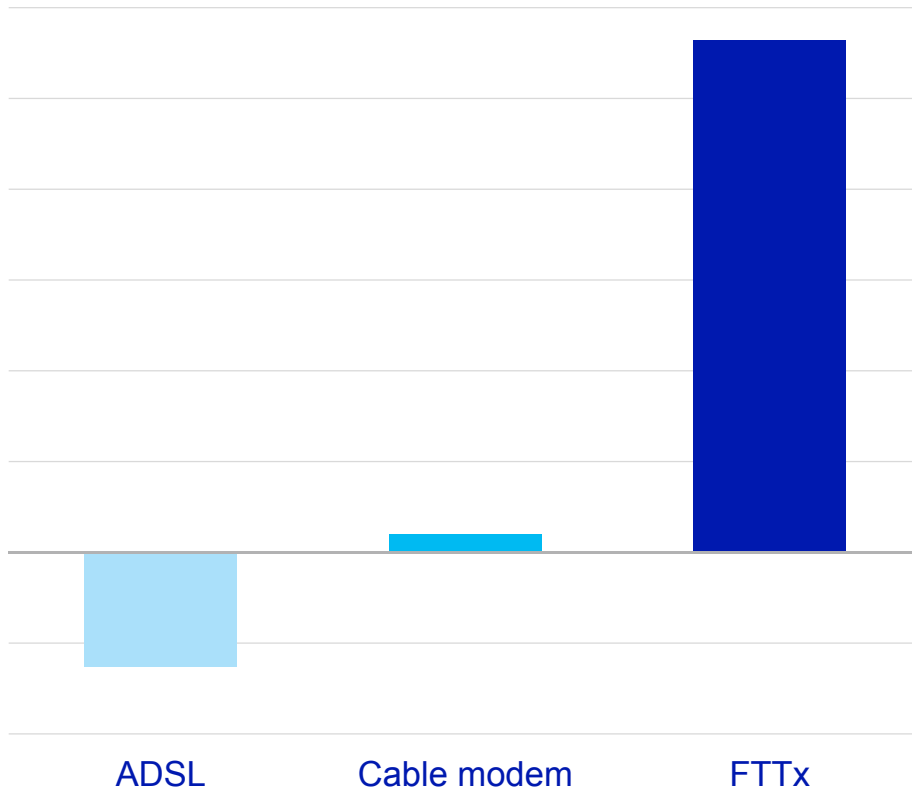


CAPEX-%



# ...and FTTx delivers great value to customers and opens upgrade opportunities

NPS



FTTx = fibre to the house/building/curb  
NPS = Net Promoter Score





# Developing digital service businesses further provides additional potential

## Scaling

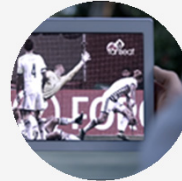


Entertaining video services with 300,000+ paying customers, on top of 430,000+ traditional TV services, and high NPS

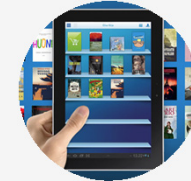


Cloud-based IT revenue +31% YoY with high NPS

## Finding traction



International consumer video



Elisa eBook



International video conferencing

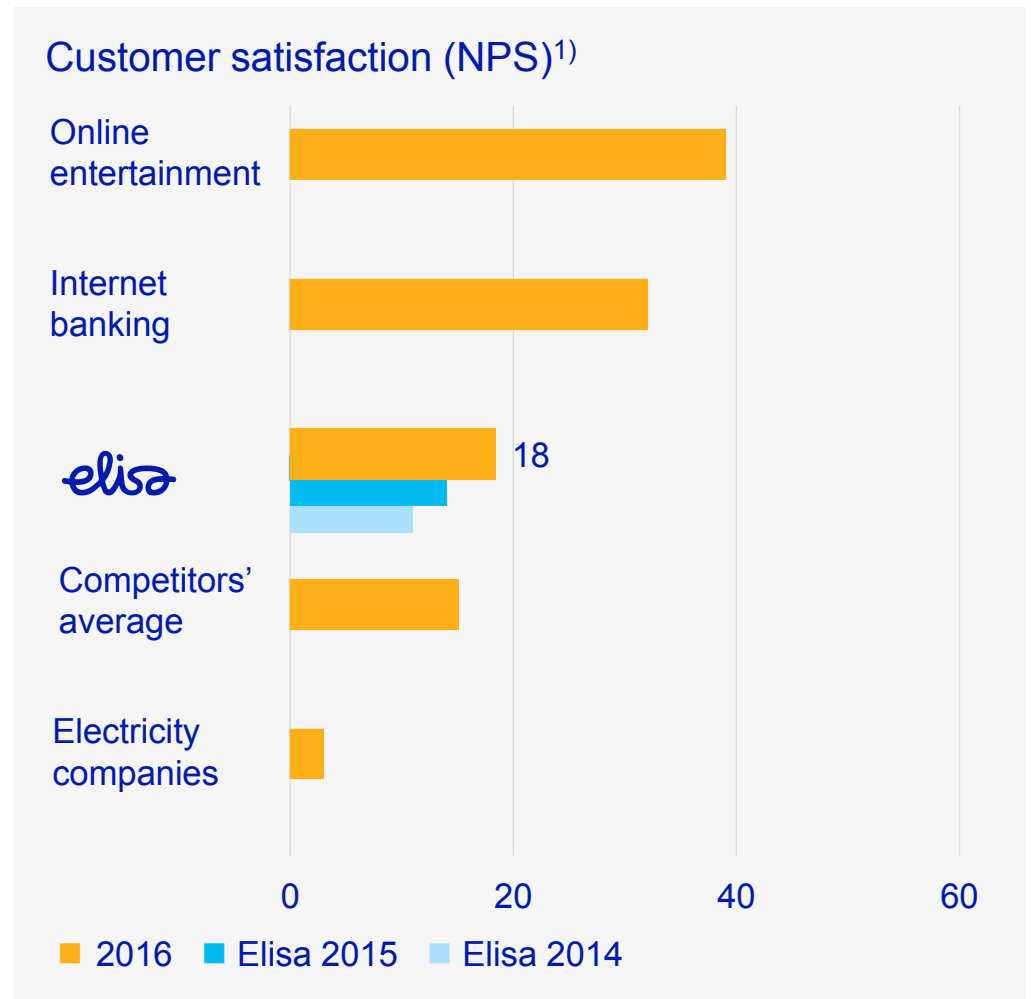
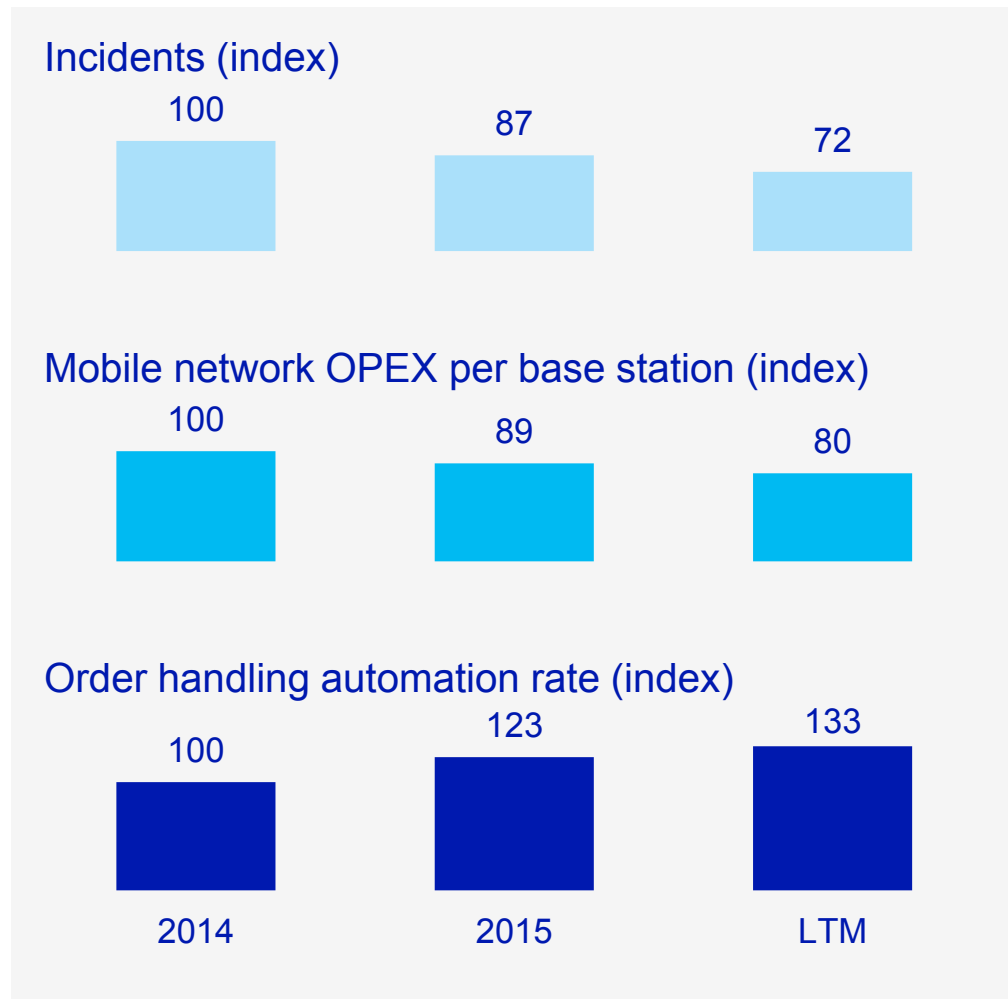


Internet of Things

## Disciplined M&A

- Bolt-on acquisitions
- Small and medium sized acquisitions

# And our systematic way to develop operations...

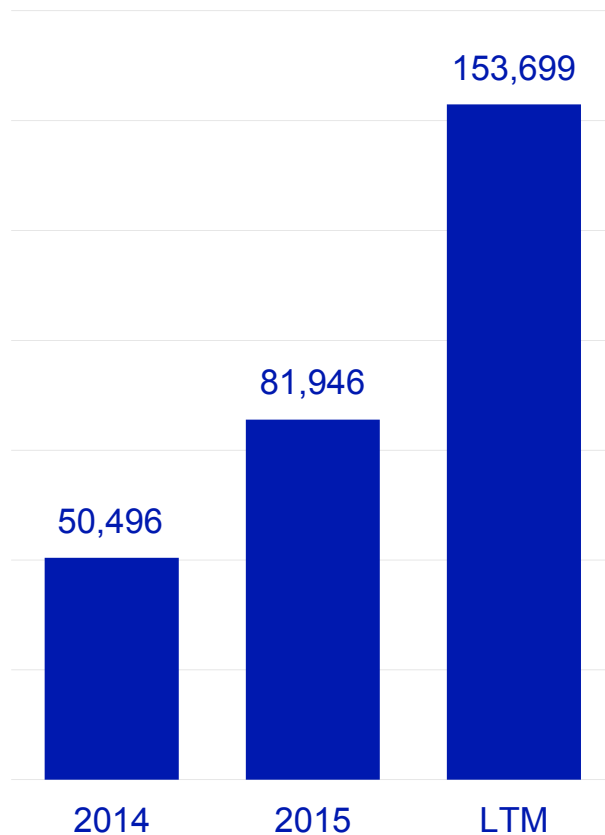


1) IRO Research, Satmetrix

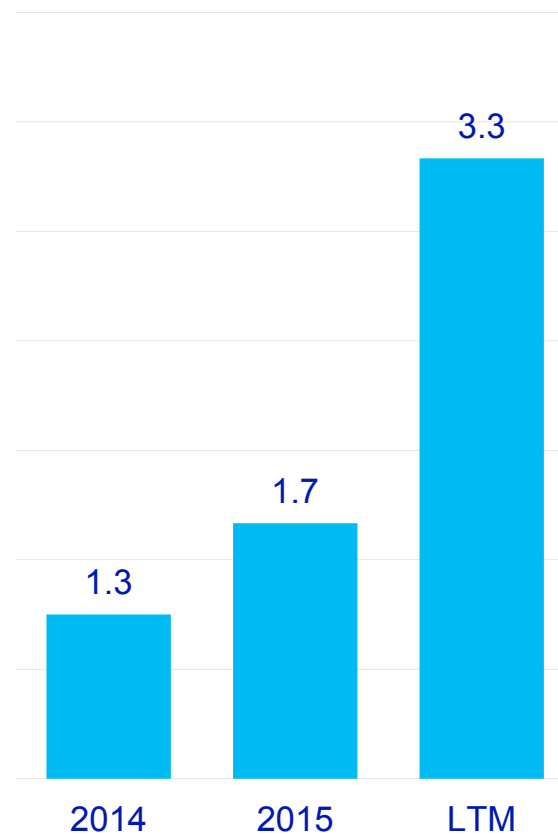
# ...in a recognised sustainable manner continues to improve productivity



Carbon emission reductions  
(tCO<sub>2</sub>)



Energy efficiency in  
data transfer (GB/kWh)



The 9<sup>th</sup> most value adding company in Finnish economy<sup>1)</sup>



FTSE4Good



1) The Research Institute of the Finnish Economy (ETLA), Suuret Yritykset Pienessä Kansantaloudessa, 2015

# Mid-term targets updated

## Parameter

Revenue growth

EBITDA margin

CAPEX-to-sales

Capital structure  
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Equity ratio

## Target by end of 2019

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>35%

1) European telecom operators



# CEO priorities

Build value on data

Accelerate digital service business

Improve performance through customer  
intimacy and operational excellence

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THANK YOU



# 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.