



INTERIM REPORT

Q1 | 2017

Agenda

CEO's review

Veli-Matti Mattila, CEO

Financial review

Jari Kinnunen, CFO

CEO's review

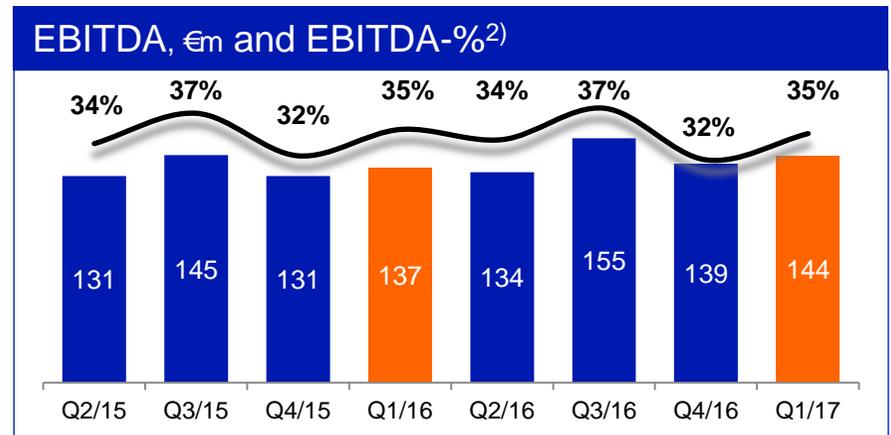
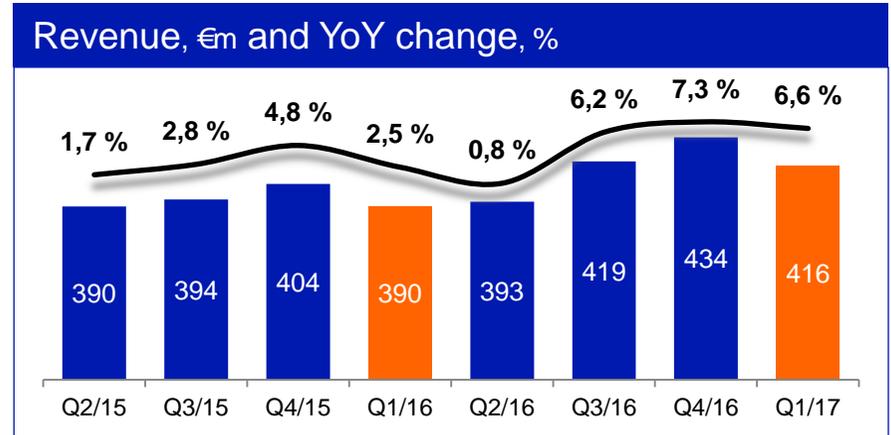
- Q1 2017 financial and operational highlights
- Segment review
- Strategy execution
- Outlook and guidance for 2017

Q1 2017 highlights

- Q1 2017 was again best ever first quarter
- Revenue increased by 7% and EBITDA by 5%
- Two major acquisitions: Starman and Santa Monica Networks
 - Acquisitions were approved by competition authorities in Finland and Estonia
 - The companies are expected to be consolidated into Elisa during Q2 2017
- Mobile service revenue grew by 5.5%
- Mobile postpaid subscription base unchanged, prepaid decreased
- Consumer Customers segment's profit continued to grow, solid profit improvement in Corporate Customer segment
- Demand for faster data speeds continued, smartphone penetration 75%
 - Smartphones 95% of new sales, all 4G-capable
- Guidance for 2017 has been upgraded

Again solid quarter, growth in revenue and EBITDA

- Revenue €416m (390)
- EBITDA €144m (137)
- EBIT €89m (84)
- EPS €0.43 (0.39)
- Net debt / EBITDA 1.9 (1.7)
- CAPEX €53m (44)

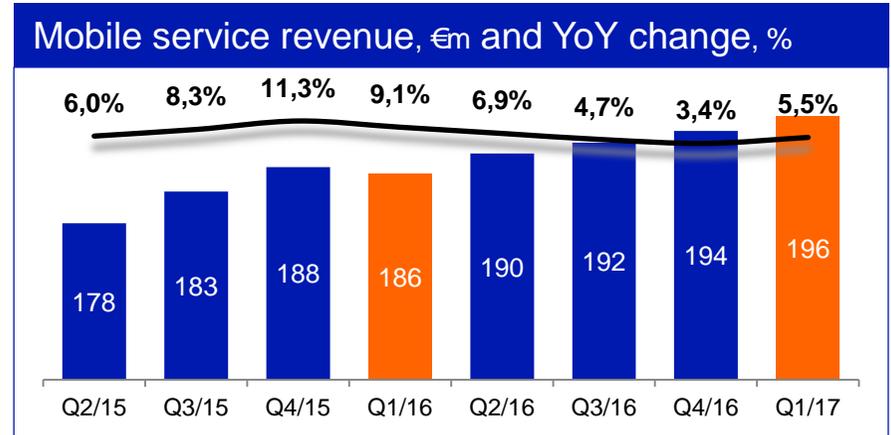


²⁾ Comparable

Growth in mobile service revenue

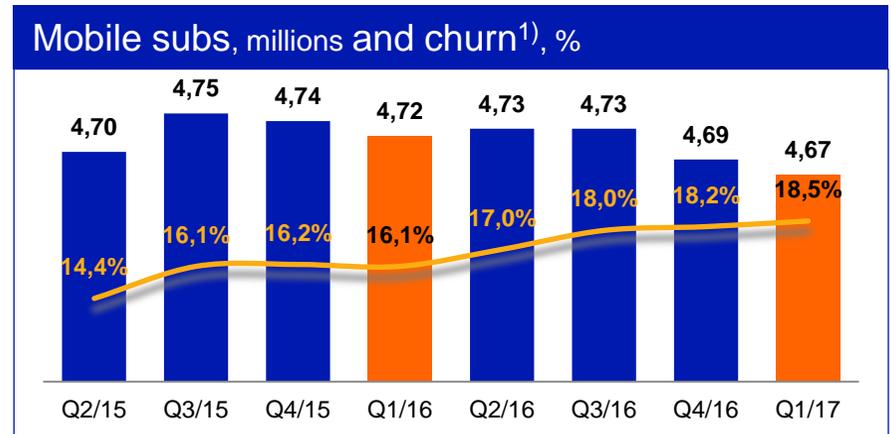
- **Mobile service revenue grew by 5.5%**

- Up-selling to higher speeds
- More smartphones and data bundle subscriptions
- Product changes
- Blended ARPU was €17.2 (16.3); post-paid voice ARPU €18.3 (17.3)



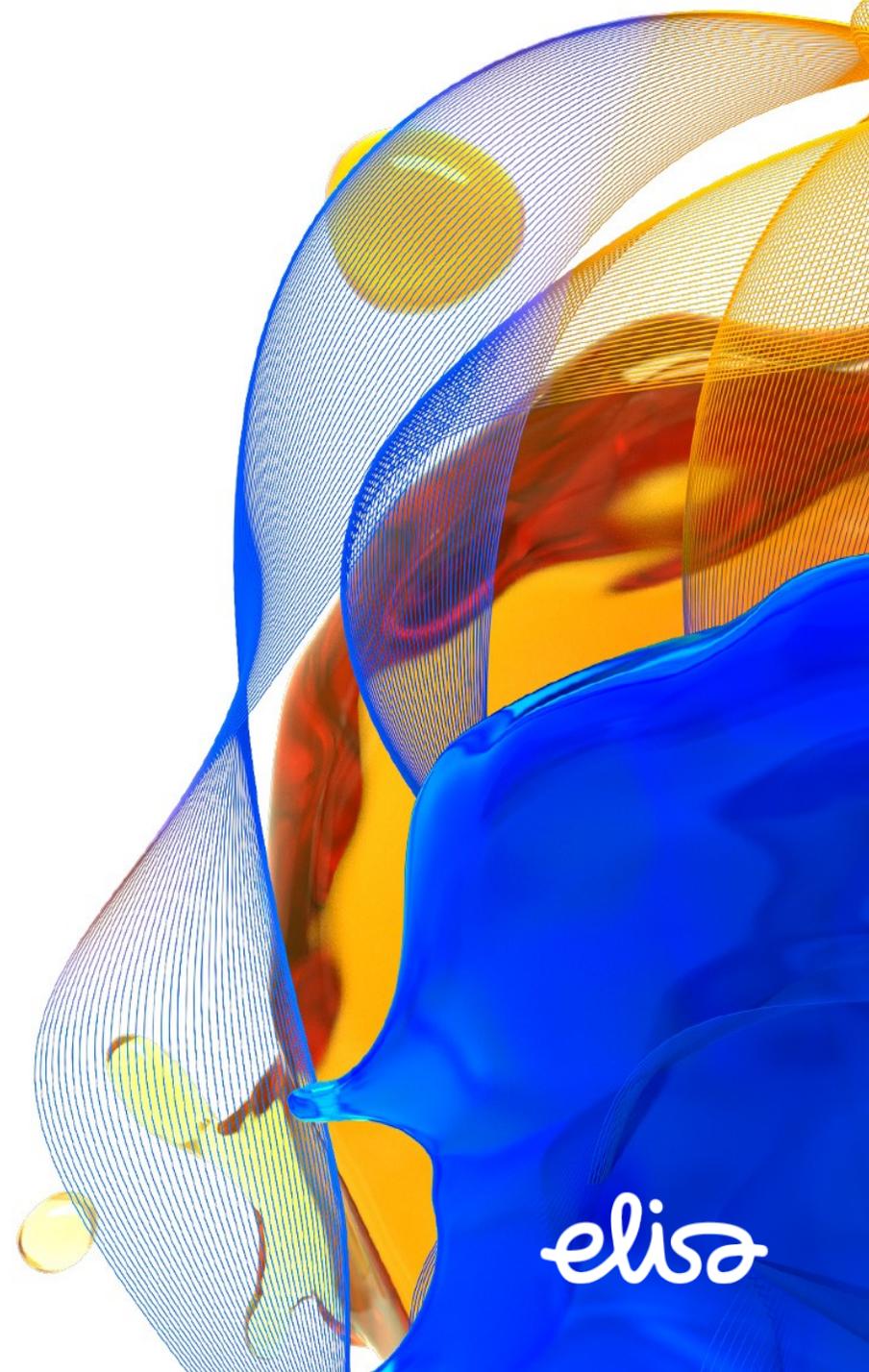
- **Mobile postpaid subscription base unchanged, decrease in prepaid**

- Consumer customers mobile subs base decreased slightly, clear growth in corporate customers
- Fixed broadband base decreased by 1,500
- Churn¹⁾ was 18.5% (16.1); post-paid voice churn 16.1% (13.9)



¹⁾ Annualised

Business segments

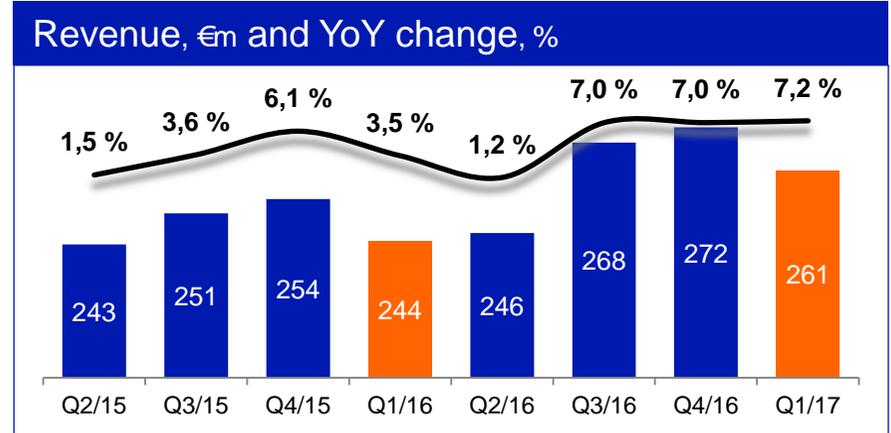


elisa

Revenue and EBITDA growth continued

- Revenue €261m (254)

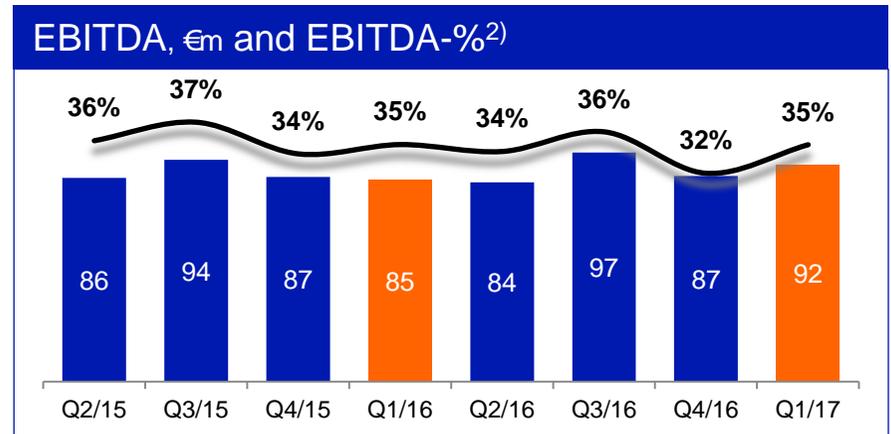
- Growth in mobile service revenue
- Anvia consolidation, digital services and equipment sales increased revenue
- Traditional fixed, interconnection and roaming revenue decreased



- EBITDA €92m (85)

- Revenue growth
- Productivity improvements

- CAPEX €35m (27)

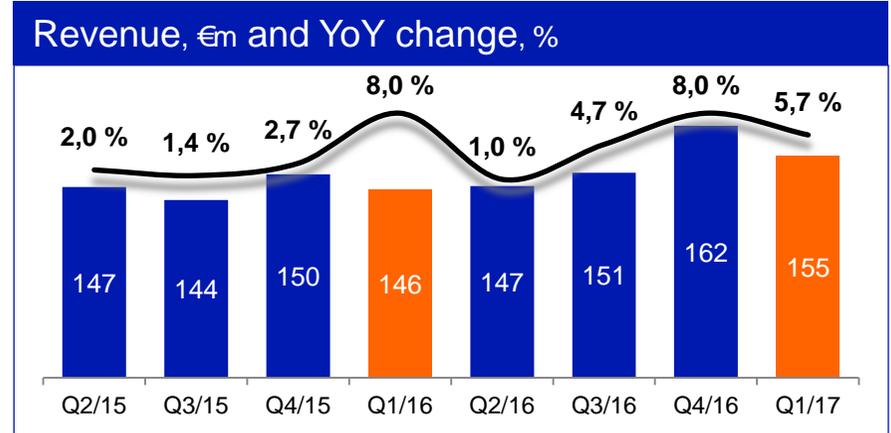


²⁾ Comparable

Growth in revenue, profit improvement continued

- Revenue €155m (146)

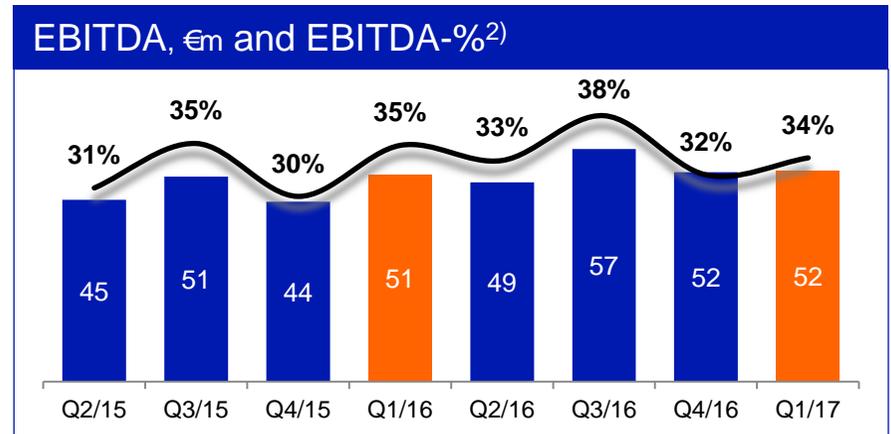
- Growth in mobile service revenue
- Anvia consolidation, digital services and equipment sales increased revenue
- Traditional fixed, interconnection and roaming revenue decreased



- EBITDA €52m (51)

- Revenue growth
- Productivity improvements

- CAPEX €18m (17)



²⁾ Comparable

Strategy execution



Build value on data



Accelerate digital service businesses

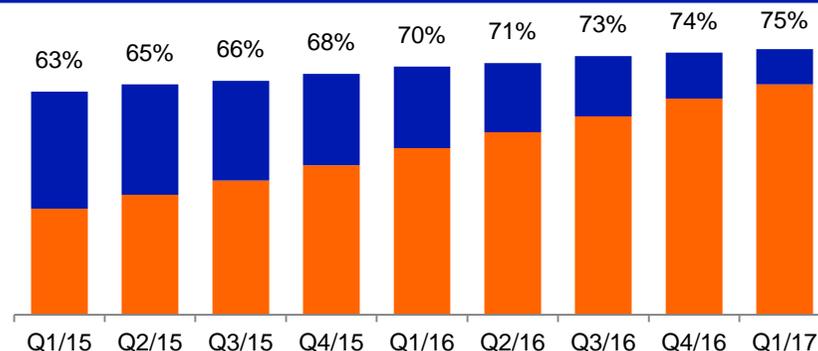


Improve performance with
customer intimacy and operational excellence

Growth in 4G subscriptions continuing

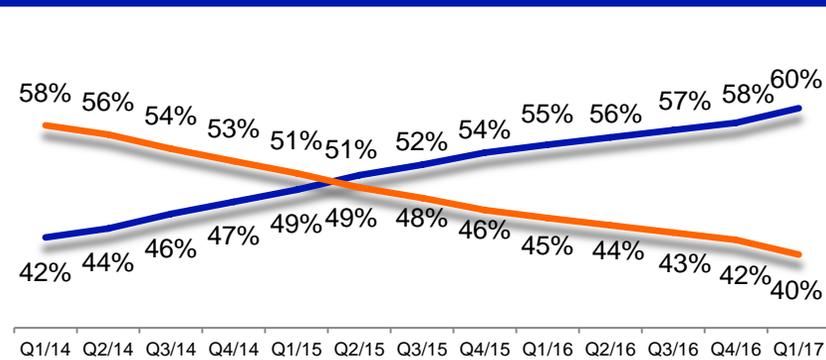
- 75% of customers use a smartphone
 - 86% of smartphones are 4G-capable
- Of all models sold in Q1
 - 95% were smartphones, of which all were 4G-capable (94% and 100% respectively in Q4)

3G and 4G smartphone penetration ¹⁾, %



- Proportion of data bundles continues to grow
 - 60% of voice subs²⁾ are new types of fixed-monthly-fee, “all-you-can-eat” data bundles
 - Still less than half of voice subs at 4G speeds, good up-selling potential

Usage-based subs (orange) and data bundles (blue) ²⁾



¹⁾ iOS (iPhone), Android, and Windows phones of the total phone base (no tablets)

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

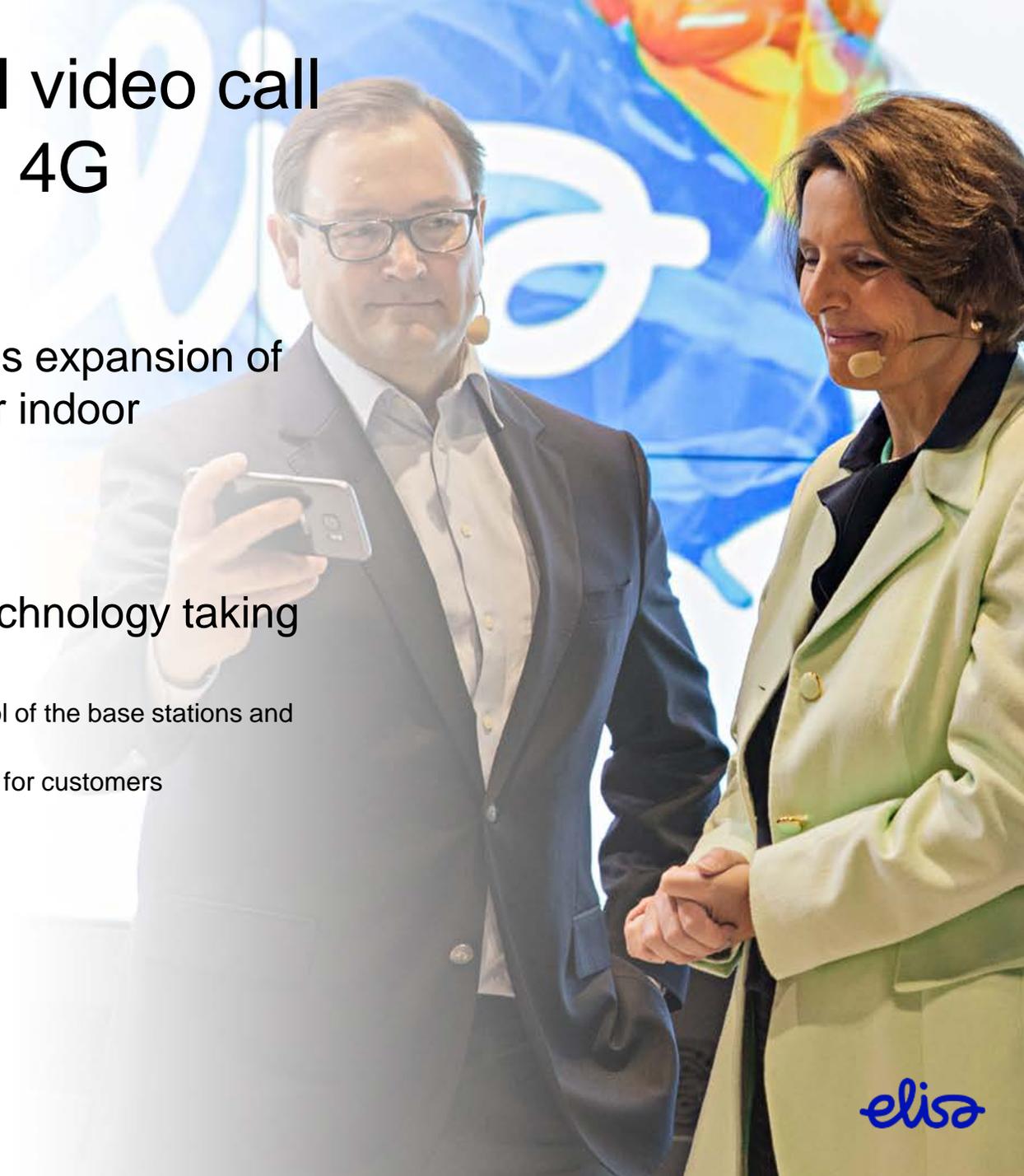
Popular content in Elisa Viihde

- Great start to the new original series *Konttori* (The Office)
 - More viewers during the first week than any other series or movie ever in Aitio programme library
- Second season of *Downshifters* tripled it's viewers from the first season
 - Most watched original series in Elisa Viihde
- Finnish basketball and football



The first commercial video call in the new 700 MHz 4G network in Nordics

- New band enables continuous expansion of Elisa's 4G network and better indoor coverage
- Elisa first in Finland to test technology taking base stations into the cloud
 - Cloud RAN technology enables virtual control of the base stations and capacity can be flexibly transferred
 - Faster and more reliable mobile connections for customers



Elisa one of Finland's best workplaces



- Elisa is the largest listed company ever awarded the best workplaces in Finland
 - Elisa came in 3rd in the list of large organisations
 - Focus for instance on daily management and coaching
- 250 young people hired for summer jobs
 - Summer jobs available nationwide
 - Elisa takes part in Responsible Summer Job campaign



Outlook and guidance for 2017

Macroeconomic environment still weak in 2017, competition remains challenging

- Revenue higher than in 2016
- Comparable EBITDA higher than in 2016
- CAPEX maximum 13% of revenue, mid-term target maximum 12% is still valid

Agenda

CEO's review

Veli-Matti Mattila, CEO

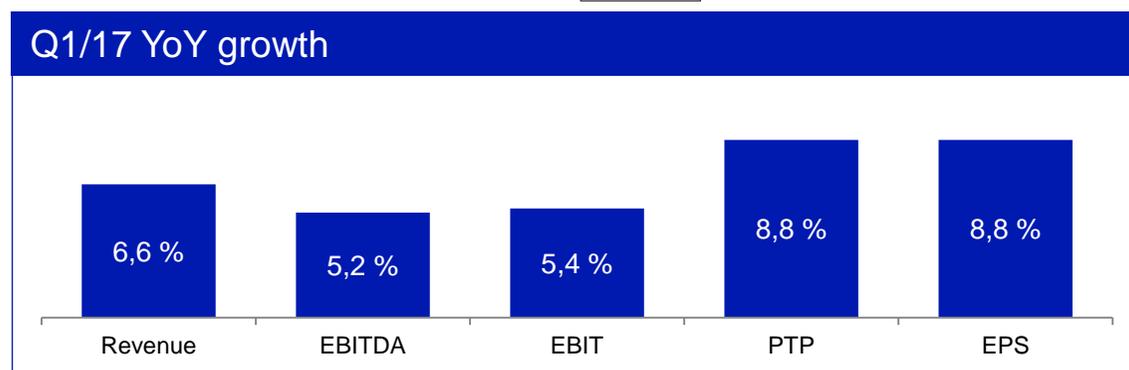
Financial review

Jari Kinnunen, CFO

Growth in revenue and earnings continuing

- Q1 revenue growth 7%
- Q1 EBITDA growth 5%
 - Mobile service revenue growth
 - Productivity improvements
- Net financials lower
 - Lower interest costs
 - Negative contribution from associates in Q1/16
- Taxes in line with higher profits
- EPS growth 9%

€ million, excluding one-offs	Q1/17	Q1/16	Δ ¹⁾	2016
Revenue	416	390	26	1,636
EBITDA	144	137	7	564
<i>EBITDA-%</i>	<i>34.6%</i>	<i>35.0%</i>		<i>34.5%</i>
Depreciation and amortisation	-55	-53		-215
EBIT	89	84	5	349
<i>EBIT-%</i>	<i>21.3%</i>	<i>21.6%</i>		<i>21.4%</i>
Net financial items	-4	-6		-21
Profit before tax	84	77	7	327
Income taxes	-16	-14		-62
Net profit	69	63	6	265
EPS, €	0.43	0.39	0.03	1.66



¹⁾ Difference is calculated using exact figures prior to rounding

Revenue growth in both segments

- Consumer and Corporate Customers

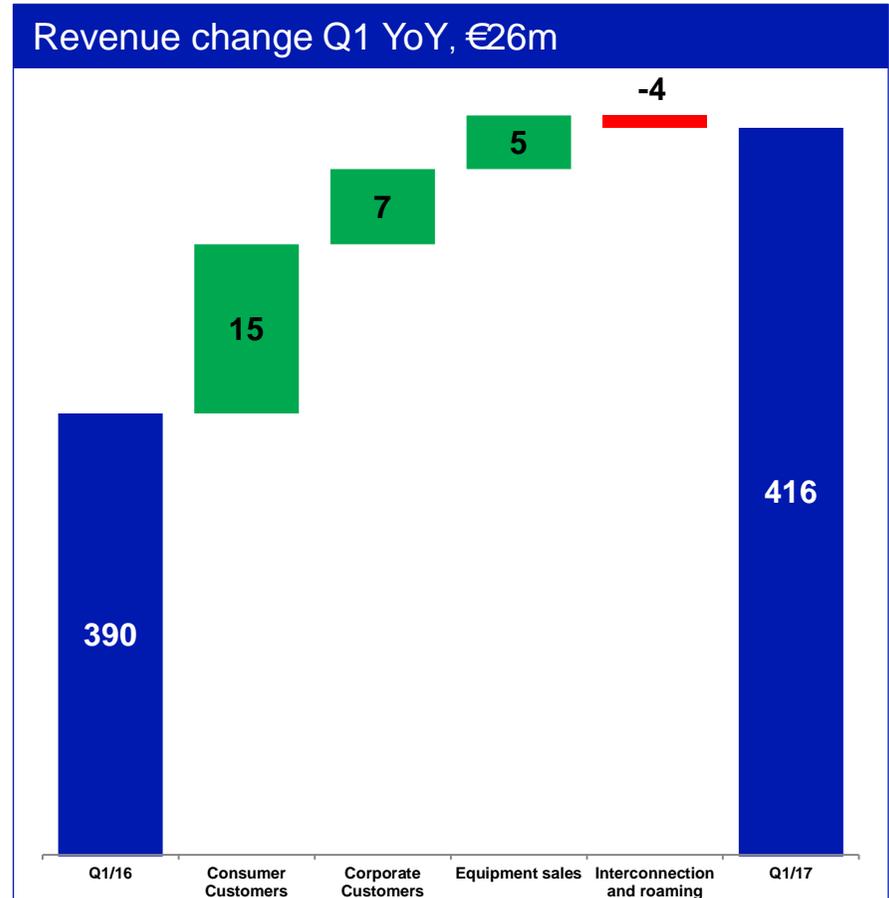
- Growth through Anvia consolidation
- Growth in mobile and digital services
- Decrease in traditional fixed services*

- Equipment sales

- Growth in smartphone sales

- Interconnection and roaming

- Lower interconnection volumes

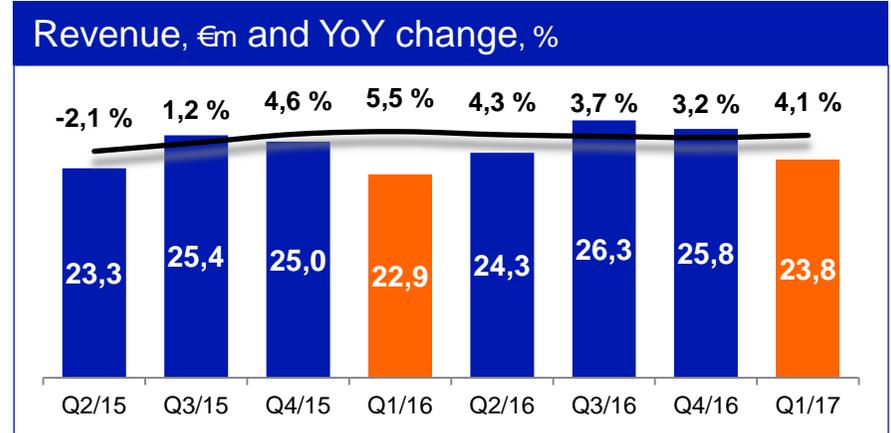


* Excluding Anvia consolidation

Revenue growth continued in Estonia

- Revenue €23.8m (22.9)

- Growth in mobile service revenue and equipment sales

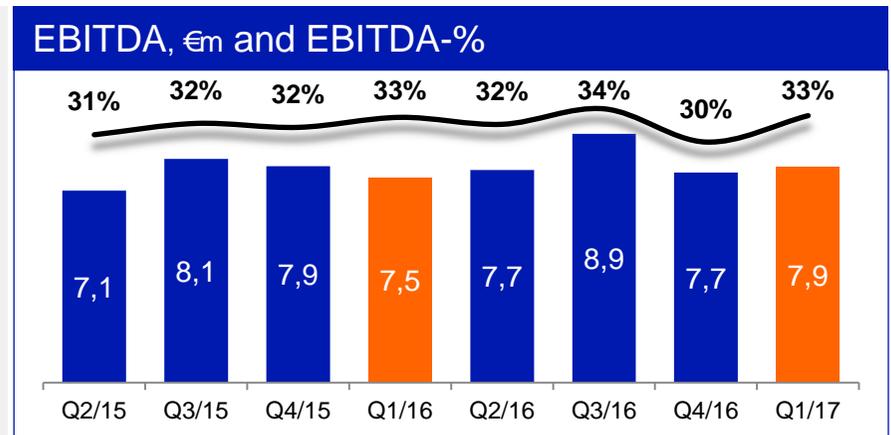


- EBITDA €7.9m (7.5)

- Mobile service revenue
- Productivity improvements

- CAPEX €4.0m (2.9)

- CAPEX / sales 16.6%



Higher expenses due to Anvia consolidation

- **OPEX increased**

- Anvia consolidation Q3/16 onwards
- Equipment purchases
- Personnel expenses

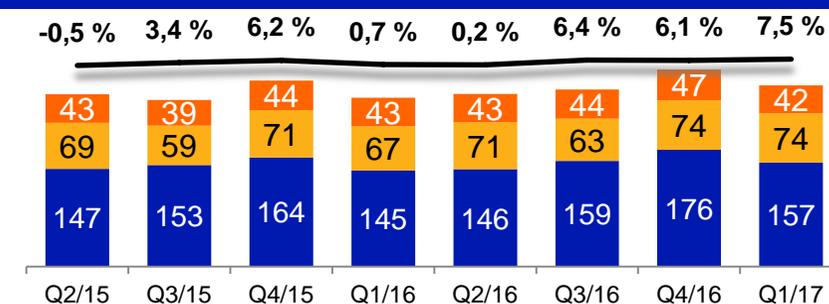
- **OPEX decreased**

- Interconnection and roaming
- Continuous productivity improvements

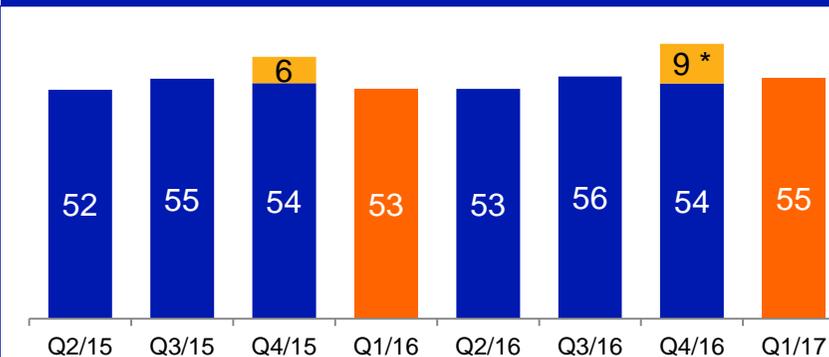
- **Depreciation**

- Long-term stable CAPEX level

Material and services (blue), employee (yellow) and other expenses (orange), €m, YoY change (black line)



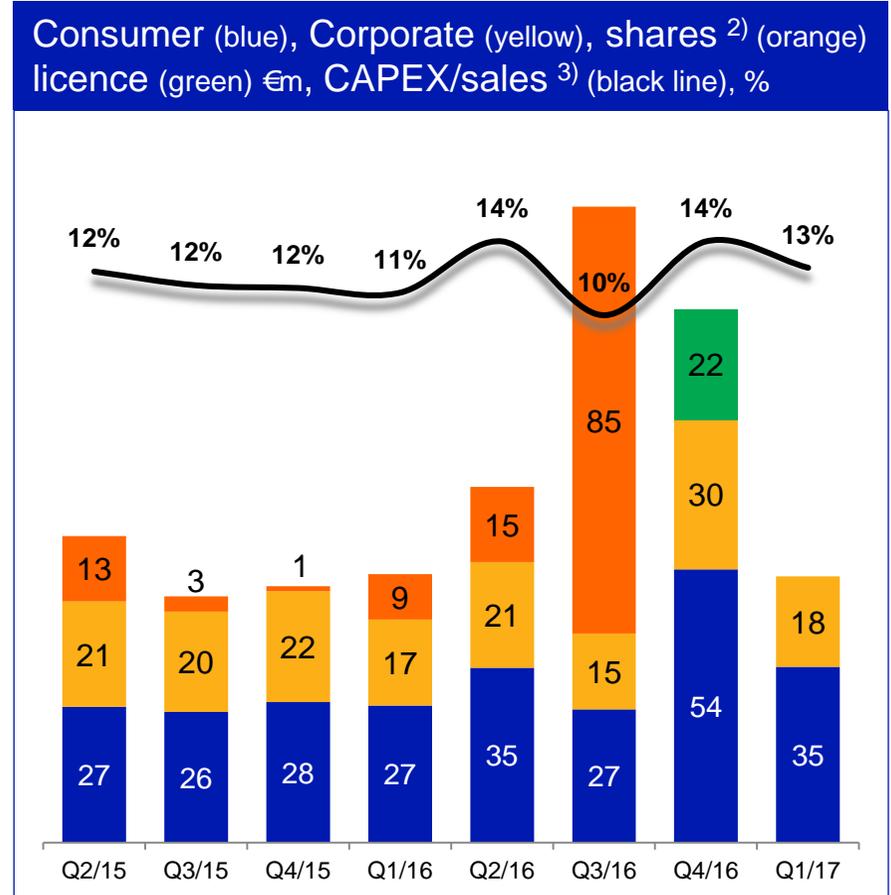
Depreciation, €m



€6m one-off in Q4/15 and €9m one-off in Q4/16

CAPEX according to guidance

- CAPEX €53m (44)
 - Consumer €35m (27)
 - Corporate €18m (17)
- CAPEX / sales 12.8%, in line with guidance



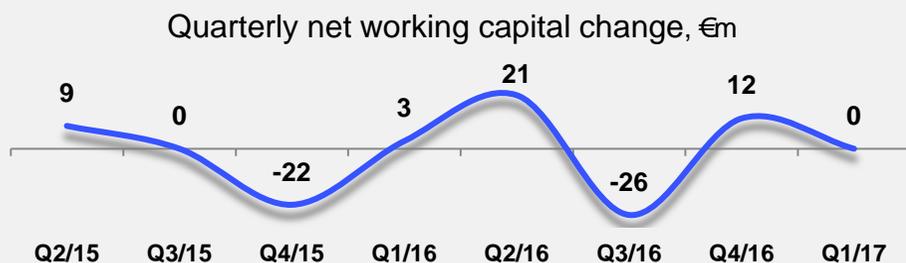
²⁾ Q2/15–Q2/16 includes purchases of Anvia shares, Q3/16 Anvia ICT business

³⁾ CAPEX/sales excluding investments in shares and licence fees
 CAPEX allocation between segments changed from Q1/16 onwards

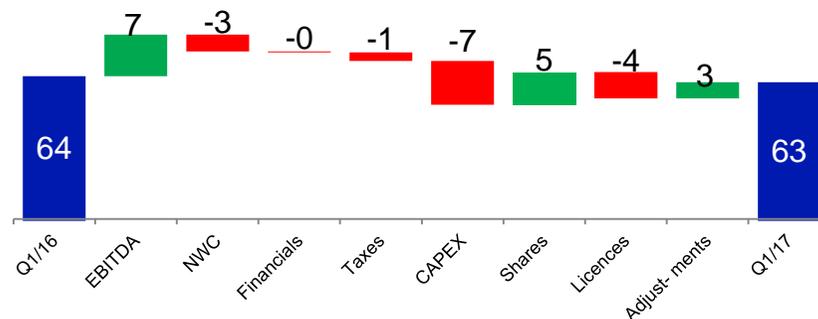


Solid cash flow continuing

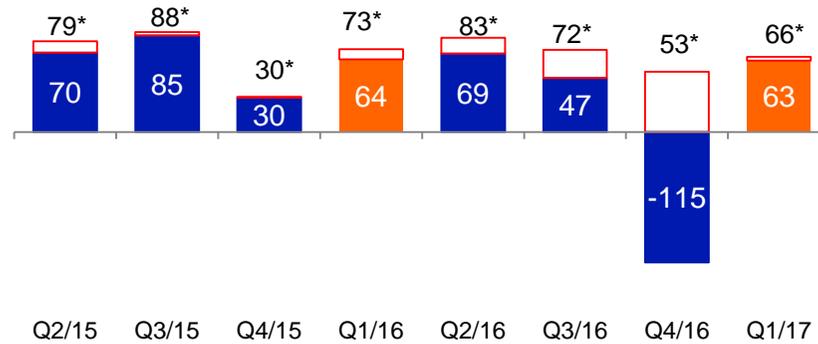
- Stable cash flow €63m (64)



Cash flow change, €m



Cash flow by quarter, €m

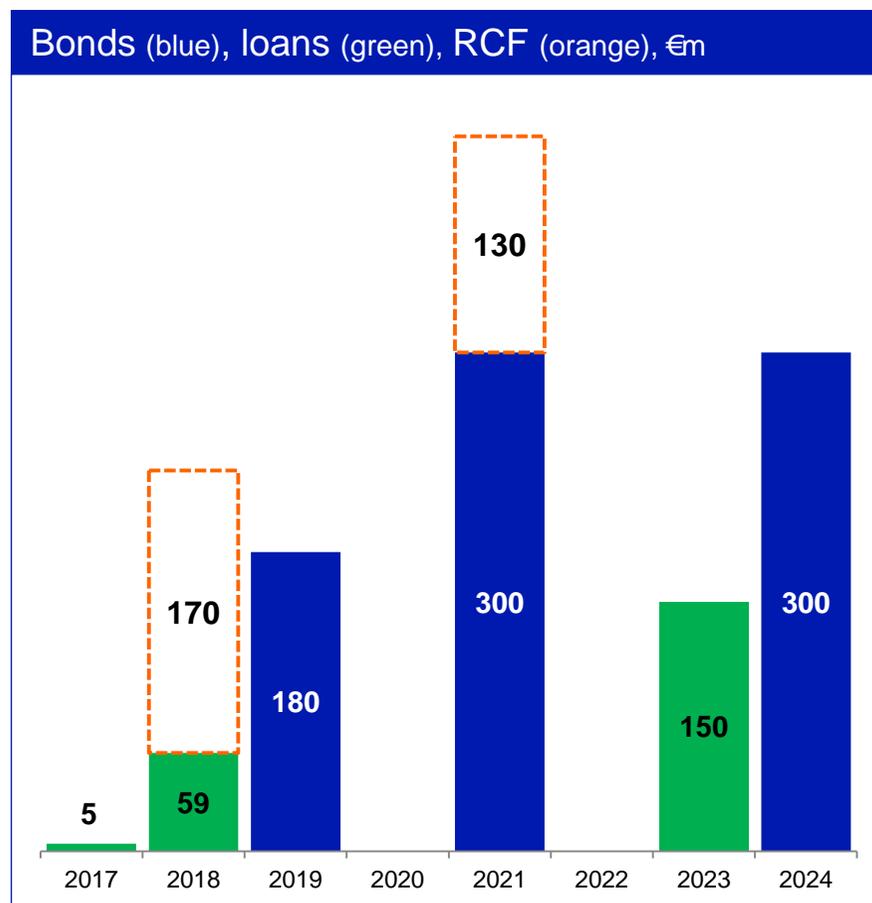


* Excluding investments in shares

Solid liquidity position

- Cash and undrawn committed credit facilities €436m (511)
 - €220m undrawn from €300m credit facilities
- €300m bond issue and €120m tender
 - 7y bond at mid swap +53bps, 0.875% coupon
 - Purchase of 2019 bonds
 - Average maturity extended to 4.1 years
 - Average interest rate 1.6%
- Commercial paper programme
 - €193m in use as of 31 March 2017
- Credit ratings
 - S&P BBB+ Stable outlook
 - Moody's Baa2 Stable outlook

Bonds and bank loan maturities, 31 March 2017



Capital structure in target range

- Net debt in target range

- Net debt / EBITDA 1.9x
- Gearing 101%, equity ratio 39%

- Target setting

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

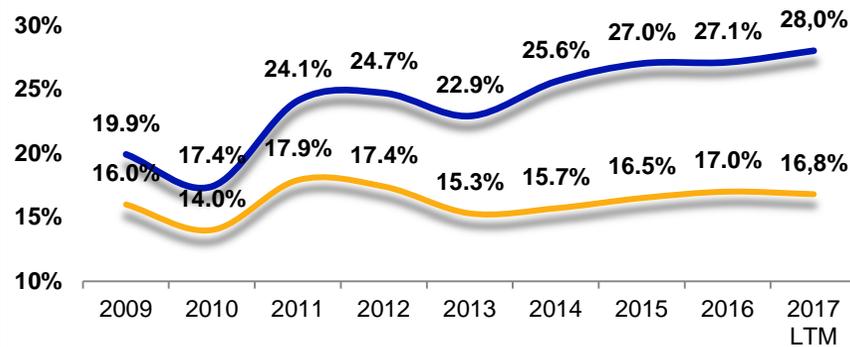
Net debt (blue, €m), Net debt / EBITDA (orange line)



- Solid return ratios

- Improved result
- Efficient capital structure

ROE (blue line) and ROI (yellow line)



Last four quarters profit per average of last four quarters equity

Competitive remuneration continues

- Dividend €1.50 per share
 - Dividend growth +7.1%
 - Total amount €240m
 - Paid 19 April 2017
- Authorisation for buyback of 5m shares

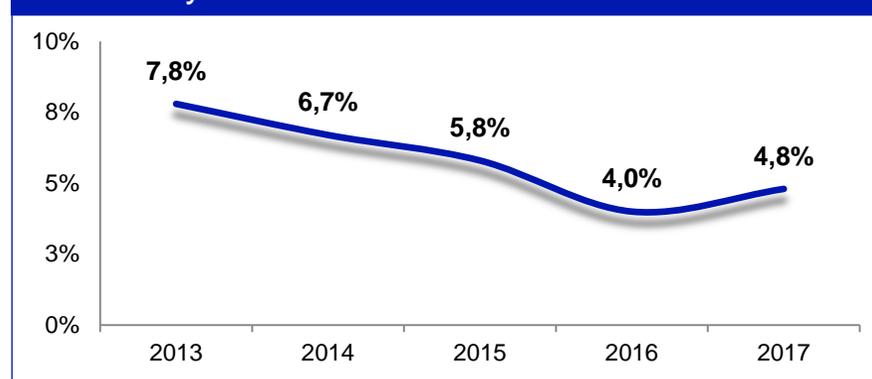
- Dividend yield 4.8%¹⁾
 - Payout ratio 93%
- Strong commitment to competitive shareholder remuneration
 - Distribution policy 80–100% of net profit

¹⁾ As per share price of 30 December 2016 (€30.93)

Dividend (blue), buy-backs (yellow) and pay-out ratio



Dividend yield



Integrated service operator in Estonia Q2/17 onwards

- **Starman** is the leading pay TV and fixed broadband services provider in Estonia
- **Santa Monica Networks** specialises in providing secure solutions for data networks and data centres in Finland and Estonia



Mobile ✓

Fixed broadband ✓

TV ✓

Corporate networks ✓

Elisa Estonia 2016 Pro Forma	€m	impact
Revenue	151	+53%
EBITDA	50	+56%
EBIT	29	+35%
CAPEX	21	+99%

Acquisitions and disposal effects

Starman

- 2016 revenue €40m, EBITDA €17m
- EBITDA synergy estimate €4-6m by end-2019
- Acquisition price €151m
 - Included in net debt Q4/16
- Consolidation during Q2/17

Santa Monica Networks

- 2016 revenue €44m, EBITDA €3.3m
- EBITDA synergy estimate €4-5m by end-2019
- Acquisition price €28m
- Consolidation during Q2/17

One-off costs relating to the acquisitions, approx. €3m, will be booked in Q2/17

Comptel

- Comptel shares sold to Nokia 6 April
- Non-taxable sale price €43.5m
 - Will be booked as one-off in financial items in Q2/17

Yomi shares

- AGM decision: Yomi Plc owners' right to have Elisa shares forfeited on 6 April 2017
- Number of outstanding shares will be decreased by approx. 250,000
 - To be completed by end 2017
- No P&L effect



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APPENDIX

Cash flow YoY comparison

€ million	Q1/17	Q1/16	Δ ¹⁾	Δ% 2016	2016
EBITDA	144	137	7	5 %	563
Change in receivables	12	2			-3
Change in inventories	3	6			1
Change in payables	-15	-6			12
Change in NWC	0	3	-3		9
Financials (net)	-10	-10	0	2 %	-16
Taxes for the year	-14	-13			-65
Taxes for the previous year					
Taxes	-14	-13	-1	12 %	-65
CAPEX	-51	-44	-7	17 %	-202
800 and 700 MHz licences 2)	-4		-4		-7
Investments in shares 3)	-3	-9	5		-49
Starman acquisition 4)					-167
Sale of assets and adjustments	3	-1			-1
Cash flow after investments	63	64	-1	-2 %	65
Cash flow after investments excl. acquisitions 5)	66	73	-6	-9 %	281

¹⁾ Difference is calculated using exact figures prior to rounding ³⁾ Investment in Anvia in 2016 ⁵⁾ Excluding Anvia shares and Starman acquisition

²⁾ 800 MHz LTE licence 2016 €7m and 700 MHz licence Q1/17 €4m in Finland, ⁴⁾ Starman acquisition finance arrangement

APPENDIX

Cash flow by quarters

€ million	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15
EBITDA	144	139	154	134	137	128	145	131
Change in receivables	12	6	-30	19	2	10	-22	15
Change in inventories	3	-2	-7	3	6	-12	4	-2
Change in payables	-15	8	11	-2	-6	-20	18	-3
Change in NWC	0	12	-26	21	3	-22	0	9
Financials (net)	-10	-7	-1	2	-10	-8	1	-1
Taxes for the year	-14	-22	-15	-13	-13	-15	-13	-13
Taxes for the previous year		0	0	-3				2
Taxes	-14	-22	-15	-15	-13	-15	-13	-11
CAPEX	-51	-61	-42	-56	-44	-48	-45	-50
800 MHz licence fees	-4	-7	0			-7		
Investments in shares	-3	-1	-25	-15	-9	-1	-3	-9
Starman acquisition		-167						
Sale of assets and adjustments	3	-2	3	-2	-1	2	2	2
Cash flow after investments	63	-115	47	69	64	30	85	70
Cash flow after investments excl. acquisitions	66	53	72	83	73	30	88	79

APPENDIX

Debt structure

€ million, at the end of the quarter	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15
Bonds and notes	765	594	594	593	593	592	592	592
Commercial papers	193	199	201	215	146	171	229	219
Loans from financial institutions	215	218	219	195	195	200	200	205
Financial leases	25	26	25	26	27	28	29	30
Committed credit lines ¹⁾	80	130	0	80	0	0	0	90
Interest-bearing debt, total	1,278	1,169	1,040	1,109	961	991	1,050	1,135
Cash and cash equivalents	216	44	33	55	61	29	59	60
Net debt ²⁾	1,062	1,124	1,007	1,054	899	962	991	1,075

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.

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