



elisa

Interim Report Q1 2018

18 APRIL 2018

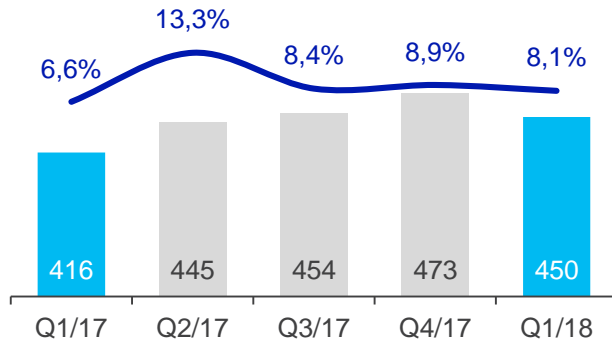
Q1 2018 highlights

- Record quarter again – good growth in revenue and result
- Revenue grew by 8%
 - Organic revenue growth 2%
 - Growth in both customer segments
- Comparable EBITDA growth 8%, EPS growth 11%
- Mobile service revenue growth 4%
 - Up-selling continues, good demand for Premium subscriptions
- Postpaid voice churn slightly down from 19.5% to 19.2%
 - Competition remained keen characterized by continued campaigning
- Post-paid mobile subscriptions +900, pre-paid -24,700, fixed broadband -4,100
- Elisa first in world to test 5G terminal devices in pre-standard 5G network

Growth in revenue and EBITDA

Revenue

● Revenue, €m — YoY change.%

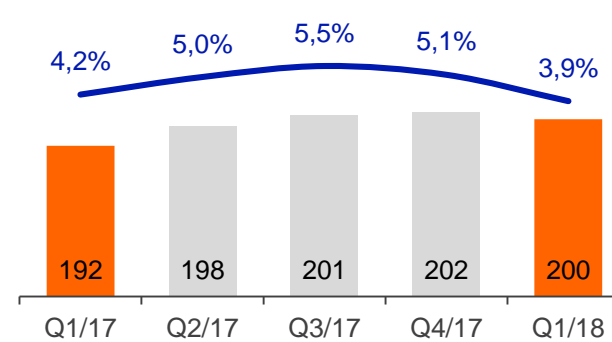


Growth

- Mobile and digital services
- Acquisitions
- Estonia

Mobile service revenue

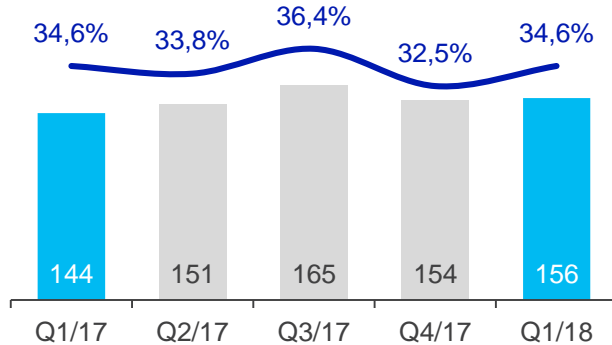
● MSR, €m — YoY change.%



- Up-selling
- Premium subscriptions
- Product changes

EBITDA¹⁾

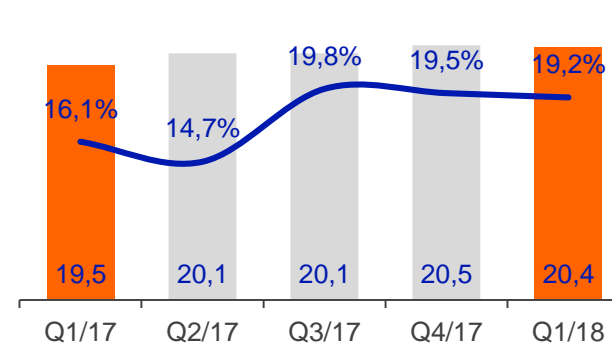
● EBITDA, €m — EBITDA-%



- Growth in revenue
- Efficiency improvements

ARPU and churn²⁾

● Post-paid voice ARPU, € — Post-paid voice churn,%



- MSR growth
- Increased campaigning

1) Comparable

2) Finland. churn annualised

Solid performance in both customer segments

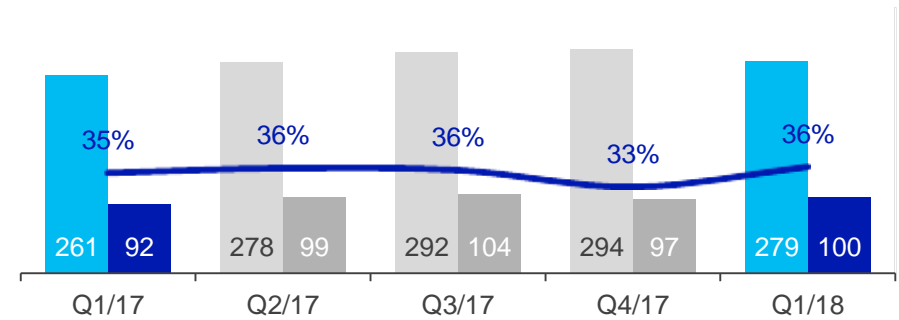
Consumer Customers

Revenue +7%, EBITDA +9%

- + Mobile service revenue
- + Acquisitions
- + Digital services and equipment sales
- Traditional fixed services

Revenue and EBITDA¹⁾

● Revenue, €m ● EBITDA, €m — EBITDA-%



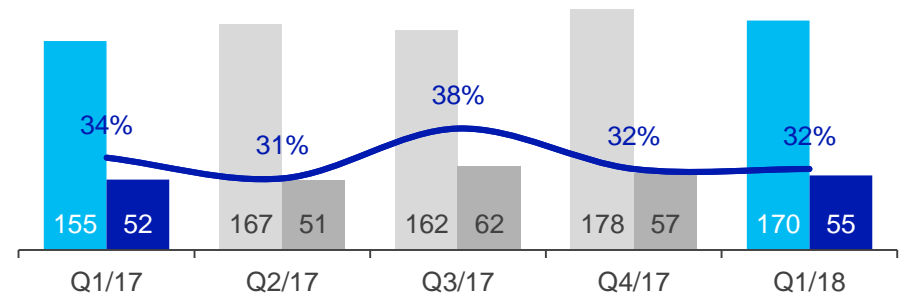
Corporate Customers

Revenue +10%, EBITDA +6%¹⁾

- + Mobile service revenue
- + Acquisitions
- + Digital services and equipment sales
- Traditional fixed services

Revenue and EBITDA¹⁾

● Revenue, €m ● EBITDA, €m — EBITDA-%



1) Comparable

Strategy execution

Build value on data

Accelerate digital service business

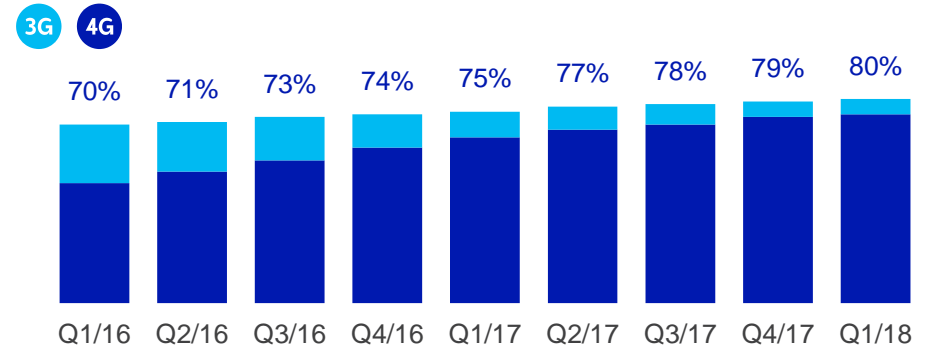
Improve performance through customer
intimacy and operational excellence

Growth in 4G and up-selling continues

Growth in 4G smartphone penetration

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

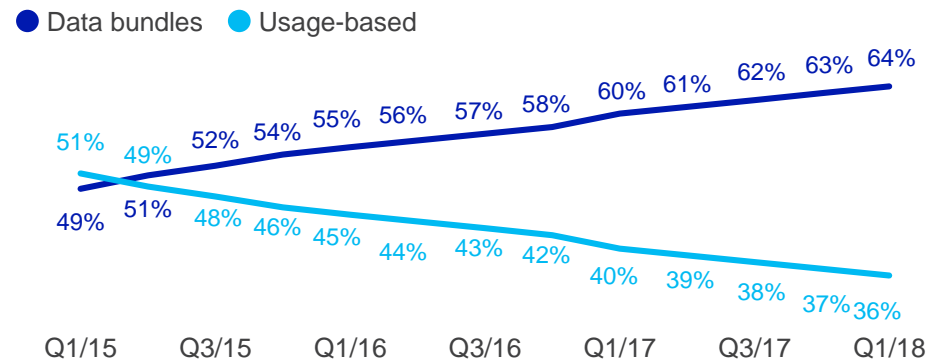
Smartphone penetration¹⁾, %



Proportion of data bundles growing

- 64% of voice subs²⁾ fixed-monthly-fee, “all-you-can-eat” data bundles
- 58% at 4G speeds
 - Good 3G to 4G up-selling potential
- Strong demand for Premium subscriptions with unlimited usage in Nordics and Baltics
 - Excellent potential for further up-selling in 4G

Voice subscription²⁾ split



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

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

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

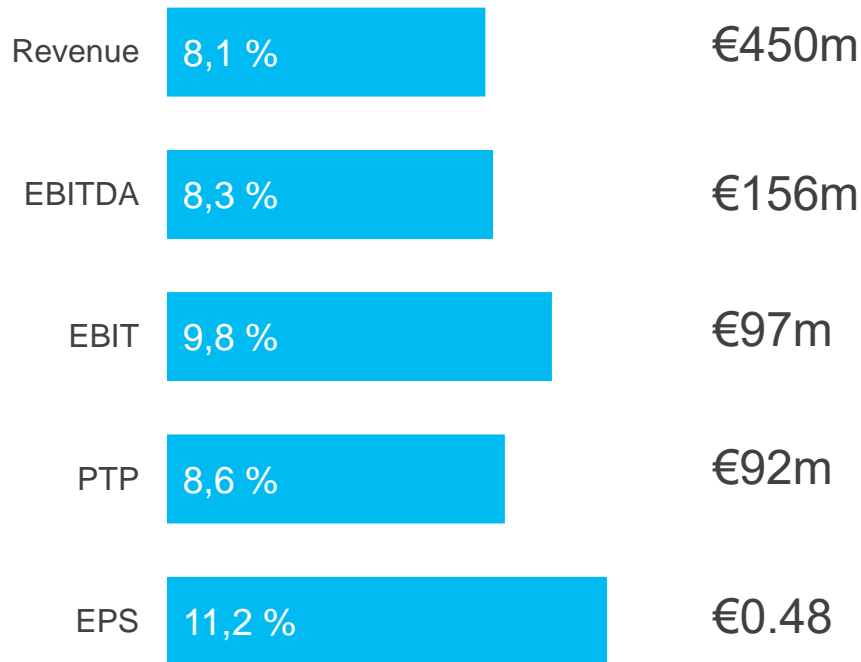


Financial performance

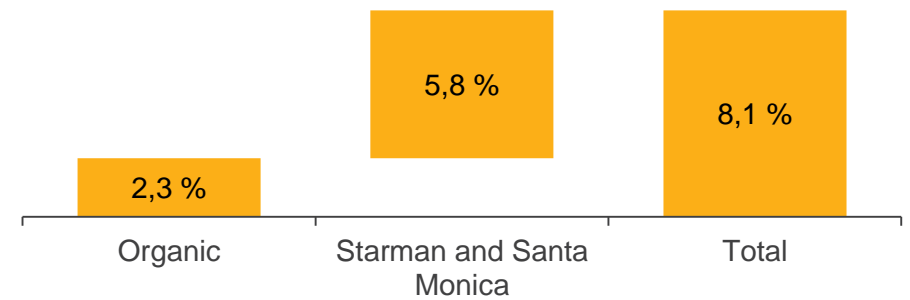
INTERIM REPORT Q1 2018

Strong revenue and earnings growth continues

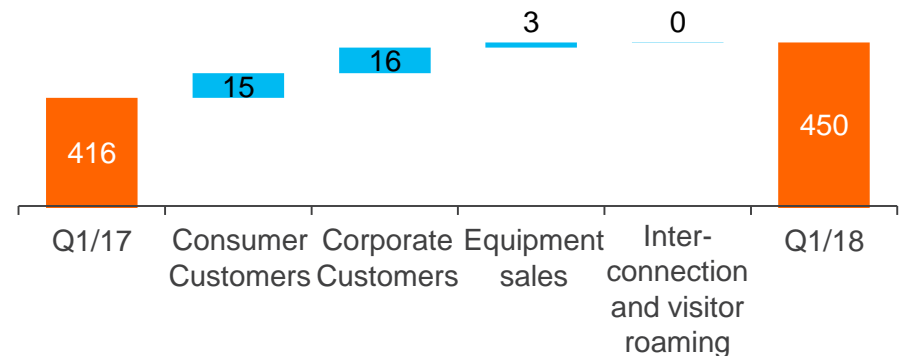
Q1 2018 P&L and growth¹⁾



Revenue YoY growth



Revenue change YoY, €34m

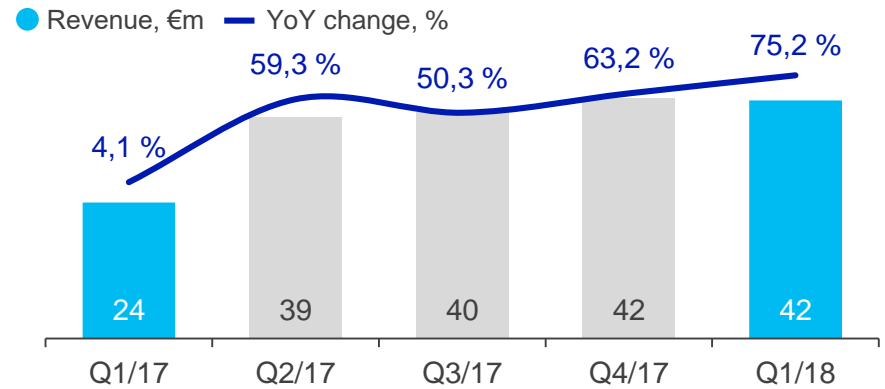


1) With comparable figures. Growth is calculated using exact figures prior to rounding.

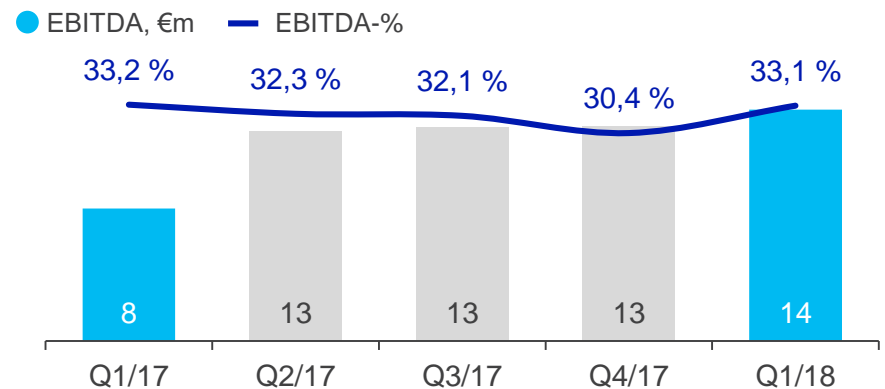
Strong growth in Estonia

- Revenue +75%, EBITDA +74%
 - Acquisitions
 - Mobile services
- Keen competition
 - Post-paid voice churn 14.1% (13.5% in Q4)
 - Slight decrease in mobile post-paid base, fixed broadband stable
- Integration of Starman and Santa Monica Networks according to plan
 - Synergy estimates intact
 - Starman €4–6m by end 2019
 - SMN €4–5m by end 2019 (includes SMN Finland)

Revenue



EBITDA

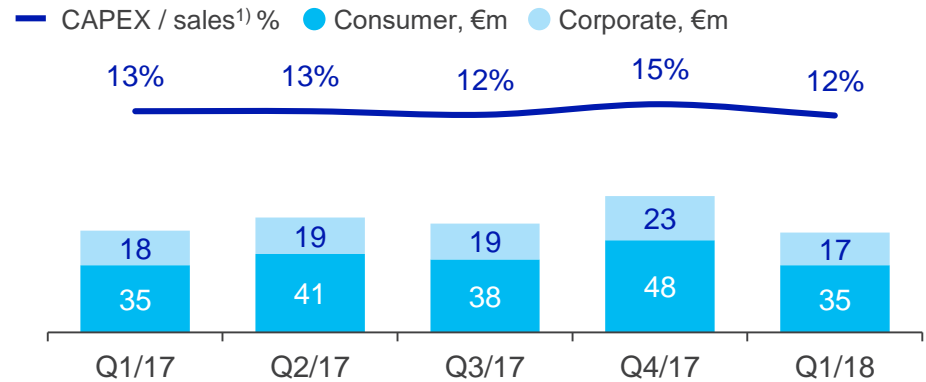


CAPEX back to 12% level

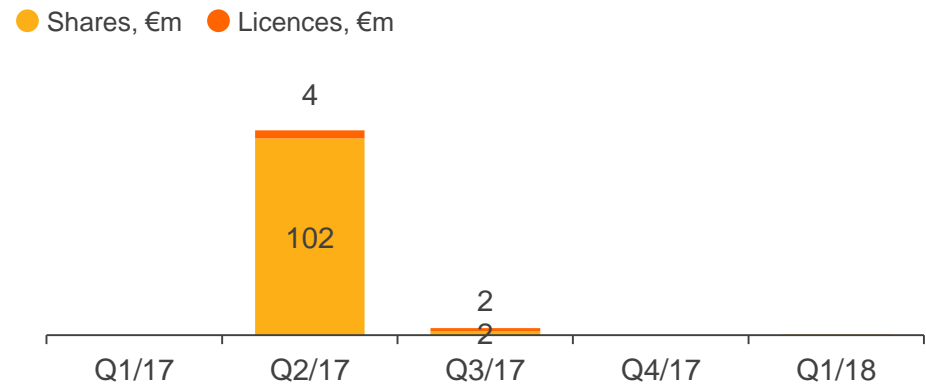
- CAPEX¹⁾ €53m (53)
 - Consumer €35m (35)
 - Corporate €17m (18)
 - CAPEX / sales 12%
 - According to full-year guidance

- 4G capacity and coverage increases
- Other network and IT investments

CAPEX



Investments in shares and licences



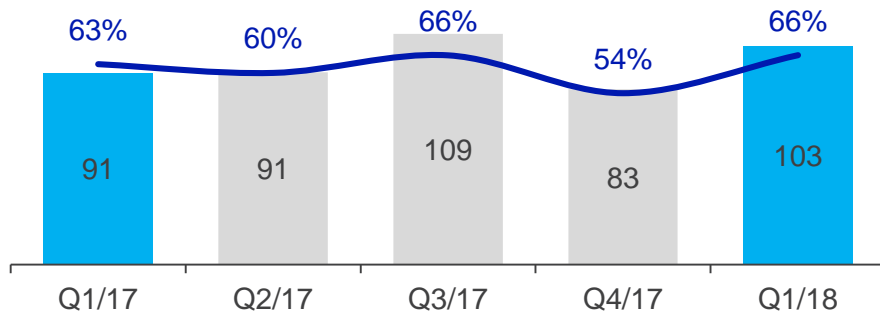
1) Excluding investments in shares and licence fees

Solid cash flow continuing

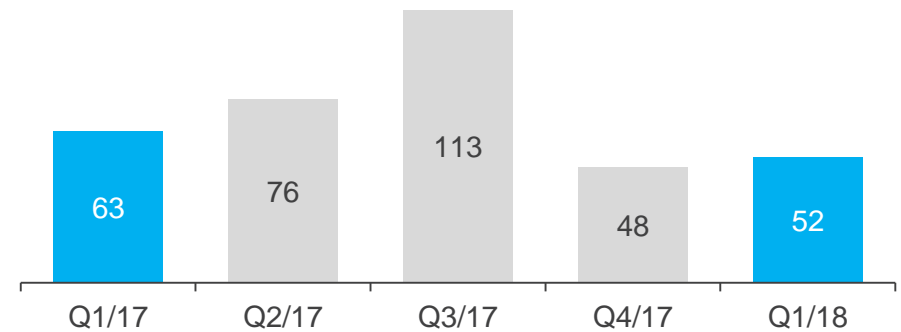
- Q1 cash flow €52m (63)
 - + Higher EBITDA
 - + Lower investments in shares
 - Negative NWC change: lower payables
 - Share-based incentive plan
- Strong cash conversion continues

Cash conversion

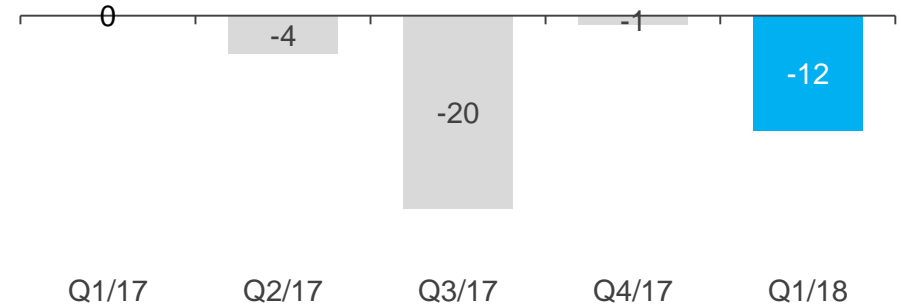
● Operative cash flow, €m — (EBITDA-CAPEX)/EBITDA, %¹⁾



Cash flow, €m



Change in net working capital, €m



Efficient capital structure

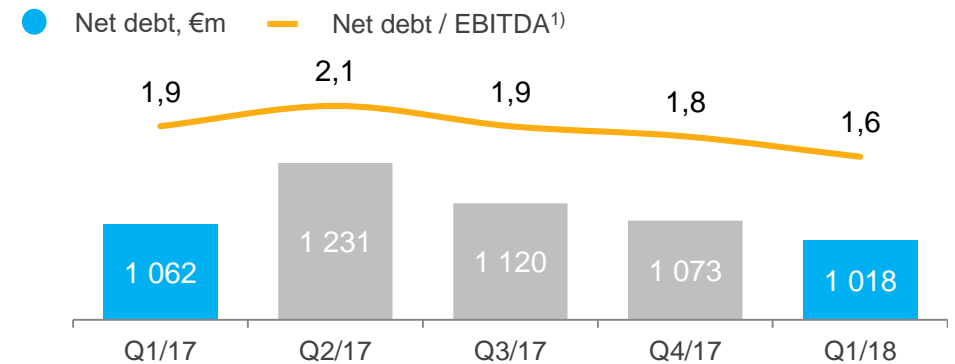
- Capital structure according to target

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

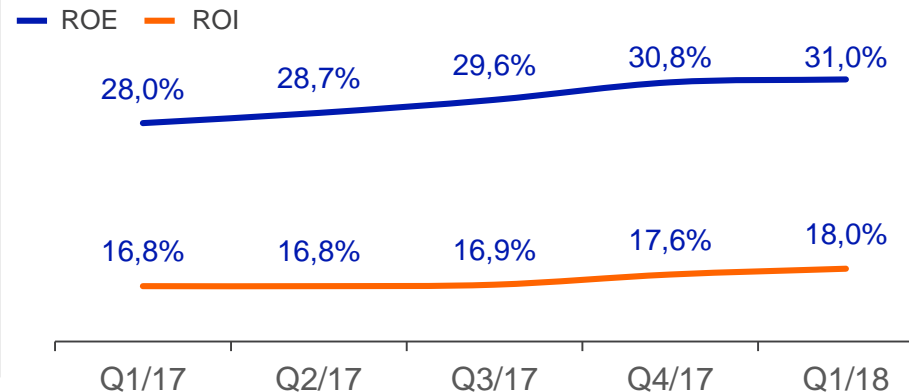
- Return ratios improved further

- Improved earnings
- Efficient capital structure

Net debt



Return ratios²⁾

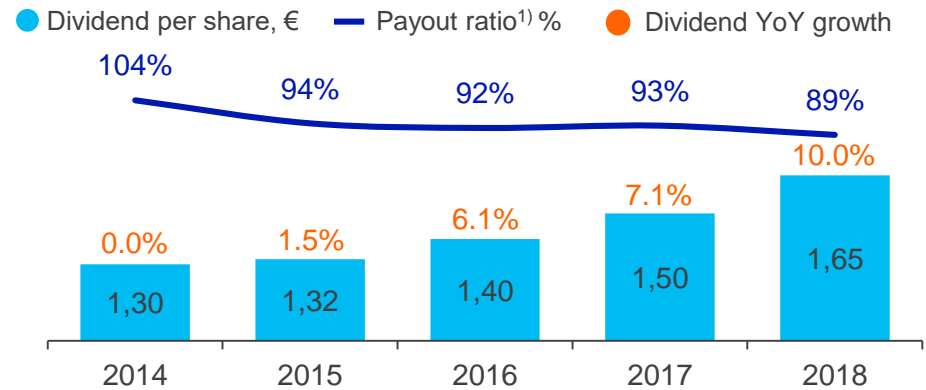


1) Net debt / four previous quarters' comparable EBITDA
 2) Rolling four quarters, 2017 excluding sale of Comptel shares

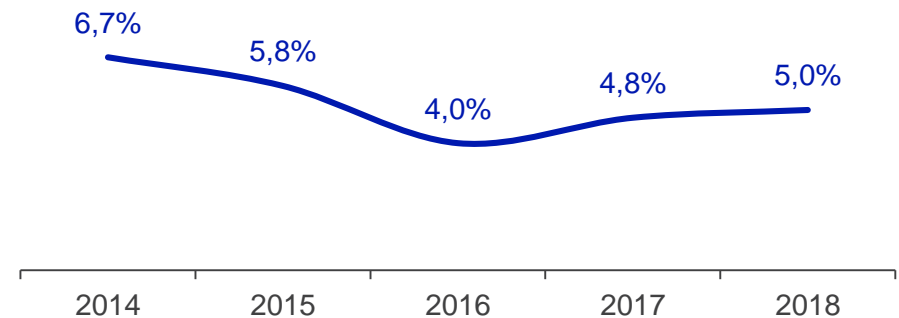
Competitive remuneration continues

- Dividend €1.65 per share
 - Dividend growth +10%
 - Total amount €263m
 - Payment date 24 April 2018
- Payout ratio¹⁾ 89%
 - Dividend yield 5.0%²⁾
- Authorisation for 5m share buyback
- Strong commitment of competitive shareholder remuneration
 - Distribution policy 80–100% of net profit

Dividend



Dividend yield²⁾



1) 2018 calculated from comparable EPS

2) As a share price of last trading date of the year in 2017, €32.72

Reporting changes and updates

Mobile service revenue calculation

- IFRS 15 change
- Reclassification in revenue components
- Restated mobile service revenue in the Elisa Operative Data Excel workbook

Mobile termination rate changes

- Revenue impact approx. €10m in 2019
- No effect on EBITDA

Cents per minute	Current price	1 Dec 2018	1 Dec 2019	1 Dec 2020
MTR	1.25	0.93	0.89	0.82
Change		-26%	-4%	-8%



Q&A



Contacts:

Mr. Vesa Sahivirta
vesa.sahivirta@elisa.fi
+358 50 520 5555

Ms. Kati Norppa
kati.norppa@elisa.fi
+358 50 308 9773

investor.relations@elisa.fi

Download the Elisa IR App



Impact of changes to IFRS 2, 9 and 15 in Q1 2018

	P&L	Balance sheet 1.1.2018	Cash flow statement
IFRS 2 Share-based payment	No material effect on P&L	Reduced short term liabilities, increased equity €14.5m.	Cash payments shown in adjustments in 2018. Earlier NWC change.
IFRS 9 Financial instruments	P&L interests €0.5 higher	Reduced financial liabilities by €5.8m and reduced receivables by €0.5m. Increased equity by €4.2m and deferred tax liabilities by €1.2m.	No effect
IFRS 15 Revenue from contracts with customers	No material change in revenue and profitability. Minor reclassification in revenue.	Increases receivables by €10.4m. Increased equity by €7.5m and liabilities by €2.8m.	No effect

APPENDIX

P&L by quarter

€ MILLION	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16
Revenue	449.6	472.5	453.9	445.1	415.9	434.0	418.7	393.0	390.0
<i>YoY growth</i>	8.1%	8.9%	8.4%	13.3%	6.6%	7.3%	6.1%	0.8%	2.5%
Other operating income	1.1	2.6	1.5	0.8	0.7	1.5	1.8	0.6	0.5
Materials and services	-170.0	-190.2	-178.6	-170.0	-156.8	-175.9	-159.3	-146.5	-144.7
Employee expenses	-81.7	-82.5	-68.1	-79.4	-74.1	-74.1	-63.2	-70.9	-66.6
Other operating expenses	-45.6	-51.3	-43.5	-49.1	-42.0	-46.7	-44.1	-42.5	-42.6
EBITDA	153.4	151.2	165.3	147.5	143.7	138.8	154.0	133.6	136.7
<i>EBITDA%</i>	34.1%	32.0%	36.4%	33.1%	34.6%	32.0%	36.8%	34.0%	35.0%
Combarable EBITDA	155.6	153.6	165.3	150.6	143.7	138.8	155.1	133.6	136.7
<i>YoY Growth</i>	8.3%	10.6%	6.6%	12.7%	5.1%	5.9%	7.3%	1.9%	5.9%
Comparable EBITDA%	34.6%	32.5%	36.4%	33.8%	34.6%	32.0%	37.0%	34.0%	35.1%
Depreciation, amortisation and impairment	-58.3	-58.6	-56.8	-59.1	-55.1	-63.0	-55.5	-52.7	-52.6
EBIT	95.1	92.6	108.5	88.4	88.6	75.8	98.4	81.0	84.0
Comparable EBIT	97.3	95.0	108.5	91.5	88.6	84.8	99.6	81.0	84.0
Financial income	0.5	0.5	1.0	46.3	1.2	4.4	0.6	1.2	0.7
Financial expense	-6.2	-6.4	-5.9	-6.0	-5.5	-6.0	-5.8	-6.4	-6.3
Share of associated companies' profit	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	-0.5	-1.0
Profit before tax	89.4	86.6	103.6	128.6	84.3	74.1	93.2	75.3	77.5
Comparable PBT	91.6	89.0	103.6	86.9	84.3	79.7	94.3	75.3	77.5
Income taxes	-15.0	-15.1	-19.1	-16.6	-15.7	-15.3	-17.8	-15.1	-14.4
Profit for the period	74.4	71.5	84.6	112.0	68.6	58.8	75.4	60.2	63.0
Comparable Profit	76.2	73.5	84.6	70.3	68.6	65.1	76.5	60.2	63.0
Earnings per share (EUR)	0.47	0.45	0.53	0.70	0.43	0.37	0.47	0.38	0.39
Comparable EPS	0.48	0.46	0.53	0.44	0.43	0.41	0.48	0.38	0.39
<i>YoY Growth</i>	11%	13%	11%	17%	9%	11%	12%	-1%	7%

Cash flow YoY comparison

€ MILLION	Q1/18	Q1/17	CHANGE ¹⁾	2017
EBITDA	153	144	10	608
Change in receivables	7	12	-5	-59
Change in inventories	7	3	4	-11
Change in payables	-26	-15	-11	45
Change in NWC	-12	0	-12	-25
Financials (net)	-12	-10	-2	-15
Taxes for the year	-15	-14	-1	-66
Taxes for the previous year	0	0	0	2
Taxes	-15	-14	-1	-64
CAPEX	-52	-51	0	-238
800, 700 and 2,600 MHz licences ²⁾	-4	-4	0	-17
Investments in shares ³⁾	0	-3	3	-39
Starman acquisition ⁴⁾			0	45
Sale of assets and adjustments	-7	2	-9	45
Cash flow after investments	52	63	-11	300
Cash flow after investments excl. acquisitions ⁵⁾	52	66	-14	246

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

4) Starman acquisition finance arrangement

5) Excluding Starman, Santa Monica Networks acquisitions, Tampereen Tietoverkko share purchases, and sale of Comptel and other shares.

Cash flow by quarter

€ MILLION	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16
EBITDA	153	151	165	148	144	139	154	134	137
Change in receivables	7	-33	-15	-23	12	6	-30	19	2
Change in inventories	7	-5	0	-8	3	-2	-7	3	6
Change in payables	-26	36	-4	28	-15	8	11	-2	-6
Change in NWC	-12	-1	-20	-4	0	12	-26	21	3
Financials (net)	-12	-5	-1	0	-10	-7	-1	2	-10
Taxes for the year	-15	-21	-16	-14	-14	-22	-15	-13	-13
Taxes for the previous year	0	0	0	2		0	0	-3	
Taxes	-15	-21	-16	-12	-14	-22	-15	-15	-13
CAPEX	-52	-71	-57	-59	-51	-61	-42	-56	-44
700/800/2,600 MHz licence fees	-4	-7	-2	-4	-4	-7	0		
Investments in shares	0	0	-3	-33	-3	-1	-25	-15	-9
Starman acquisition		0	45			-167			
Sale of shares		0	0	45					
Sale of assets and adjustments	-7	1	0	-3	3	-2	3	-2	-1
Cash flow after investments	52	48	113	76	63	-115	47	69	64
Cash flow after investments excl. acquisitions	52	48	71	65	66	53	72	83	73

APPENDIX

Debt structure

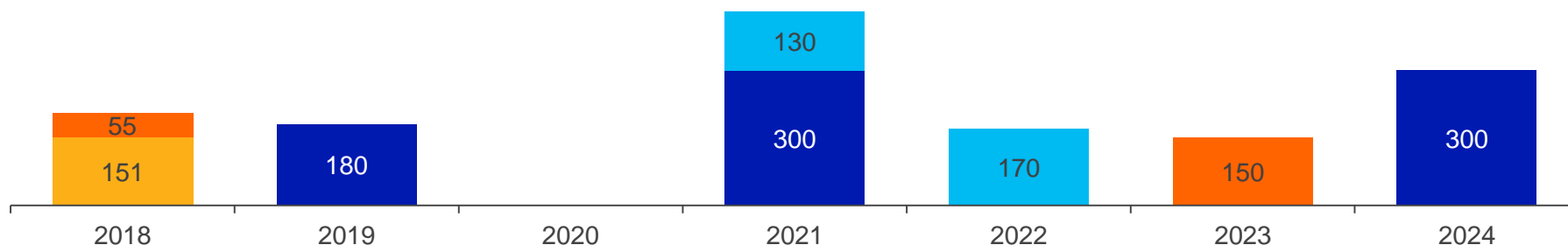
€ MILLION. AT THE END OF QUARTER	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16
Bonds and notes	763	767	766	766	765	594	594	593	593
Commercial papers	151	115	207	258	193	199	201	215	146
Loans from financial institutions	205	209	210	216	215	218	219	195	195
Financial leases	26	26	26	26	25	26	25	26	27
Committed credit lines ¹⁾	0	0	0	23	80	130	0	80	0
Interest-bearing debt. total	1,145	1,117	1,209	1,289	1,278	1,167	1,039	1,109	961
Cash and cash equivalents	127	44	91	58	216	44	33	55	61
Net debt ²⁾	1,018	1,073	1,118	1,231	1,062	1,123	1,006	1,054	899

1) The committed credit lines are €130m and €170m facilities which 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, 31 March 2018

● Bonds ● Loans ● RCF¹⁾ ● 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.