



2nd QUARTER RESULTS 2014

Q2



# Agenda

**CEO's review**

**Veli-Matti Mattila, CEO**

**Financial review**

**Jari Kinnunen, CFO**

# CEO's review

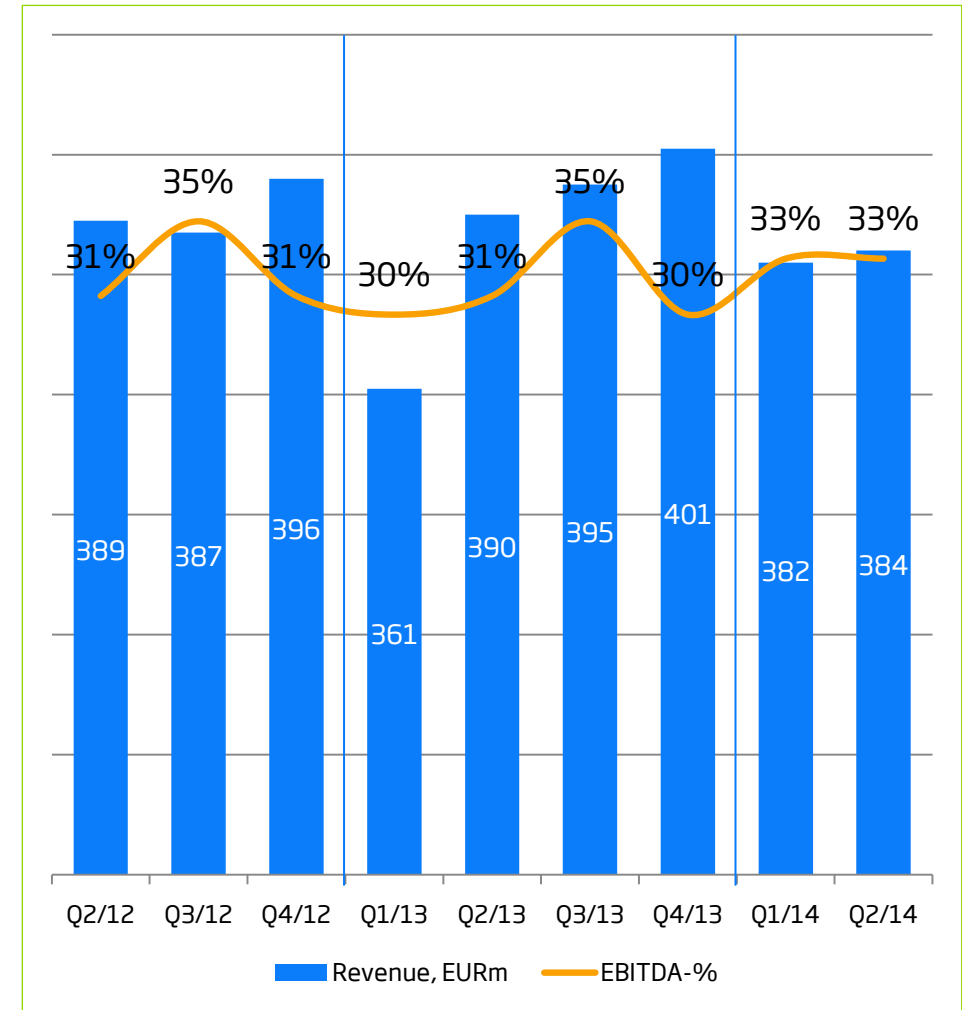
- Q2 2014 financial and operational highlights
- Segment review
- Strategy execution
- Outlook and guidance for 2014

# Q2 2014 highlights

- Result improved
- In spite of keen competition churn decreased
- Mobile subscription base declined slightly due to discontinuation of one service operator
- Strong mobile data growth, ARPU improved
- Smartphone penetration already 54%
- Independent research: Elisa's 4G LTE network has the widest coverage
- Success in Elisa Viihde IPTV continued

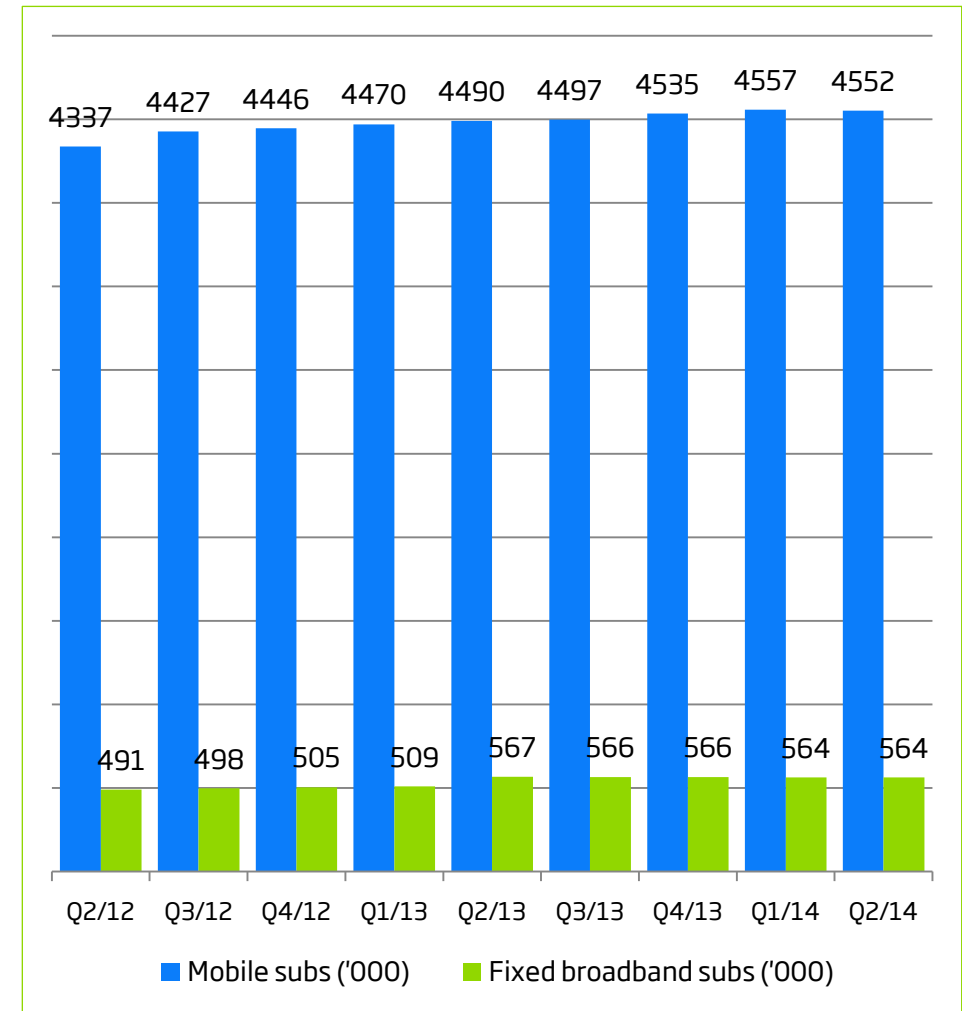
# Result improvement continued

- Revenue €384m (390)
- EBITDA €127m (122), 33% of revenue (31)
- EPS €0.35 (0.30)
- CAPEX €52m (47), 14% of revenue
- Net debt €1,075m (1,042)
  - Cash flow €64m (-30, 54 excluding acquisitions)
  - Net debt / EBITDA 2.1 (2.1)



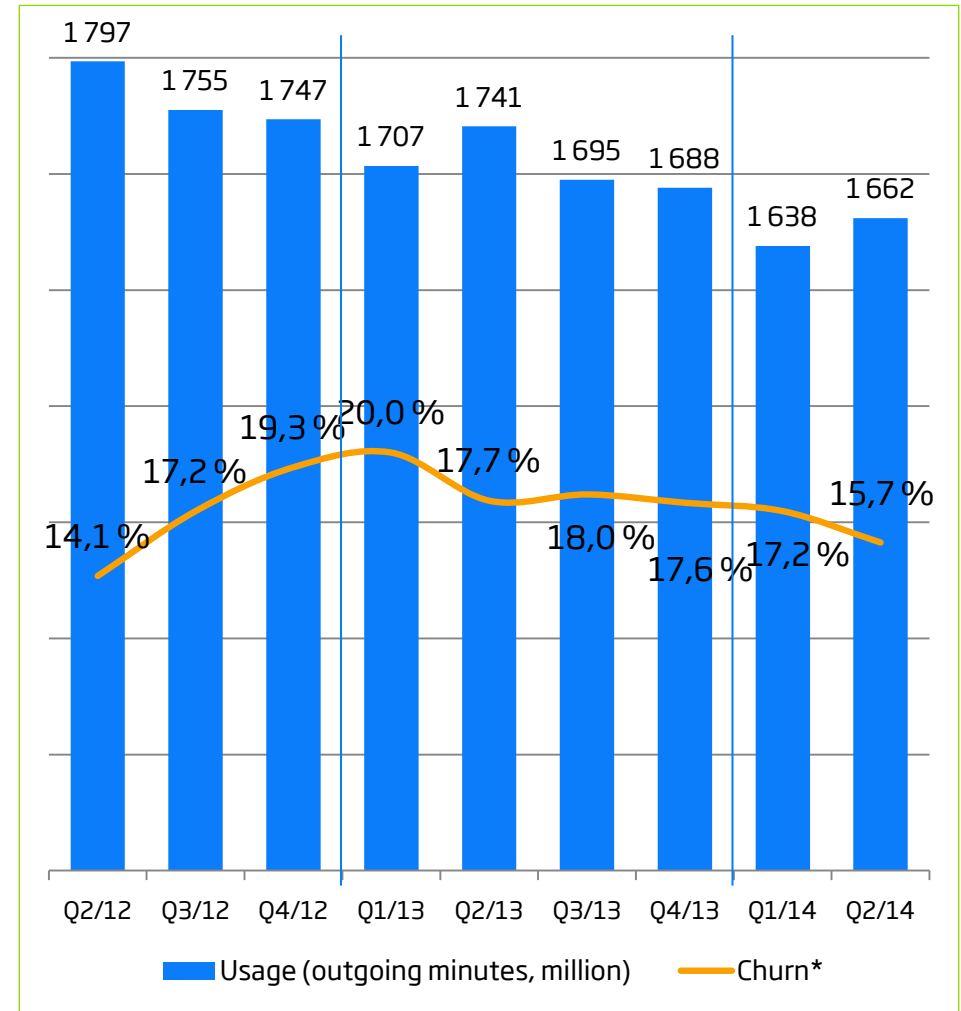
# Customer base intact

- Mobile subs decreased by 4,800 in Q2
  - Excluding the discontinuation of one service operator the base would have grown
  - Growth in Corporate Customers
  - Estonia +9,600 subscriptions
- Fixed broadband subscriptions at the previous quarter's level
- Elisa Viihde IPTV customer base continued to grow



# Growth in data, churn decreased further

- Mobile data YoY growth +78%
  - 30.5bn megabytes (17.2)
- Outgoing minutes 1.7bn, slight decrease
- 569m SMS, at previous year's level
- Churn\* down to 15.7% (17.7)



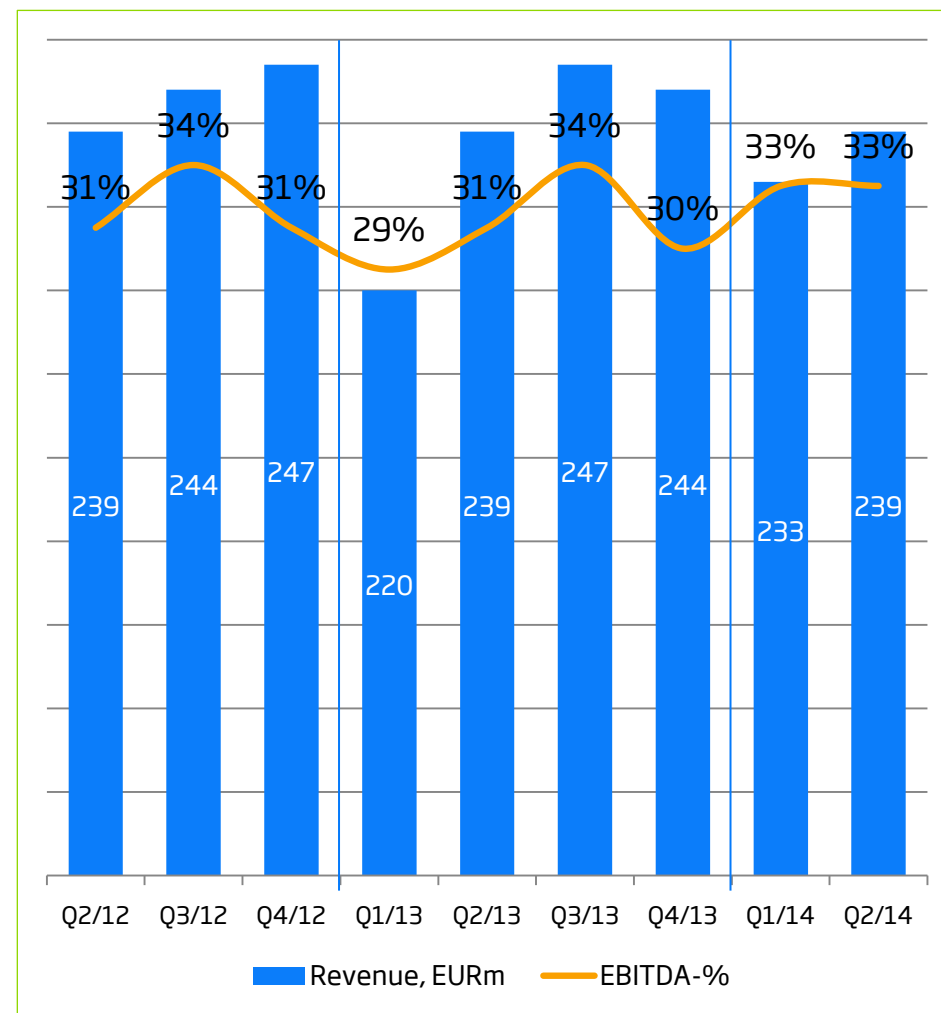
\* Annualised

# Business Segments



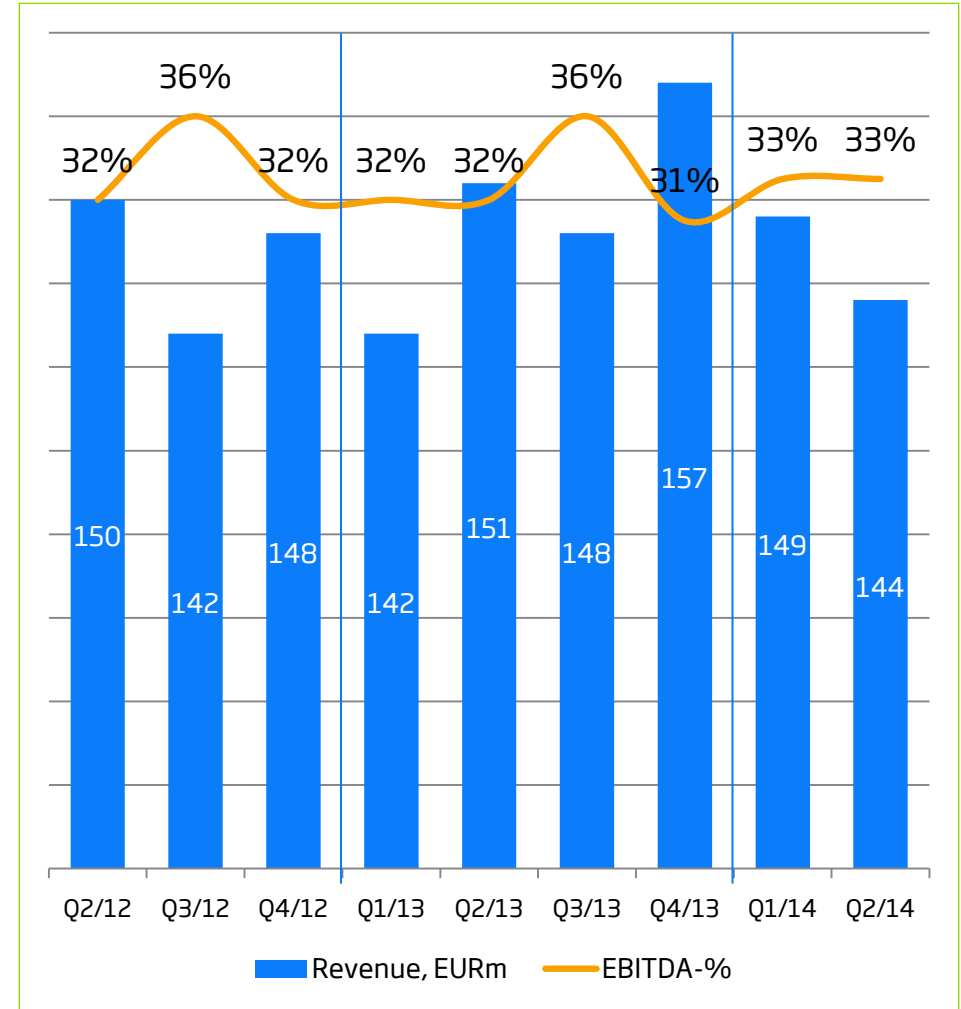
# EBITDA and profitability improved

- Revenue €239m (239)
  - Growth through PPO consolidation, mobile services and equipment sales
  - Decrease in traditional fixed network, divestments and interconnection revenue
- EBITDA €80m (74), 33% of revenue (31)
  - Improved efficiency
- CAPEX €28m (25)



# Revenue decreased

- Revenue €144m (151)
  - Weak general economy
  - Decrease in traditional fixed network, ICT services, interconnection and roaming revenue, and divestments of non-core business
  - Growth through PPO consolidation
- EBITDA €47m (48), 33% of revenue (32%)
  - Lower revenue compensated by improved efficiency
- CAPEX €24m (22)



# Strategy execution

Build value on data

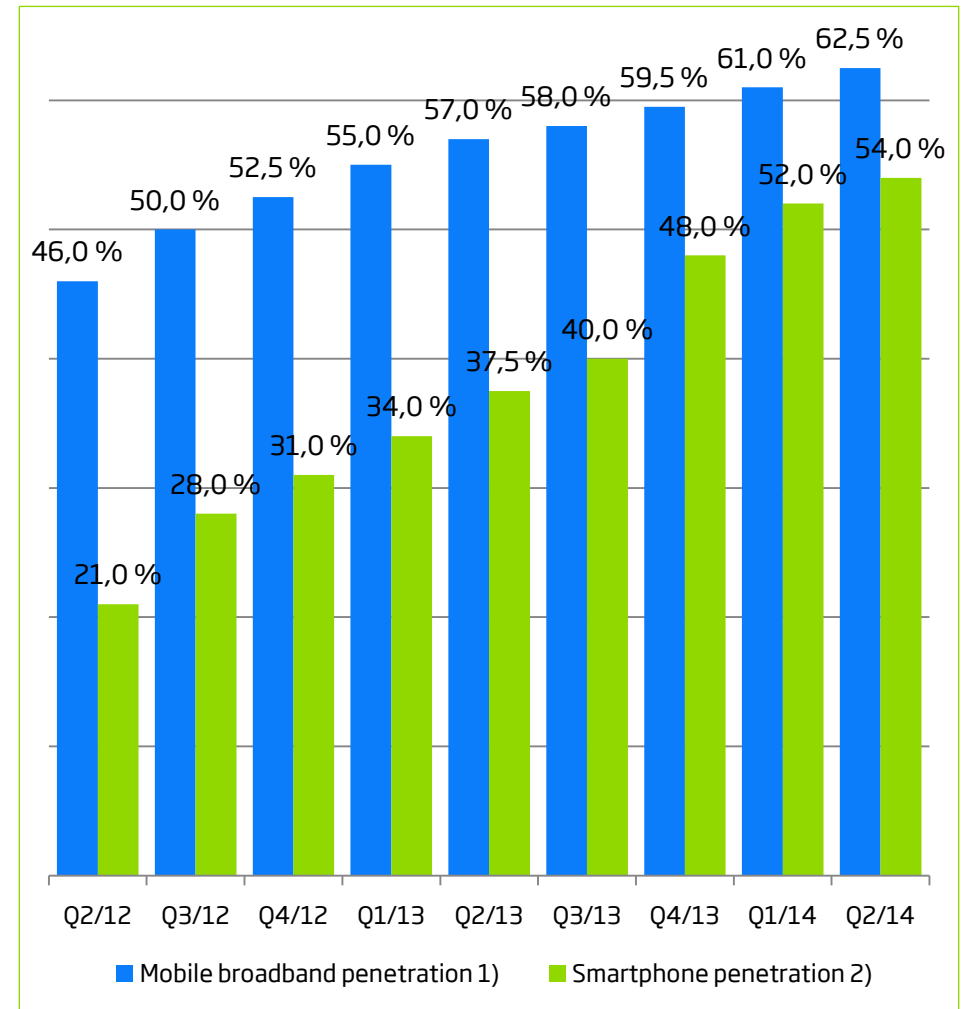
Accelerate new services businesses

Improve performance with  
customer intimacy and operational excellence

# Strong growth in smartphone base

- 54% of customers use smartphones
  - 14% of total device base is LTE-capable
- 44% of voice subs are data bundles
- Most-sold phones in June
  1. Samsung Galaxy Trend Plus
  2. Apple iPhone 5s
  3. Samsung Galaxy S4 Mini
  4. Samsung Galaxy S5
  5. Nokia Lumia 520
- Of all models sold in Q2
  - 88% were smartphones
  - 55% were LTE-capable

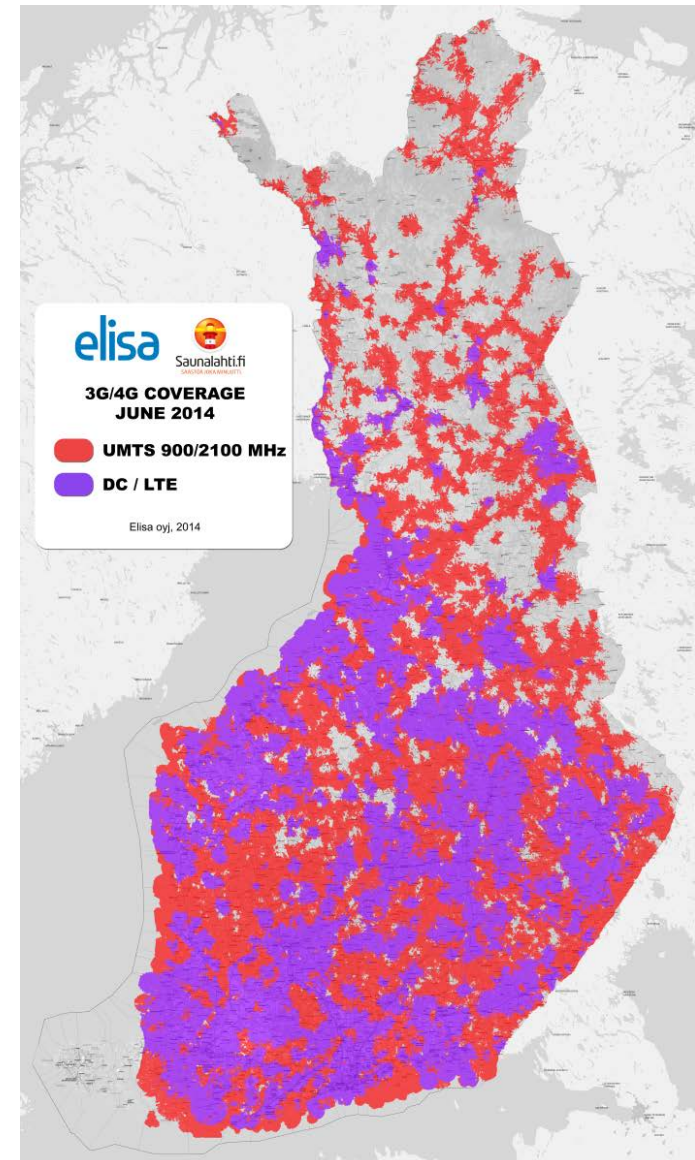
Penetration in Elisa's network in Finland



- 1) 3G/4G dongles and mobile BB add-on services (min. 384 kb/s) of the total subscription base excluding M2M and service operator subs
- 2) iOS (iPhone), Android, Symbian 3^ and Windows phones of the total phone base (no tablets)

# Widest 4G LTE coverage in Finland

- Elisa #1 in 4G LTE network coverage
  - Based on independent research house European Communications Engineering Oy (ECE)
- 4G speeds now in 280 localities
  - Elisa opened 2,500<sup>th</sup> 4G LTE base station on 14 July 2014
- 4G population coverage 93%
- New speed category launched
  - 100 Mbps speed now for smartphones with premium price
  - Lower 3G speeds and price categories no longer available



# Elisa Perhe online service - security and care for families

- With the smartphone application parents can
  - Monitor child's location
  - Check if the phone is muted
  - Turn the sounds on
  - Check the phone's battery level
- Available for Android phones
- The service is available for all Finnish operators' subscriptions



# New equipment and benefits for travelers

- Tablet sales grew by 70% YoY
  - Tablets boost mobility of video usage
  - New usage records are expected this summer
- New roaming pricing
  - Data roaming even 97% less expensive
  - Biggest price changes for the US, Thailand and Turkey
  - Simplified pricing, only three price zones instead of six
  - Clear savings also for corporate business trips



# Elisa Pilvi cloud service for SMEs

- Centralised and safe platform for testing, buying and managing applications and cloud services
- Benefits for customers:
  - Easy to use
  - Safe
  - Aggregated license billing
- Sales and marketing channel for start-up application developers

The screenshot shows the Elisa Pilvi website interface. At the top, there is a navigation bar with the Elisa Pilvi logo and links for "Rekisteröidy" and "Kirjaudu sisään". Below the navigation bar is a search bar with the placeholder text "Hae kaupasta" and a magnifying glass icon. To the left of the main content area is a sidebar menu with the following items: "Etusivu", "Kaikki tuotteet", "LUOKAT", "Verkkotallennus & Backup (4)", "Tietoturva (1)", "Myynti & Markkinointi (4)", "Taloushallinto (1)", "Ryhmätyösovellukset (2)", "Verkkokokous (1)", and "Kapasiteettipalvelut (1)". The main content area features a large promotional banner for "CloudMe Eurooppalainen tallennuspalvelu". The banner includes an illustration of a cloud with various icons, a laptop, and a smartphone. The text in the banner reads: "CloudMe on turvallinen eurooppalainen palvelu tiedostojen ja kansioiden synkronointiin, tallennukseen ja jakamiseen. Se on saatavilla kaikille johtaville käyttäjille..." and a blue button that says "Aloita maksuton kokeilujakso". Below the banner is a section titled "Esittelyssä olevat sovellukset" with the subtext "Näytä kaikki esittelyssä olevat sovellukset". This section displays four application cards: "Batchbook CRM" (Sosiaalinen CRM pienen yrityksen tarpeisiin, Alkaen EUR45.00/kk), "AnyMeeting" (Pienen yrityksen nettikokous, Alkaen EUR13.00/kk), "Protection Service for ..." (Keskity kasvattamaan liiketoimintaasi, EUR12.97), and "Zervant" (Helppo kirjanpito ja laskutus pienyrittäjille, Alkaen EUR7.00/kk).



# Outlook and guidance for 2014

- Macroeconomic environment still weak in 2014
- Competition remains challenging
- Revenue at the previous year's level, or slightly above
- EBITDA excluding one-offs at the same level as last year, or slightly higher
- CAPEX maximum 12 per cent of revenue

# Agenda

**CEO's review**

**Veli-Matti Mattila, CEO**

**Financial review**

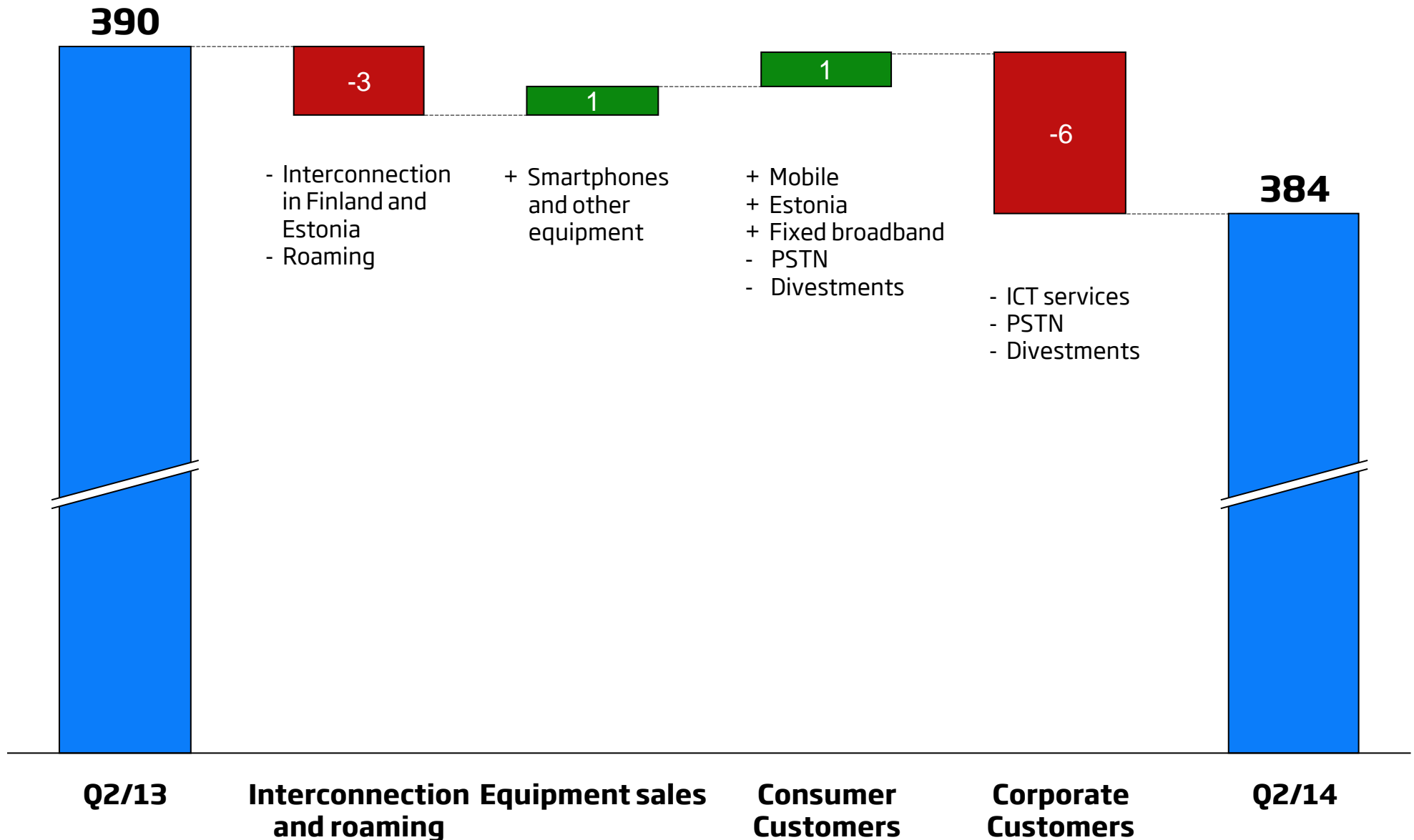
**Jari Kinnunen, CFO**

# Growth in earnings continued

EUR million	Q2/14	Q2/13	$\Delta$ <sup>1)</sup>	$\Delta\%$	H1/14	H1/13	$\Delta$ <sup>1)</sup>	$\Delta\%$	2013
<b>Revenue</b>	<b>384</b>	<b>390</b>	<b>-7</b>	<b>-2</b>	<b>766</b>	<b>751</b>	<b>14</b>	<b>2</b>	<b>1,547</b>
Other operating income	4	1			5	1			4
Operating expenses	-261	-269			-518	-522			-1,061
<b>EBITDA</b>	<b>127</b>	<b>122</b>	<b>5</b>	<b>4</b>	<b>253</b>	<b>231</b>	<b>22</b>	<b>10</b>	<b>491</b>
<i>EBITDA-%</i>	<i>33</i>	<i>31</i>			<i>33</i>	<i>31</i>			<i>32</i>
<b>EBITDA excl. one-offs</b>	<b>127</b>	<b>122</b>	<b>5</b>	<b>4</b>		<b>232</b>	<b>21</b>	<b>9</b>	<b>508</b>
<i>EBITDA-% excl. one-offs</i>	<i>33</i>	<i>31</i>				<i>31</i>			<i>33</i>
Depreciation and amortisation	-54	-53			-108	-102			-210
<b>EBIT</b>	<b>73</b>	<b>69</b>	<b>4</b>	<b>5</b>	<b>145</b>	<b>128</b>	<b>17</b>	<b>13</b>	<b>281</b>
<b>EBIT excl. one-offs</b>	<b>73</b>	<b>69</b>	<b>4</b>	<b>5</b>	<b>145</b>	<b>130</b>	<b>15</b>	<b>11</b>	<b>298</b>
<i>EBIT-% excl. one-offs</i>	<i>19</i>	<i>18</i>			<i>19</i>	<i>17</i>			<i>19</i>
<b>Profit before tax</b>	<b>67</b>	<b>63</b>	<b>4</b>	<b>6</b>	<b>131</b>	<b>117</b>	<b>14</b>	<b>12</b>	<b>255</b>
Income taxes	-13	-16			-25	-29			-58
<b>Profit for the period</b>	<b>54</b>	<b>48</b>	<b>6</b>	<b>14</b>	<b>105</b>	<b>88</b>	<b>18</b>	<b>20</b>	<b>196</b>
EPS, EUR/share	0.35	0.30	0.04	15	0.67	0.56	0.11	20	1.25
<i>EPS, excl. one-offs</i>	0.35	0.30	0.04	15	0.67	0.57	0.10	18	1.33

<sup>1)</sup> Difference is calculated using exact figures prior to rounding

# Revenue change, €m



# Efficiency measures decreased OPEX

- OPEX decreases in Q2/14
  - Productivity improvements and synergies, e.g. IT and personnel expenses
  - Interconnection and roaming
  - Equipment purchase costs
- OPEX increases in Q2/14
  - Collective labour agreements 1.9 per cent Nov 2013
- PPO integration on track

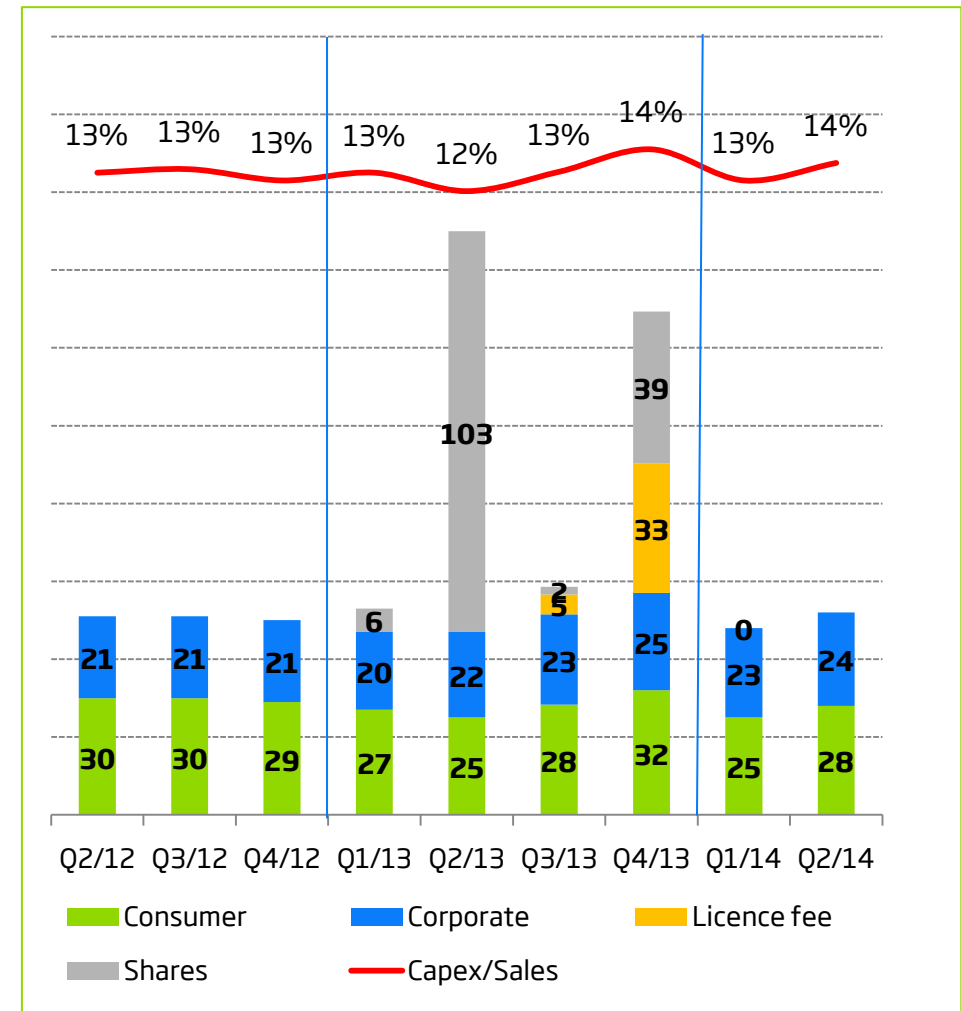
EURm	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14
Materials and services	155	157	161	150	153
Employee benefit expenses <sup>1)</sup>	66	62	78	65	63
Other operating expenses	48	38	42	42	44
Total expenses <sup>2)</sup>	269	257	282	257	261
Depreciation	53	55	53	54	54

<sup>1)</sup> Excluding one-offs Q3/13 €58m and Q4/13 €66m

<sup>2)</sup> Excluding one-offs Q3/13 €254m and Q4/13 €270m

# Full year CAPEX guidance intact

- Q2 CAPEX €52m (47)
  - Consumer €28m (25)
  - Corporate €24m (22)
- FY 2014 CAPEX guidance 12 per cent from revenue
- Major CAPEX areas
  - 4G/LTE networks
  - Fiber access and backbone networks
  - IT systems
  - Customer equipment



CAPEX/sales excluding investments in shares and licence fees.  
 Q4/13 share issue of €39m for Telekarelia and Kymen Puhelin mergers.

# Cash flow improved

EUR million	Q2/14	Q2/13	Δ <sup>1)</sup>	H1/14	H1/13	Δ <sup>1)</sup>	2013
EBITDA	127	122	5	253	231	22	491
Change in receivables	-14	3	-17	-14	11	-25	-13
Change in inventories	1	3	-3	2	5	-2	6
Change in payables	12	-7	19	5	-7	11	2
Change in NWC	-1	0	-1	-7	9	-16	-5
Financials (net)	-2	-2	0	-14	-13	-1	-25
Taxes for the year	-12	-16	4	-25	-31	6	-65
Taxes for the previous year	1	-1	2	1	-1	2	0
Taxes	-11	-17	6	-24	-32	8	-65
CAPEX	-51	-47	-5	-101	-95	-6	-201
800 MHz licences <sup>2)</sup>							-12
Investments in shares <sup>3)</sup>	-1	-82	81	-2	-88	86	-93
Sale of assets and adjustments	4	-4	8	-2	-4	3	-6
Cash flow after investments	64	-30	94	103	7	96	84
Cash flow after investments excl. acquisitions <sup>4)</sup>	64	54	11	103	95	8	177

1) Difference is calculated using exact figures prior to rounding

2) LTE 800 MHz licence in Finland Q4/13 €7m, Estonia Q3/13 €5m

3) Investment in Sulake and PPO companies in 2013

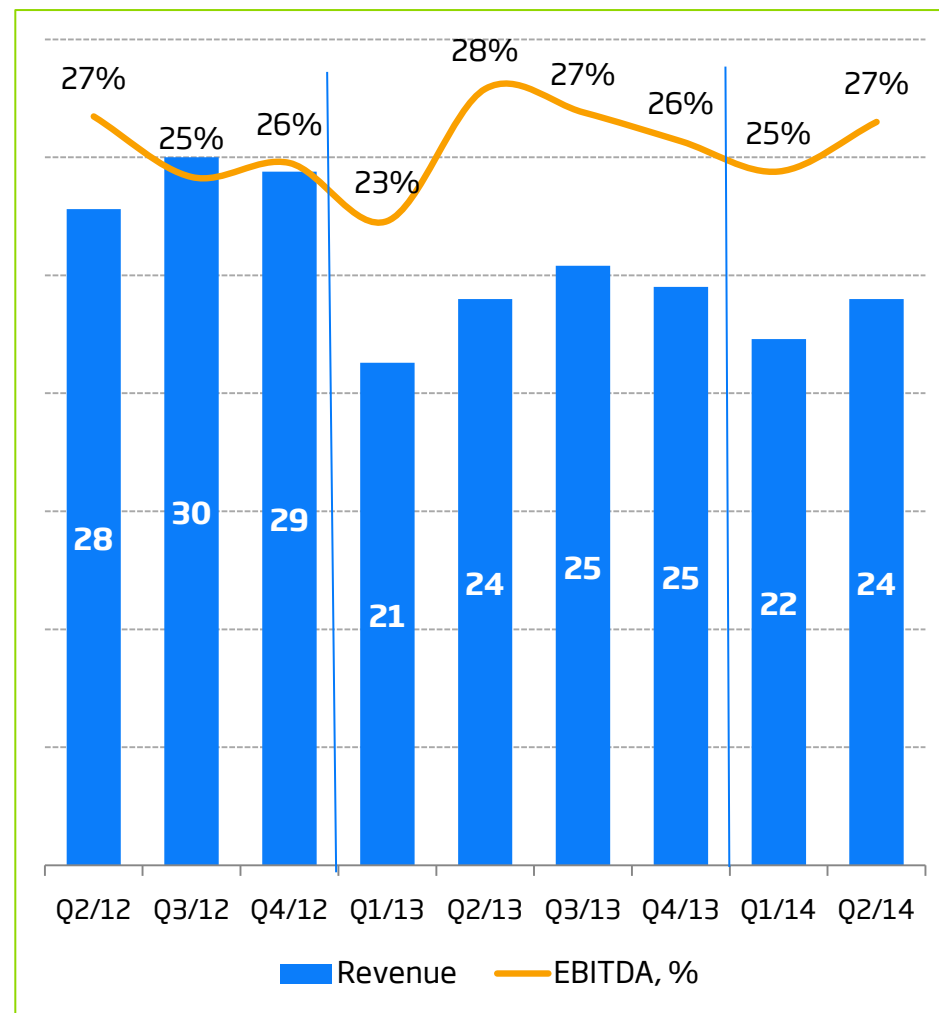
4) Without Sulake and PPO Acquisitions 2013

# Stable revenue and EBITDA in Estonia

- Revenue €24m (24)
  - Decrease in MTRs
  - Growth in mobile data
- EBITDA €7m (7)
- CAPEX €1m (3)
  - 4G/LTE, 3G Coverage
- Change in mobile subs: 9,600 QoQ

Estonian MTRs	Q2	Q2
	2013	2014
All operators, euro cents	1.47	1.29
MTR change, YoY		-12%

From 1 July 2014 1.1 euro cents per minute

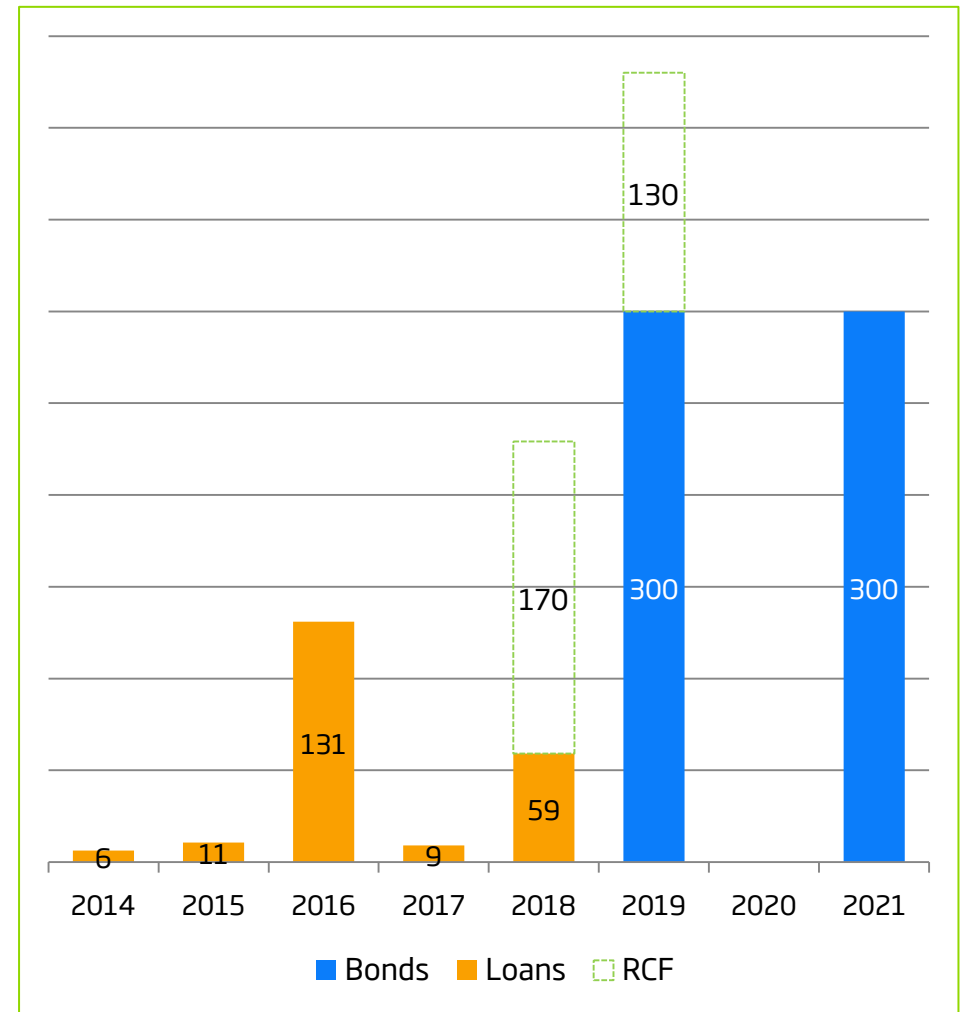




# Solid liquidity position

- Cash and undrawn committed facilities €281m (170)
  - Revolving Credit Facilities €70m drawn
- €130m RCF refinanced in June, 5 + 2 years
- Average interest rate of interest bearing debt 2.1% at end of Q2
- Commercial paper programme
  - €217m in use as of 30 June 2014
- Solid credit ratings since 2003
  - S&P                      BBB                      Positive outlook
  - Moody's                Baa2                    Stable outlook

Bond and bank loan maturities 30.6.2014



# Dividend payment increased net debt

- Capital Structure

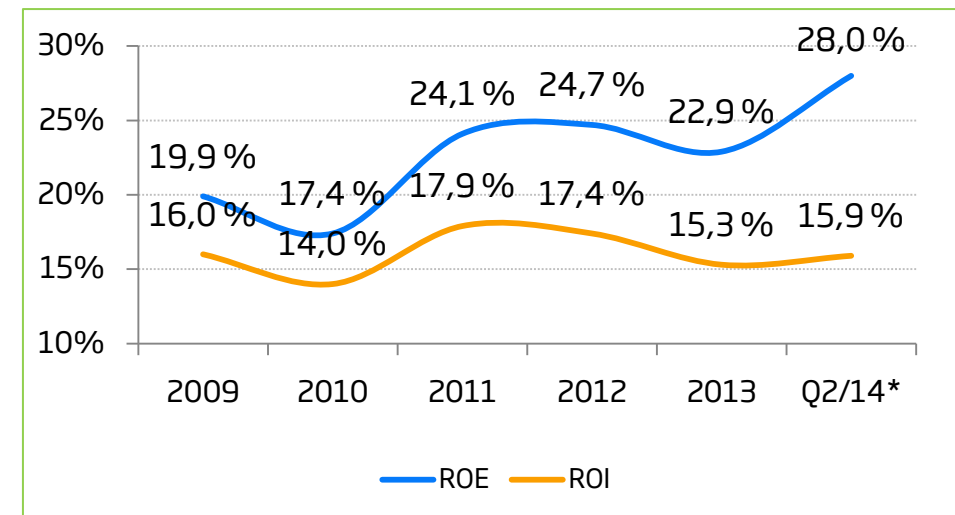
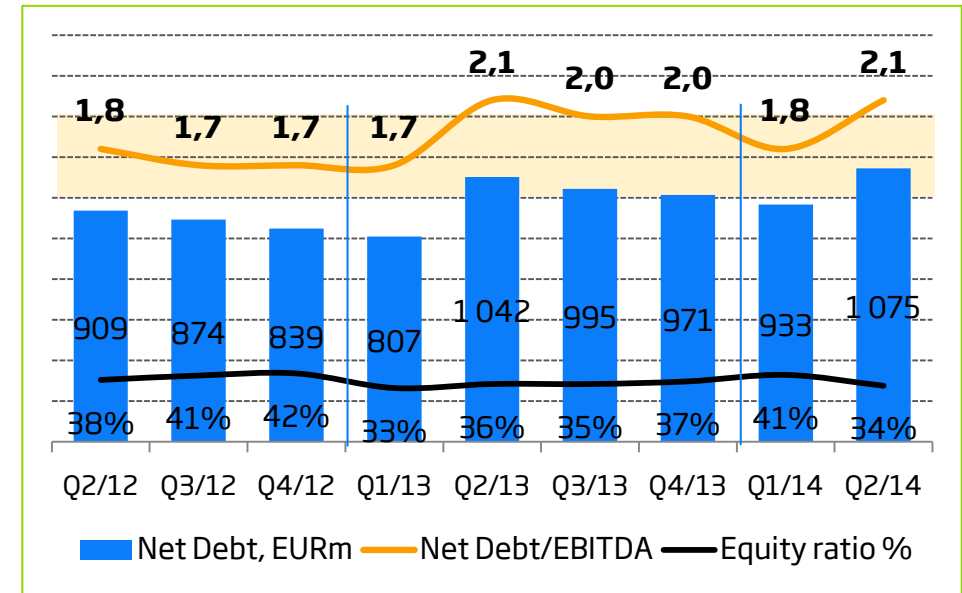
- Net debt / EBITDA 2.1x
- Gearing 141%
- Equity ratio 34.4%
- Dividend payment in Q2

- Target setting

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

- Return ratios improved

- ROE 28.0%
- ROI 15.9%

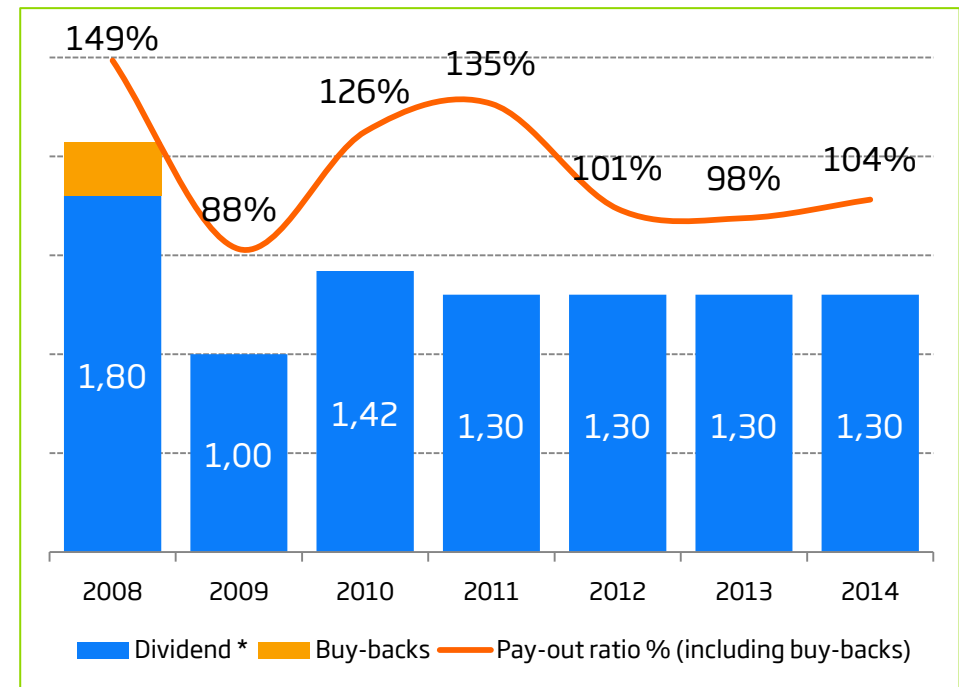


\* Rolling 12-month profit preceding the reporting date

# Competitive remuneration continues

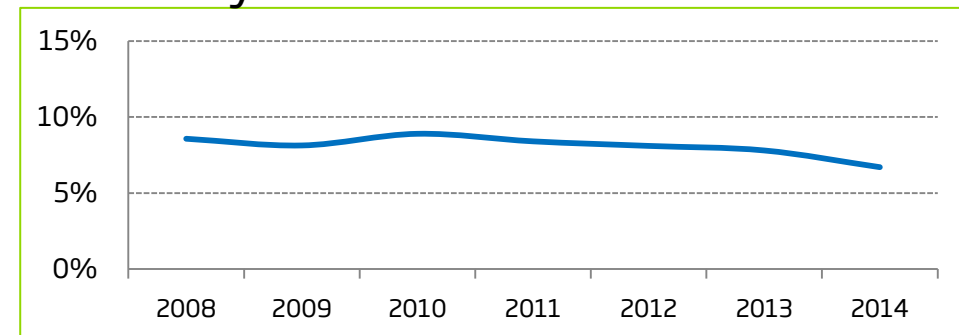
- €1.30 per share paid in April
- Dividend yield 6.7% <sup>1)</sup>
- Payout ratio 104%
- Strong commitment to competitive shareholder remuneration
  - Distribution policy 80-100% of net profit
  - Long-term high dividend yield
  - H1/14 EPS growth €0.11 or 20%
  - H1/14 cash flow growth €96m (reported), €8m (acquisitions excluded) or 8%

<sup>1)</sup> as per share price of 30.12.2013 (€19.26)



\* Includes capital repayment.

## Dividend yield





Thank you!



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Elisa IR App



# Consolidated cash flow statement

EUR million	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
<b>Cash flow from operating activities</b>									
Profit before tax	67	64	60	78	63	53	64	78	66
Adjustments to profit before tax	57	56	59	60	54	55	58	54	55
Change in working capital	-1	-6	-4	-9	0	9	-17	-24	6
Cash flow from operating activities	123	114	114	128	117	118	104	108	126
Received dividends and interests and interest paid 1)	-2	-12	-9	-3	-2	-11	-7	-2	-2
Taxes paid	-11	-13	-17	-17	-17	-15	-15	-20	-26
Net cash flow from operating activities	110	89	89	109	98	92	82	86	98
<b>Cash flow in investments</b>									
Capital expenditure	-51	-50	-61	-57	-47	-49	-49	-49	-51
Investments in shares and other investments	-1	-1	-4	-1	-82	-6	0	0	-1
Repayment of loan assets	0								
Proceeds from asset disposal	7	1	2	0	0	0	0	0	2
Net cash used in investment	-46	-50	-63	-58	-128	-55	-49	-49	-50
<b>Cash flow after investments</b>	64	39	26	51	-30	37	34	37	47
<b>Cash flow in financing</b>									
Share Buy Backs and sales (net)					5				
Change in long-term debt		-167	-2	296	0	-75	151		
Change in short-term debt	135	50	-90	-184	192	83	-163	-54	129
Repayment of financing leases	-1	-1	-1	-1	-1	-1	-2	-1	-2
Increase in reserve for invested non-restricted equity				0	3		2		1
Acquisition of non-controlling interests w/o a change in control				-4					
Dividends paid	-206			0	-203			-1	-203
Cash flow in financing	-72	-118	-94	107	-5	7	-11	-56	-74
<b>Change in cash and cash equivalents</b>	-8	-79	-68	158	-35	44	22	-19	-27

# Financial situation

EUR million	30 Jun 14	31 Mar 14	31 Dec 13	30 Sep 13	30 Jun 13	31 Mar 13	31 Dec 12	30 Sep 12	30 Jun 12
<b>Interest-bearing debt</b>									
Bonds and notes	590	589	750	750	451	450	525	375	375
Commercial Papers	217	152	101	192	204	179	96	170	198
Loans from financial institutions	216	216	223	224	229	225	221	221	221
Financial leases	33	34	35	36	36	37	37	38	38
Committed credit lines 1)	70	0	0	0	171	0	0	89	115
<b>Interest-bearing debt, total</b>	<b>1 126</b>	<b>992</b>	<b>1 109</b>	<b>1 201</b>	<b>1 090</b>	<b>891</b>	<b>878</b>	<b>892</b>	<b>946</b>
<b>Cash and cash equivalents</b>	<b>51</b>	<b>59</b>	<b>138</b>	<b>206</b>	<b>48</b>	<b>83</b>	<b>40</b>	<b>18</b>	<b>37</b>
<b>Net debt 2)</b>	<b>1 075</b>	<b>933</b>	<b>971</b>	<b>995</b>	<b>1 042</b>	<b>807</b>	<b>839</b>	<b>874</b>	<b>909</b>

1) The committed credit lines are EUR 130 million and EUR 170 million revolving credit facilities with five banks, which

Elisa Corporation may use flexibly on agreed pricing. The loan arrangements are valid until 11 June 2019 and 3 June 2018.

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