INTERIM REPORT

Q2 | 2017

Agenda

CEO’s review

Veli-Matti Mattila, CEO

Financial review

Jari Kinnunen, CFO

CEO’s review

- Q2 2017 financial and operational highlights
- Segment review
- Strategy execution
- Outlook and guidance for 2017

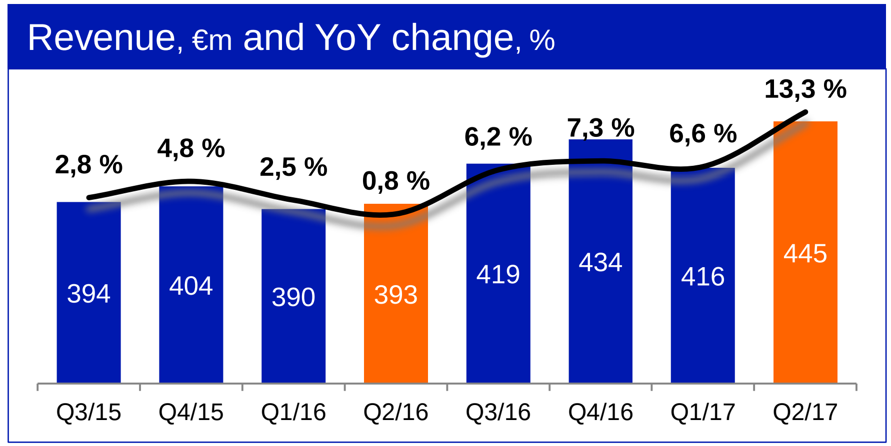
Q2 2017 highlights

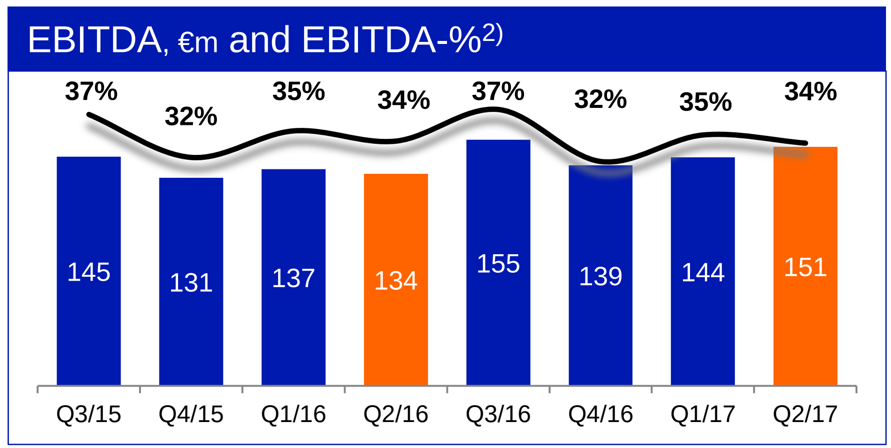
- Again best ever quarter
- Revenue and comparable EBITDA grew by 13%
  - Organic revenue growth was 4%
- Revenue growth and profit improvement continued in both customer segments
- Starman and Santa Monica Networks acquisitions were completed
  - Consolidation started from the beginning of Q2
- Due to EU roaming regulation sustainability mechanism Elisa continues to use unlimited mobile services
  - Lower prices in EU have multiplied the data usage
- Mobile service revenue grew by 5.6%
- Mobile subscription base grew by 29,000, fixed broadband base up by 97,800 due to Estonian acquisition. Finnish base grew by 900.

Q2 2017 financial highlights

Record quarter again – growth in revenue and EBITDA

- Revenue €445m (393)
- EBITDA €148m (134)
  - Comparable EBITDA €151m (134)
- EBIT €88m (81)
  - Comparable EBIT €92m (81)
- Earnings per share €0.70 (0.38)
  - Comparable EPS €0.44 (0.38)
- Net debt / EBITDA 2.1 (1.9)
- CAPEX €64m (56)





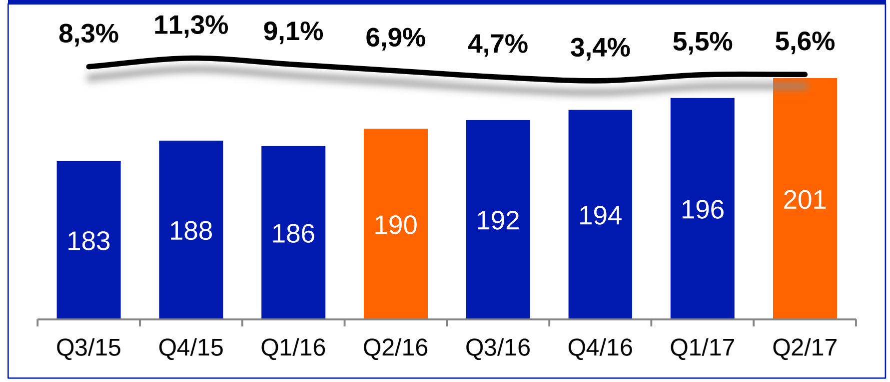
2) Comparable

Q2 2017 operational highlights

Growth in mobile service revenue continued

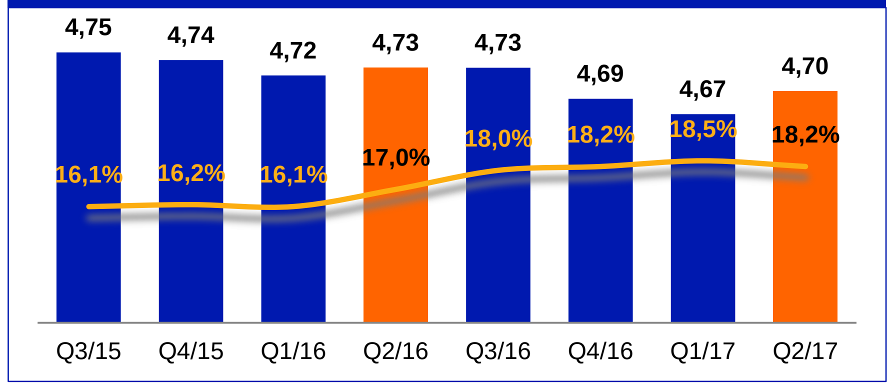
- Mobile service revenue grew by 5.6%
  - Up-selling to higher speeds
  - Good demand for Premium subscriptions
  - Product changes
  - Blended ARPU was €17.7 (16.6)
  - Post-paid voice ARPU €20.1 (18.9)

Mobile service revenue, €m and YoY change, %



- Mobile and fixed broadband bases up, fixed boosted by acquisition
  - Mobile subscription base increased by 29,000
  - Fixed broadband base up by 97,800, of which in Finland 900
  - Churn[1)] 18.2% (17.0)
  - Post-paid voice churn 14.7% (15.5)
- Success of Elisa Viihde continued

Mobile subs, millions and churn[1)], %



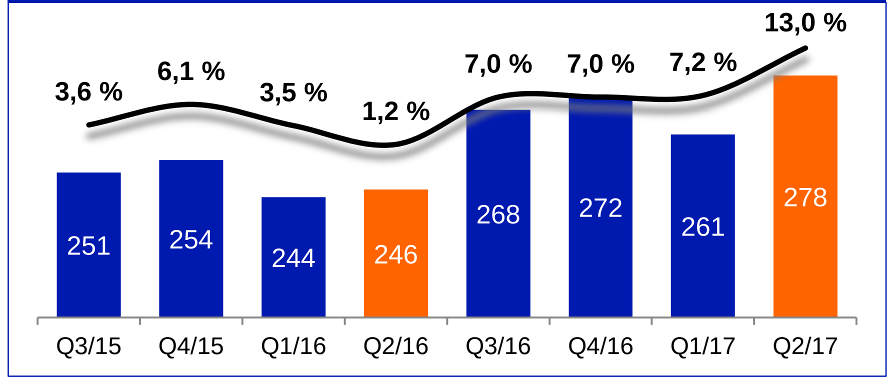
[1)] Annualised

Business segments

Strong growth in revenue and EBITDA

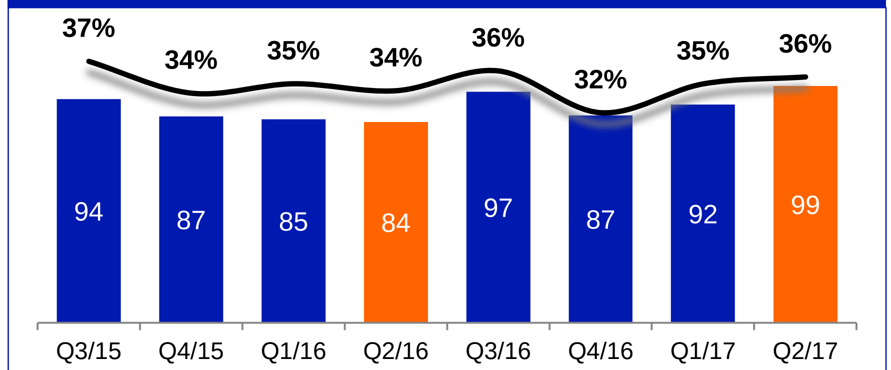
- Revenue €278m (246)
  - Growth in mobile service revenue
  - Recent acquisitions, mobile and digital services as well as equipment sales increased revenue
  - Traditional fixed and interconnection revenue decreased

Revenue, €m and YoY change, %



- EBITDA €97m (84)
  - Comparable EBITDA €99m (84)
  - Revenue growth
  - Productivity improvements
- CAPEX €43m (35)

EBITDA, €m and EBITDA-%[2)]

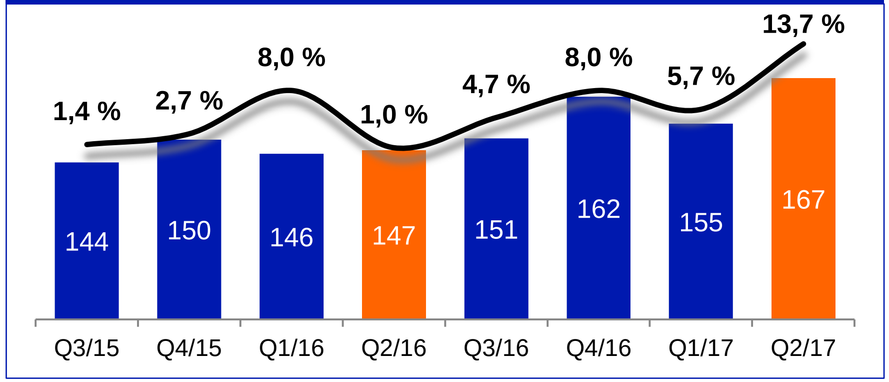


[2)] Comparable

Growth in revenue, profit improvement continued

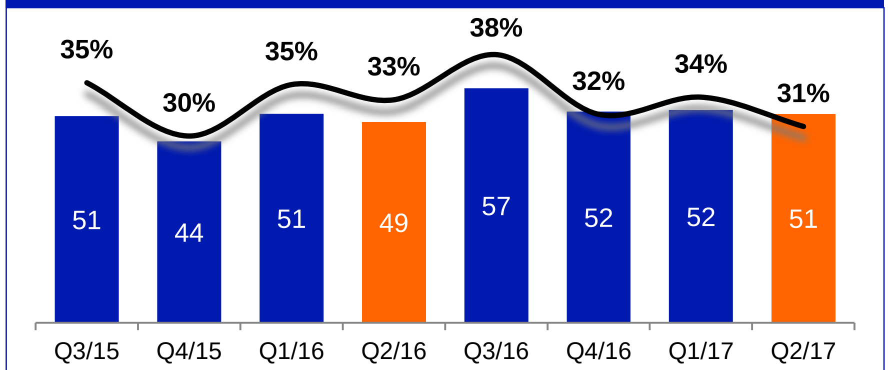
- Revenue €167m (147)
  - Growth in mobile service revenue
  - Recent acquisitions, mobile and digital services as well as equipment sales increased revenue
  - Traditional fixed and interconnection revenue decreased

Revenue, €m and YoY change, %



- EBITDA €50m (49)
  - Comparable EBITDA €51m (49)
  - Revenue growth
  - Productivity improvements
- CAPEX €21m (21)

EBITDA, €m and EBITDA-%[2)]



2) Comparable

Strategy execution

Build value on data

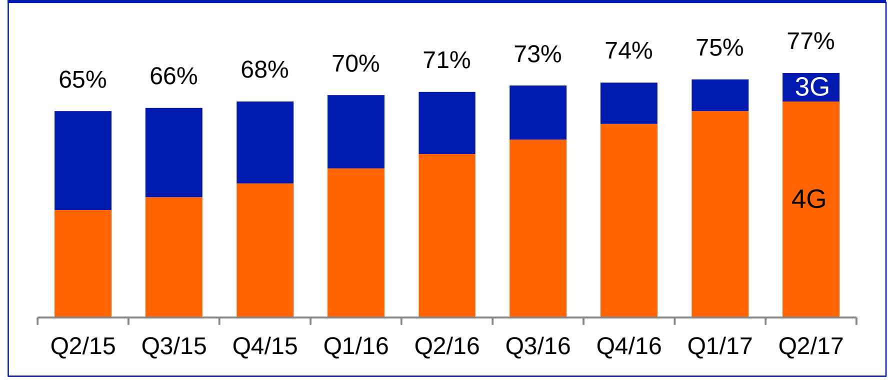
Accelerate digital service businesses

Improve performance with
customer intimacy and operational excellence

Growth in 4G subscriptions has continued

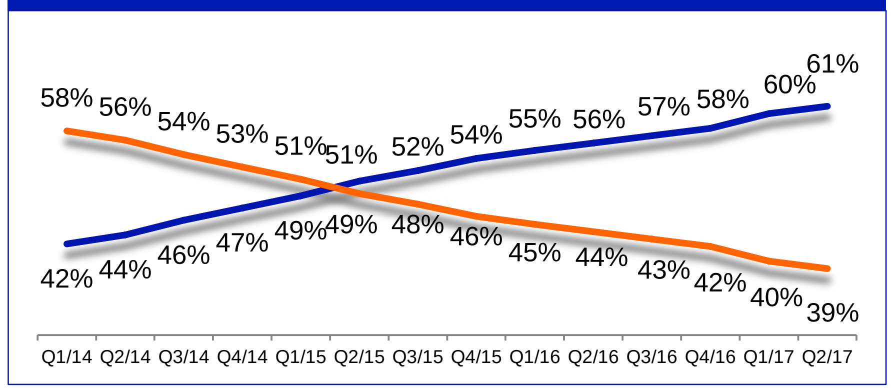
- 77% of customers use a smartphone
  - 88% of smartphones are 4G capable
- 92% of all mobile phones sold were 4G capable smartphones
  - 95% in Q1

3G and 4G smartphone penetration 1), %



- Proportion of data bundles continues to grow
  - 61% 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)

First international original series in Elisa Viihde

- *Arctic Circle,* a Finnish-German drama series is the biggest original series in Elisa Viihde
  - In co-operation with one of the largest production companies in Europe
  - Shooting will begin in Lapland during 2017
- *Pää edellä* sitcom available in August

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5G technology testing continues

- Elisa and Nokia were the first in Europe to test 3.5 GHz band 5G technology
  - Data speeds reached 1.5 Gbps with the lowest latency at 1.5 milliseconds

- First in Finland to test fibre network enabling 10 Gbps broadband speeds
  - Targeted at households
  - Pilot was executed in co-operation with Nokia

Elisa's IoT Smart Factory solution selected in international project

- European 4.0 Transformation Center is a factory area of the future
  - Elisa’s solution is used to develop the production of e.GO electric car factory utilising artificial intelligence and 3D visualisation

- Elisa Innovation Challenge competition turns IoT ideas into international businesses
  - The objective is to use the internet of things and networked devices to resolve everyday problems experienced by consumers, businesses or industries
  - Held for the third time
  - The winner receives EUR 50,000 prize in addition to Elisa’s comprehensive support. The winner is awarded at Slush.

SLUSH

elisa

Unlimited subscriptions available in the EU

- Elisa will continue to offer unlimited mobile data subscriptions thanks to sustainability mechanism of the new EU roaming regulation

- Great demand for new Premium subscriptions
  - Unlimited data usage in the Nordics and Baltics
  - 10 GB in other EU and EEA countries

Recognition of Elisa’s equality

- The only Finnish company in the Gender Equality Global Report Top 10, (#9)
  - The first cross-sector ranking showing how the world's top public companies perform on gender equality
  - Equileap ranked over 3,000 listed companies from 23 countries
  - Ranking covers leadership, career development, work-life balance, equal pay, family leave, as well as health & safety

Outlook and guidance for 2017

Macroeconomic environment is improving but is still expected to stay behind historical average. 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

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CEO’s review

Veli-Matti Mattila, CEO

Financial review

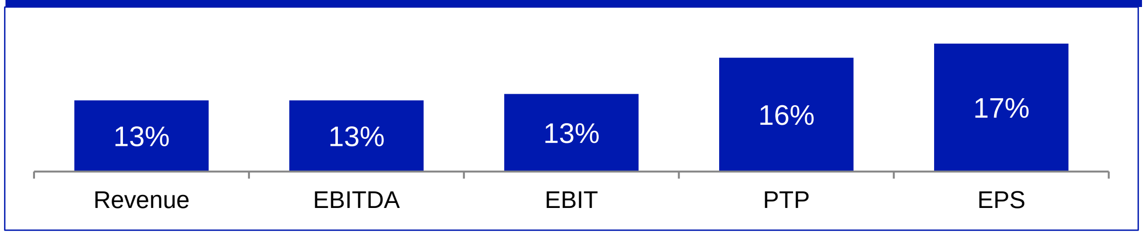
Jari Kinnunen, CFO

Strong revenue and earnings growth continues

- Revenue growth 13%
- EBITDA growth 13%
  - Revenue growth
  - Productivity improvements
  - One-offs, acquisition costs €3m
- Financials
  - Lower interest cost
  - One-offs, sale of Comptel shares €44m
- Taxes
  - H1/17 effective tax rate 15% due to tax free sale of Comptel shares
- EPS increase 17%

EUR million, excluding one-offs	Q2/17	Q2/16	Δ [1)]	H1/17	H1/16	Δ [1)]	Δ %	2016
Revenue	445	393	52	861	783	78	10 %	1 636
EBITDA	151	134	17	294	270	24	9 %	564
EBITDA-%	*33.8*	*34.0*		*34.2*	*34.5*			*34.5*
Depreciation	-59	-53		-114	-105			-215
EBIT	92	81	11	180	165	15	9 %	349
EBIT-%	*20.6*	*20.6*		*20.9*	*21.1*			*21.4*
Net financial items	-5	-6		-9	-12			-21
Profit before tax	87	75	12	171	153	19	12 %	327
Income taxes	-17	-15		-32	-30			-62
Net Profit	70	60	10	139	123	16	13 %	265
EPS, €	0,44	0,38	0,06	0,87	0,77	0,10	13 %	1,66

Q2/17 YoY growth

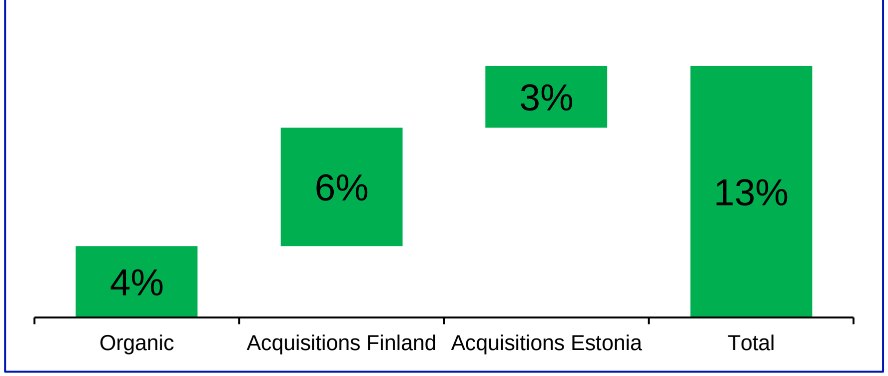


[1)] Difference is calculated using exact figures prior to rounding

Revenue growth boosted by acquisitions

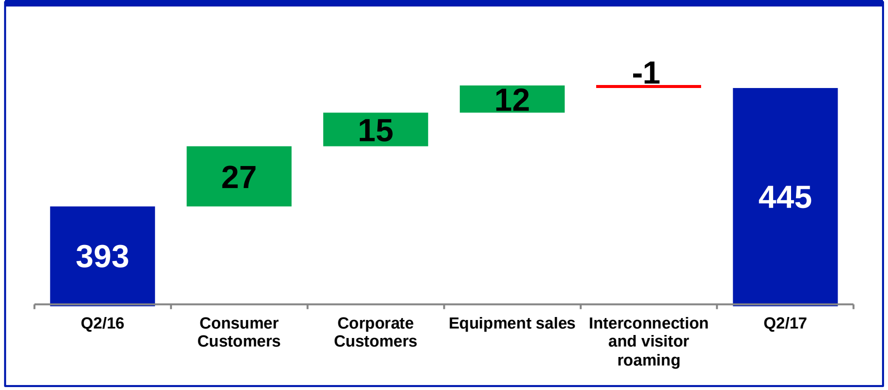
- Competitiveness intact - good organic growth

Revenue YoY growth



- Good development in both segments
  - Anvia, Starman and Santa Monica Networks acquisitions
  - Mobile and digital services
  - Decrease in traditional fixed services*
- Equipment sales up
  - Increased smartphone sales
- Interconnection and visitor roaming flat

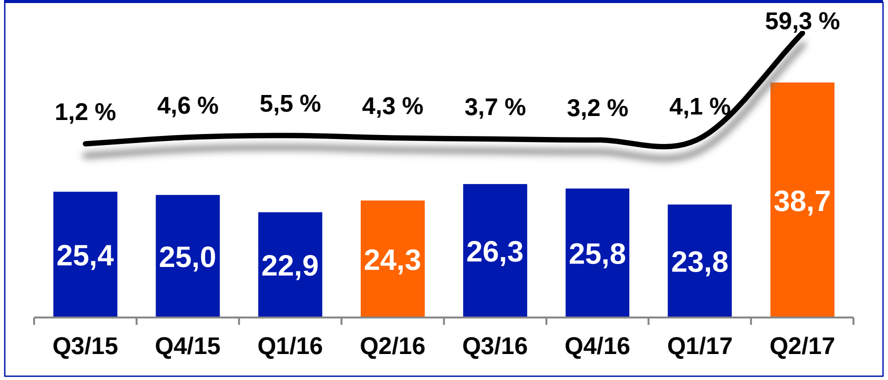
Revenue change Q2 YoY, €52m



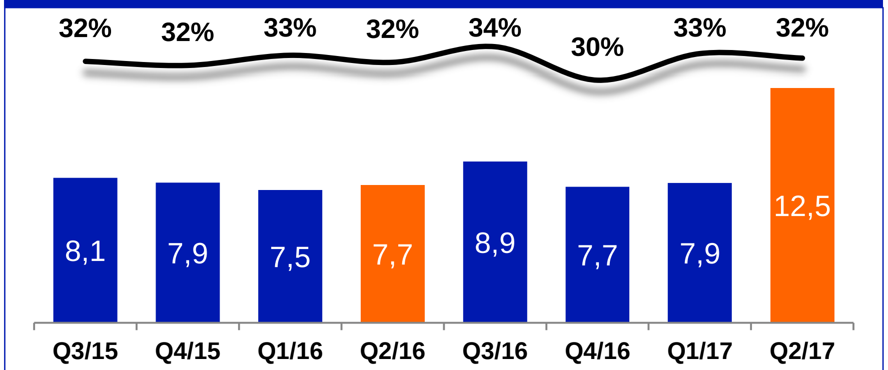
Estonian business to a new level

- Revenue €38.7m (24.3)
  - Starman and Santa Monica Networks (SMN) acquisitions
  - Growth in mobile service revenue and equipment sales
- EBITDA €12.5 (7.7)
  - Acquisitions
  - Mobile service revenue
  - Productivity improvements
- CAPEX €9.3m (2.9)
  - New 2600 MHz frequencies: Q2/17 €4.2m, Q3/17 €1.6m
  - CAPEX/sales 13%[1)]
- Integration of Starman and SMN has started
- Synergy estimates intact
  - Starman €4-6m by end-2019
  - SMN €4-5m by end-2019 (includes SMN Finland)

Revenue, €m and YoY change, %



EBITDA, €m and EBITDA-%



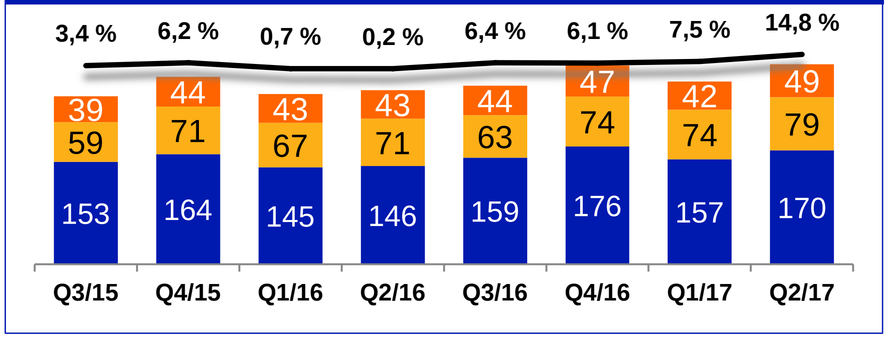
1) Excluding licence fee

Higher expenses due to consolidations

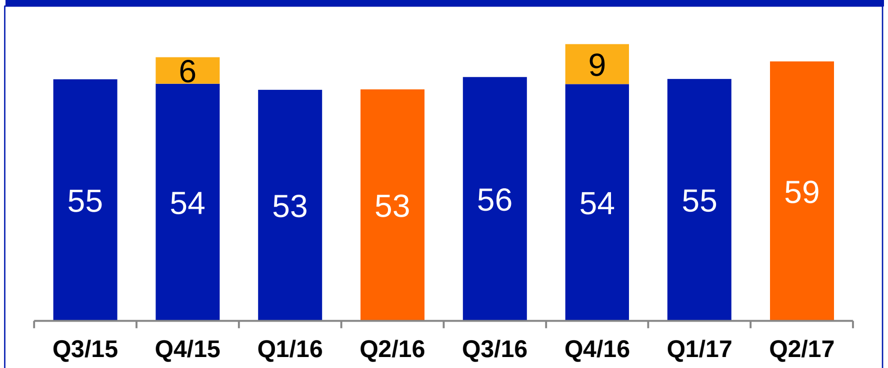
- OPEX increased
  - Acquired companies
  - Equipment purchases
  - Personnel expenses
- OPEX decreased
  - Continuous productivity improvements

- Depreciation
  - Consolidation increased depreciation
  - One-off write down ~€1m

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



Depreciation, €m

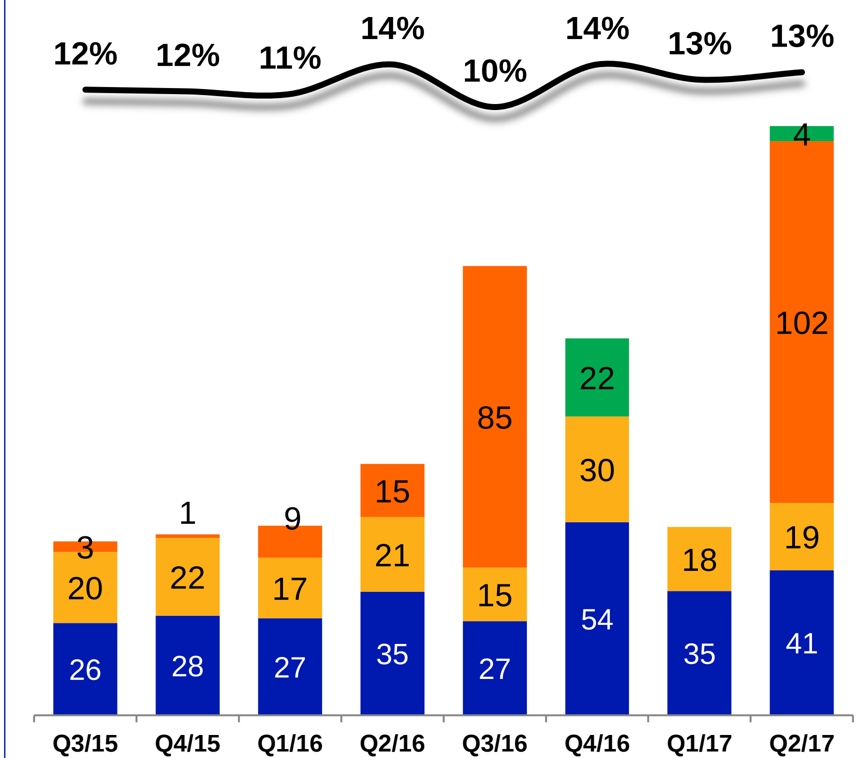


€6m one-off in Q4/15 and €9m one-off in Q4/16

CAPEX according to guidance

- CAPEX €64m (56)
  - Consumer €43m (35)
  - Corporate €21m (21)
  - Includes licence fee EUR 4m
- CAPEX/sales 13%

Consumer (blue), Corporate (yellow), shares 2) (orange) licence (green) €m, CAPEX/sales 3) (black line), %



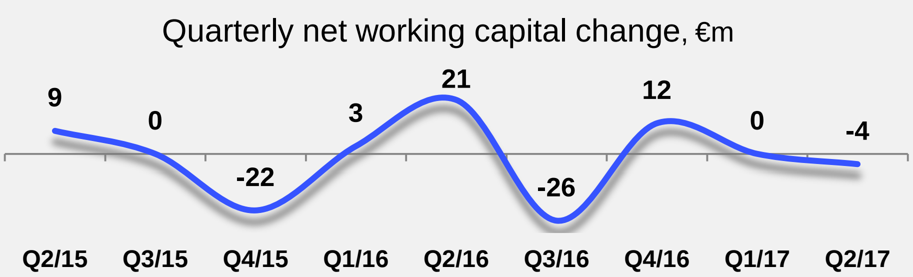
2) Q3/15–Q2/16 includes purchases of Anvia shares, Q3/16 Anvia ICT business, Q4/17 Starman and Santa Monica acquisitions

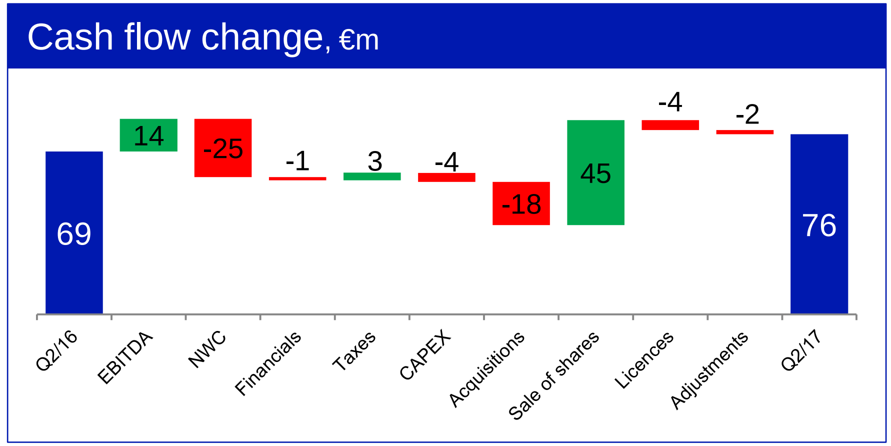
3) CAPEX/sales excluding investments in shares and licence fees

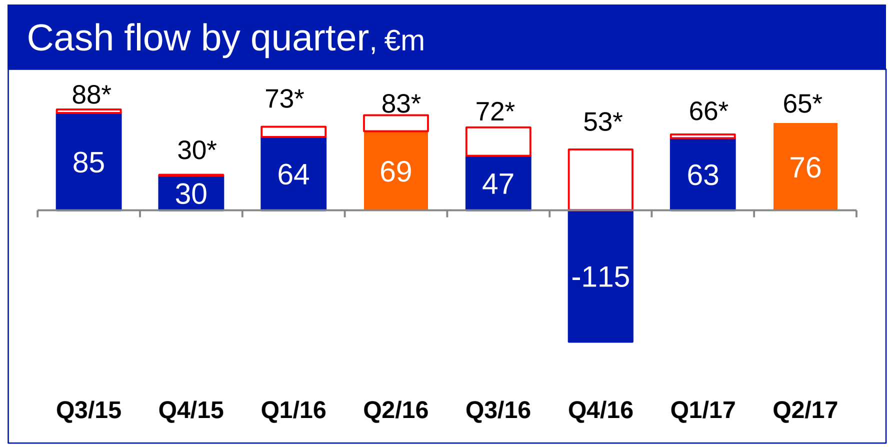
CAPEX allocation between segments changed from Q1/16 onwards

Solid cash flow continuing

- Stable cash flow €76m (69)





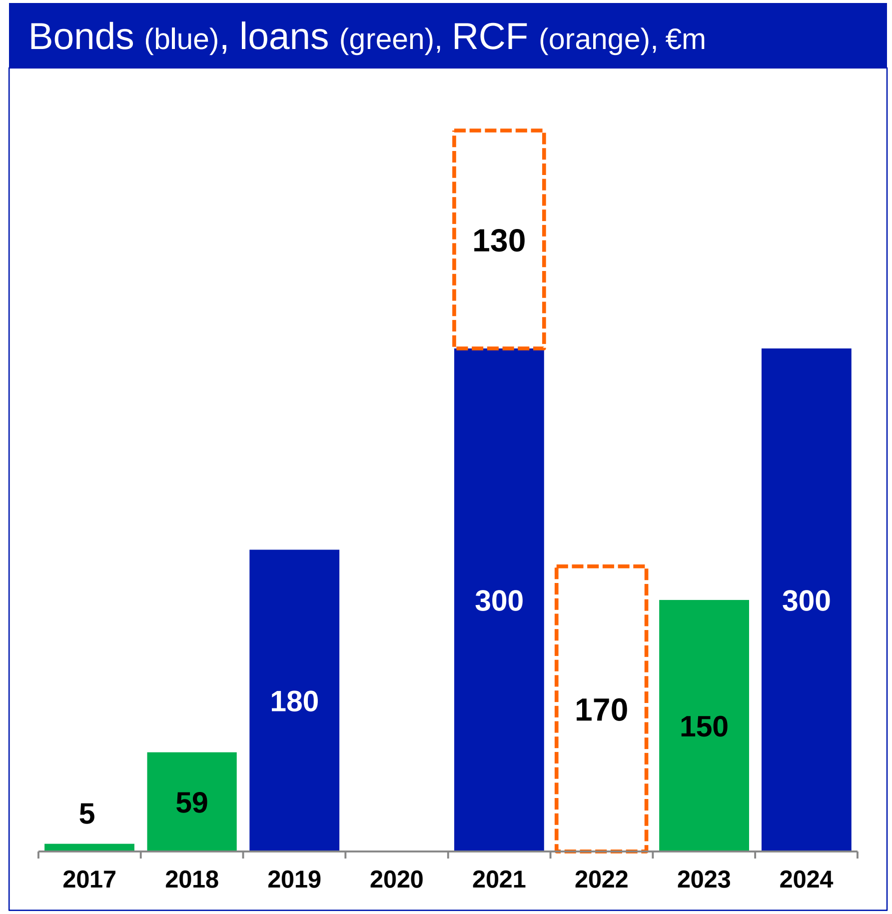


* Excluding investments in shares, licences and share sales

Strong liquidity position

- Cash and undrawn committed credit facilities €335m (275)
    - €277m undrawn from €300m credit facilities
- Commercial paper programme
    - €258m in use as of 30 June 2017
    - Increased to €350m in April
- Revolving Credit Facility renewed
    - €170m RCF was refinanced in July, 5+2 years
- Current average interest 1.6%
- Credit ratings
    - S&P BBB+ Stable outlook
    - Moody's Baa2 Stable outlook

Bonds and bank loan maturities, 30 June 2017 *

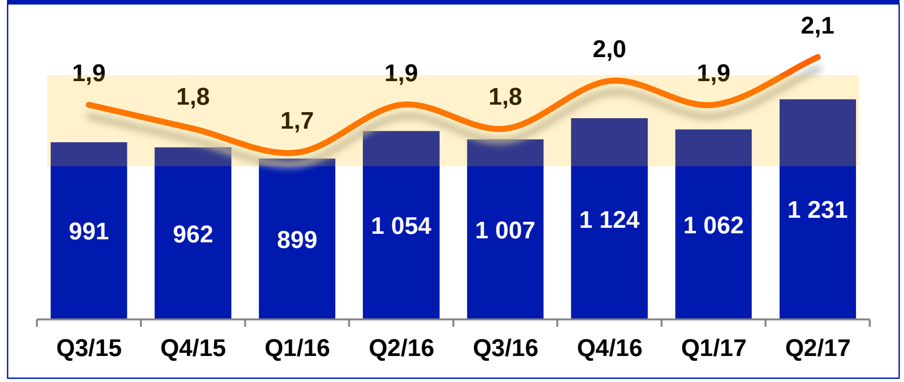


* Except €170m credit facility signed on 7 July 2017

Capital structure

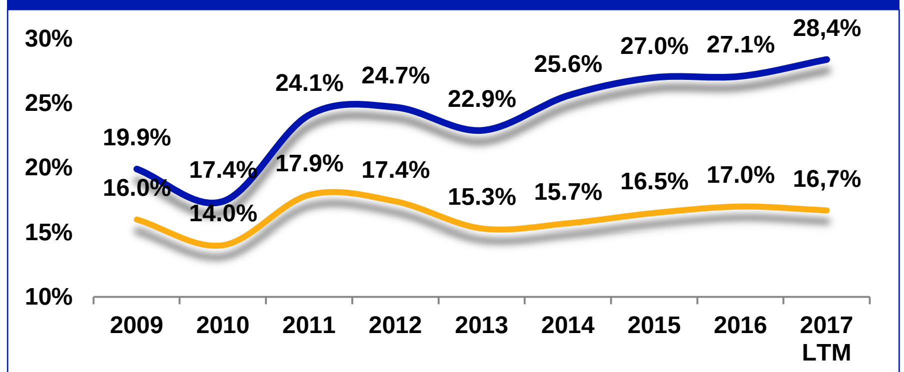
- Net debt/EBITDA temporarily higher
  - Dividend payment in April increased debt
  - Gearing 140%, equity ratio 34%
- Target setting
  - Net debt / EBITDA 1.5–2×
  - Equity ratio >35%

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



- Solid return ratios
  - Improved result
  - Efficient capital structure

ROE (blue line) and ROI (yellow line) 1)

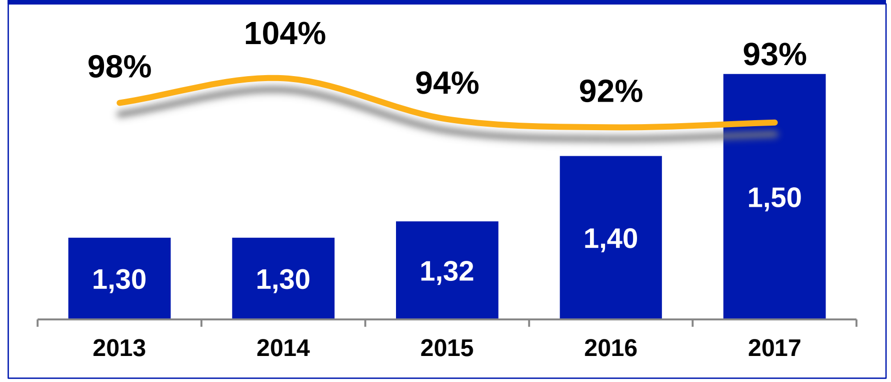


1) Last four quarters profit per average of last four quarters equity. Q2/17 excluding profit for Comptel shares.

Competitive remuneration continues

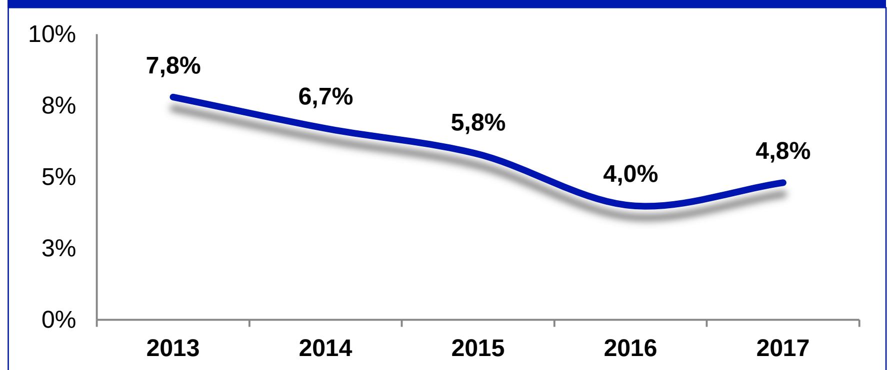
- Dividend €1.50 per share
  - Dividend growth +7.1%
  - Total amount €240m
  - Paid April 2017
- Authorisation for buyback of 5m shares

Dividend (blue) and pay-out ratio



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

Dividend yield



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

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APPENDIX

Cash flow YoY comparison

€ million	Q2/17	Q2/16	Δ1)	Δ%	H1/17	H1/16	Δ1)	Δ%	2016
EBITDA	148	134	14	10 %	291	270	21	8 %	563
Change in receivables	-23	19	-42		-11	21	-33		-3
Change in inventories	-8	3	-12		-6	10	-15		1
Change in payables	28	-2	29		13	-7	20		12
Change in NWC	-4	21	-25		-4	23	-28		9
Financials (net)	0	2	-1	-82 %	-10	-8	-2	20 %	-16
Taxes for the year	-14	-13	-1		-28	-25	-3		-65
Taxes for the previous year	2	-3	5		2	-3			
Taxes	-12	-15	3	-21 %	-26	-28	2	-7 %	-65
CAPEX	-59	-56	-4	7 %	-111	-100	-11	11 %	-202
800, 700 and 2600 MHz licences 2)	-4		-4		-9		-9		-7
Investments in shares 3)	-33	-15	-18		-37	-24	-13		-49
Starman acquisition 4)									-167
Sale of shares (Mainly Comptel)	45		45		45	1			
Sale of assets and adjustments	-3	-2	-2		-2		-2		-1
Cash flow after investments	76	69	7	10 %	139	133	6	5 %	65
Cash flow after investments excl. acquisitions 5)	65	83	-19	-22 %	131	156	-25	-16 %	281

1) Difference is calculated using exact figures prior to rounding
2) 800 MHz LTE licence 2016 €7m and 700 MHz licence Q1/17 €4m in Finland, 2600Mhz licence €4m Q2/17 in Estonia
3) Investment in Anvia in 2016 and Starman, Santa Monica and Tampereen Tietoverkko
4) Starman acquisition finance arrangement
5) Excluding Anvia shares and Starman, Santa Monica Networks acquisitions, Tampereen Tietoverkko share purchases and sale of Comptel and other shares.

Cash flow by quarters

€ million	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
EBITDA	148	144	139	154	134	137	128	145
Change in receivables	-23	12	6	-30	19	2	10	-22
Change in inventories	-8	3	-2	-7	3	6	-12	4
Change in payables	28	-15	8	11	-2	-6	-20	18
Change in NWC	-4	0	12	-26	21	3	-22	0
Financials (net)	0	-10	-7	-1	2	-10	-8	1
Taxes for the year	-14	-14	-22	-15	-13	-13	-15	-13
Taxes for the previous year	2		0	0	-3			
Taxes	-12	-14	-22	-15	-15	-13	-15	-13
CAPEX	-59	-51	-61	-42	-56	-44	-48	-45
700/800/2600 MHz licence fees	-4	-4	-7	0			-7	
Investments in shares	-33	-3	-1	-25	-15	-9	-1	-3
Starman acquisition			-167					
Sale of shares	45							
Sale of assets and adjustments	-3	3	-2	3	-2	-1	2	2
Cash flow after investments	76	63	-115	47	69	64	30	85
Cash flow after investments excl. acquisitions	65	66	53	72	83	73	30	88

APPENDIX

Debt structure

€ million, at the end of the quarter	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15
Bonds and notes	766	765	594	594	593	593	592	592
Commercial papers	258	193	199	201	215	146	171	229
Loans from financial institutions	216	215	218	219	195	195	200	200
Financial leases	26	25	26	25	26	27	28	29
Committed credit lines [1)]	23	80	130	0	80	0	0	0
Interest-bearing debt, total	1,289	1,278	1,169	1,040	1,109	961	991	1,050
Cash and cash equivalents	58	216	44	33	55	61	29	59
Net debt [2)]	**1,231**	**1,062**	**1,124**	**1,007**	**1,054**	**899**	**962**	**991**

[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. €170m facility maturing on 3 June 2018 was refinanced on 7 July 2017 with five banks and it matures July 2022.

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