



elisa

Interim Report Q2 2019

12 JULY 2019

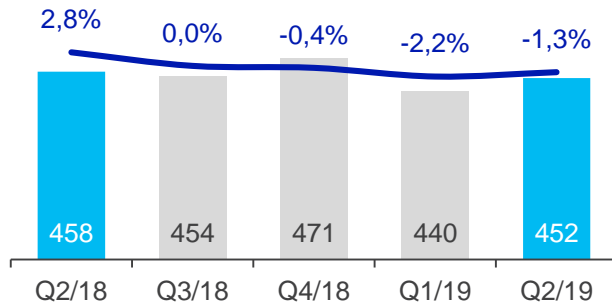
Q2 2019 highlights

- Revenue slightly down
 - Equipment sales, interconnection revenue
- Growth in comparable EBITDA
- Mobile service revenue growth 1.9%
 - Up-selling continues
- Post-paid voice churn slightly down from 19.7% to 18.0%
 - Competition remained keen, campaigning continued
- Post-paid mobile subscriptions up by 27,200; fixed broadband down by 5,100
- Polystar acquisition completed
- Sale of 5G services started, first phones and subscriptions in commercial use

Slight EBITDA growth despite keen competition

Revenue

● Revenue, €m — YoY change.%

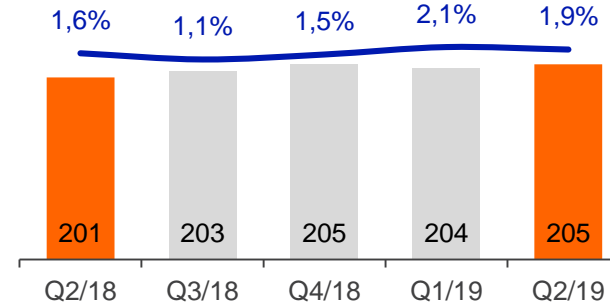


Decrease

- Equipment sales
- Interconnection and roaming revenue
- Divestments

Mobile service revenue

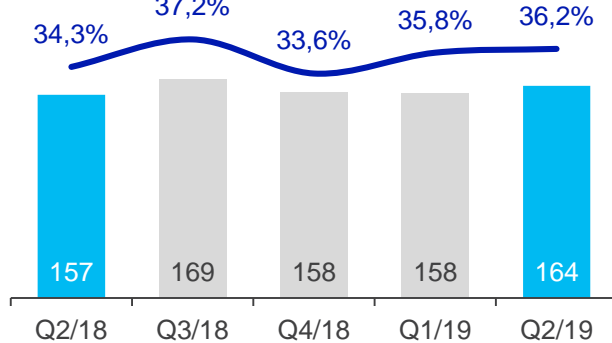
● MSR, €m — YoY change.%



- 4G up-selling continues
- Product changes
- Price decreases in large corporates

EBITDA¹⁾

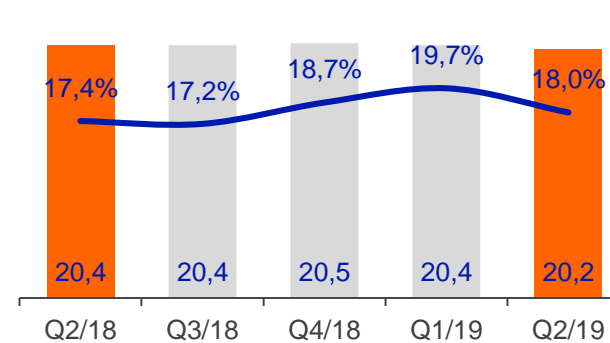
● EBITDA, €m — EBITDA-%



- IFRS 16
- Efficiency improvements

ARPU and churn²⁾

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



- Price decreases in large corporates
- Lower interconnection prices
- Campaigning continues

1) Comparable

2) Finland, churn annualised

Growth in EBITDA, slight revenue decrease

Consumer Customers

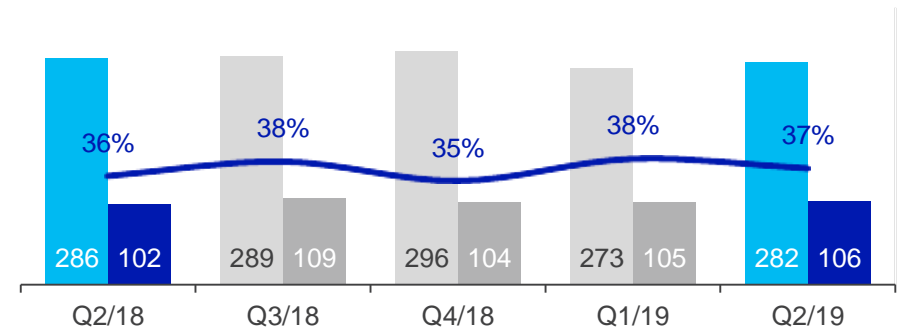
Revenue -1%

- Equipment sales
- Interconnection and roaming revenue
- Divestments and traditional fixed services
- + Mobile and digital services

EBITDA +3%¹⁾

Revenue and EBITDA¹⁾

● Revenue, €m ● EBITDA, €m — EBITDA-%



Corporate Customers

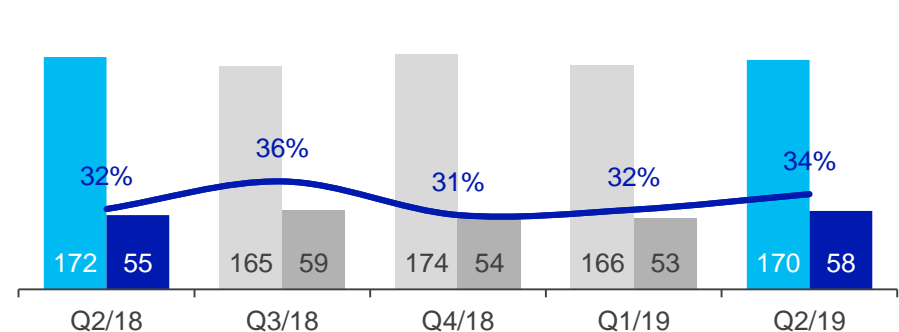
Revenue -1%

- Equipment sales and interconnection revenue
- Mobile services
- Divestments and traditional fixed services
- + Domestic digital services and Polystar acquisition

EBITDA +6%¹⁾

Revenue and EBITDA¹⁾

● Revenue, €m ● EBITDA, €m — EBITDA-%



1) Comparable

Strategy execution

Increase mobile and fixed service revenues

Grow digital service businesses

Improve efficiency and quality

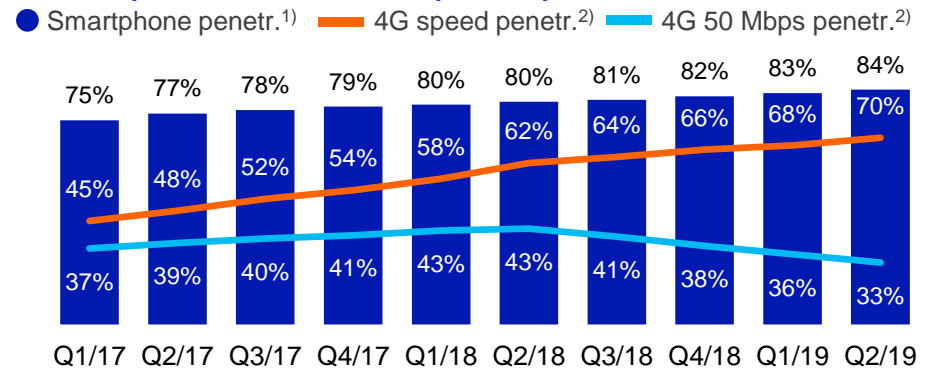


Steady growth in 4G and up-selling continues

Growth in 4G smartphone penetration

- 84% of customers use a smartphone
 - 97% (94%) 4G-capable
- 70% of the voice subs at 4G speeds
 - 3G to 4G up-selling continues, 5G started
 - Up-sell from 4G 50 Mbps to higher speeds continues

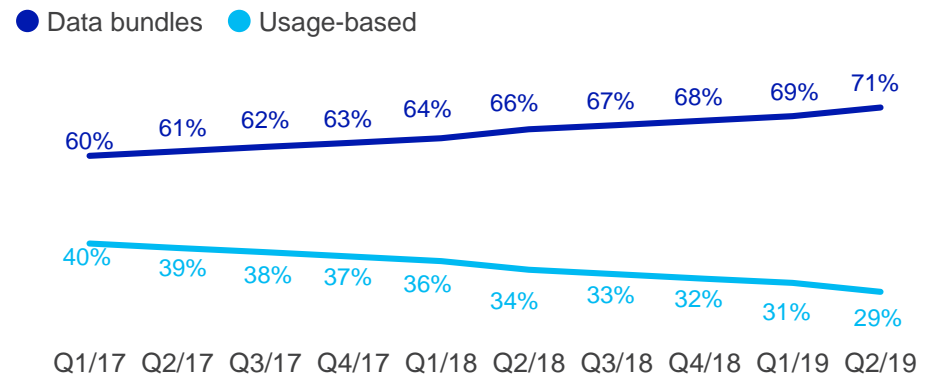
Smartphone and 4G speed penetration, %



Proportion of data bundles continue to grow

- 71% of subscriptions²⁾ fixed-monthly-fee, “all-you-can-eat” bundles
 - Old subs migrate to new unlimited ones
- Strong demand for premium subscriptions with unlimited usage in Nordics and Baltics

Subscription²⁾ split



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

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



Leading the way in 5G introduction

- Presales of Huawei, OnePlus, HTC and ZTE devices started
- Sales of 5G mobile broadband subscriptions started
 - 600 Mbps at EUR 34.90 per month
 - 1 Gbps at EUR 44.90 per month
 - First phones and subscriptions sold and in commercial use
- Widest 5G coverage in the Nordics in the city of Turku, 5G network also in Helsinki, Tampere and Jyväskylä
- Actively enabling 5G for new services and innovations
 - Startups develop 5G services in Elisa Co-Creation Challenge
 - 5G introduced in 4K TV broadcasts first in Finland
 - IoT collaboration with more than 100 B2B customers



Expansion of digital service businesses continued

Domestic digital services

- *Arctic Circle* original series has been sold to more than 20 countries. It will be seen in European TV channels, including German public broadcaster ZDF.
- Success of Elisa Viihde original series continued with *All the Sins*
- Elisa Viihde eSport expanding: CS:GO-game reached over 450,000 viewers on Twitch in May alone

International digital services

- Elisa acquired Polystar, a Swedish analytics and assurance software company, to speed up the growth of the Elisa Automate business
- Elisa Smart Factory continued to grow its customer base in Q2 and released new solutions in its offering

Outlook and guidance for 2019

The positive development of the macroeconomic environment is decelerating in Finland. Competition remains challenging.

- Revenue same level or slightly higher than in 2018
- Comparable EBITDA same level or slightly higher than in 2018
- CAPEX maximum 12% of revenue



Financial performance

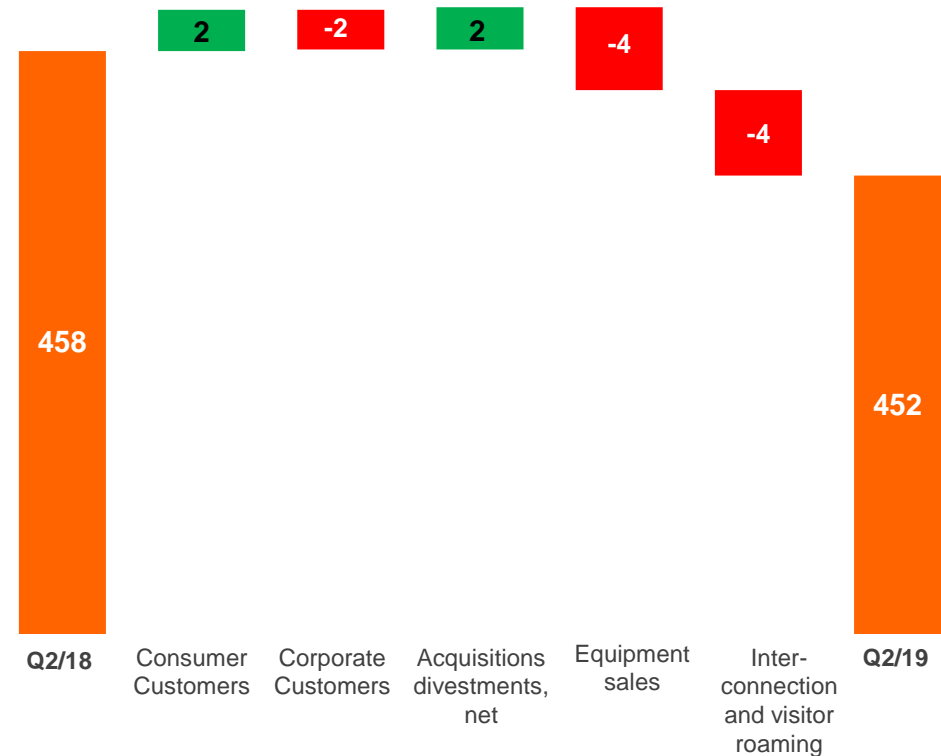
INTERIM REPORT Q2 2019

Growth in EBITDA, slight decrease in revenue

EUR million ¹⁾	Q2/19	Q2/18	Change	%
Revenue	452	458	-5.9	-1.3 %
Other operating income	1	1	0.5	100.0 %
Materials and services	-169	-176	7.7	-4.4 %
Employee expenses	-78	-77	-1.2	1.6 %
Other operating expenses	-42	-48	5.7	-12.0 %
EBITDA	164	157	6.8	4.4 %
<i>EBITDA %</i>	<i>36.2 %</i>	<i>34.3 %</i>		
Depreciation	-67	-59	-7.5	12.7 %
EBIT	97	98	-0.7	-0.7 %
<i>EBIT %</i>	<i>21.4 %</i>	<i>21.3 %</i>		
Financial expenses net	-5	-6	0.1	-2.2 %
Profit before tax	91	92	-0.6	-0.6 %
Net profit	75	75	0.2	0.3 %
EPS (EUR)	0.47	0.47	0.00	0.2 %

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

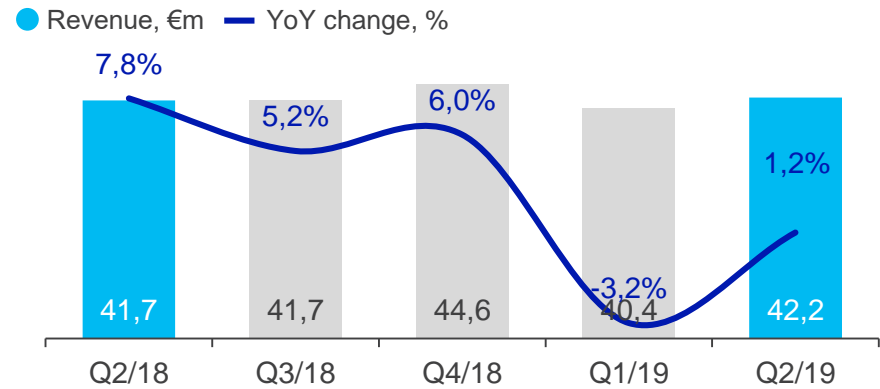
Q2 2019 revenue change YoY, €-6m



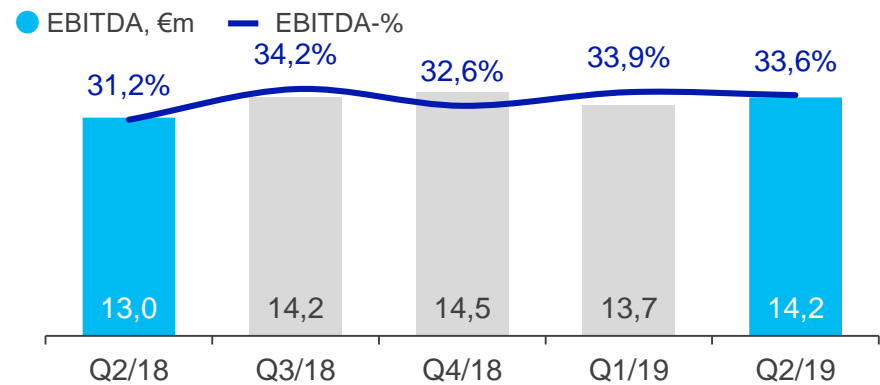
Solid performance in Estonia

- Revenue and EBITDA improved
 - Mobile and fixed services growing
 - Post-paid voice churn 7.9% (7.7 in Q1)
 - Mobile post-paid base +1,700, pre-paid -3,200

Revenue



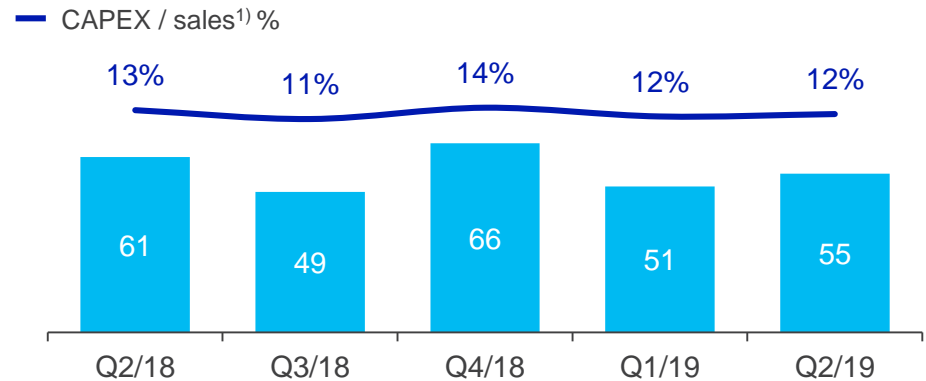
EBITDA



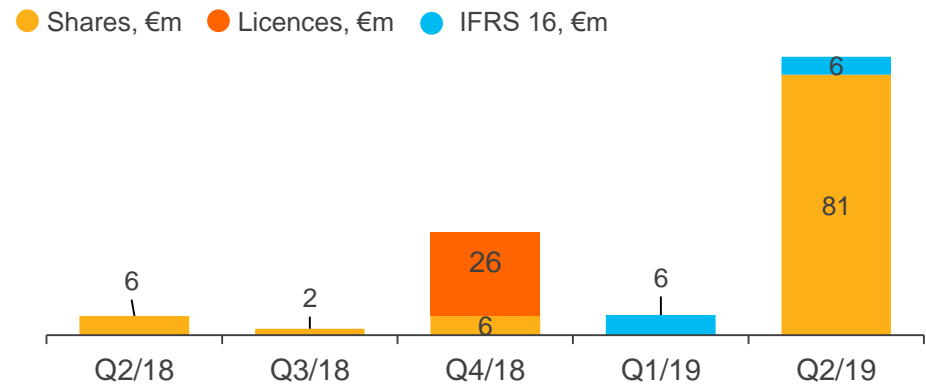
CAPEX in line with guidance

- CAPEX €61m, excl. IFRS 16 change €55m (61)
 - Consumer €41m (41)
 - Corporate €20m (20)
- Main CAPEX areas
 - 4G capacity and coverage increases
 - Other network and IT investments
- Investments in shares
 - Polystar acquisition

CAPEX¹⁾



Shares, licences and rental agreements (IFRS 16)



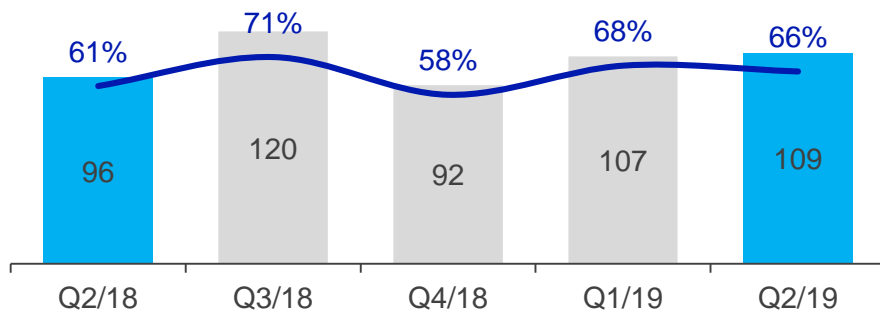
¹⁾ Investoinnit ilman osake, lisenssi ja vuokrasopimuksia (IFRS 16)

Strong growth in comparable cash flow

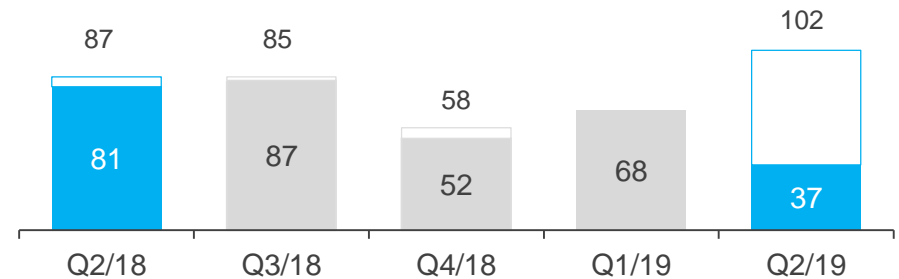
- Cash flow €37m (81), comparable €102 (87)
 - Comparable cash flow growth +17%
 - Positive change in NWC, lower CAPEX
 - IFRS 16 impact +€4m
- Comparable H1 cash flow €170m (140) +22%

Cash conversion

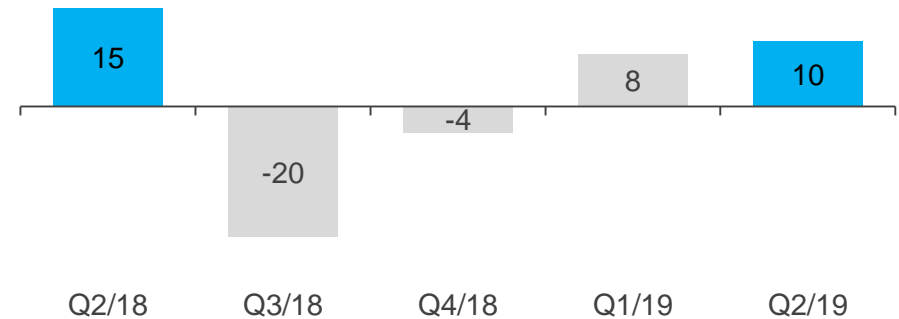
● Operative cash flow, €m¹⁾ — (EBITDA-CAPEX) / EBITDA, %¹⁾



Cash flow and comparable cash flow, €m



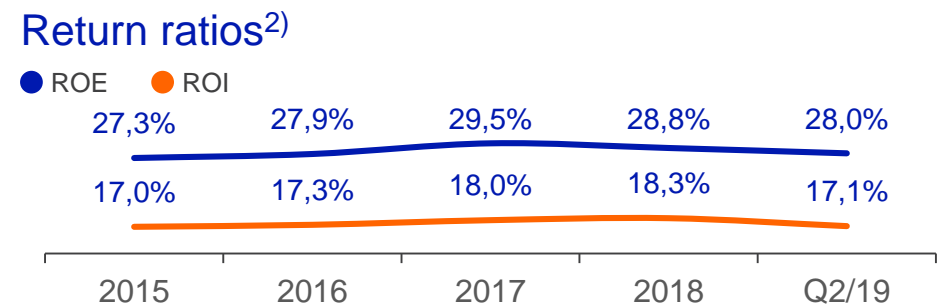
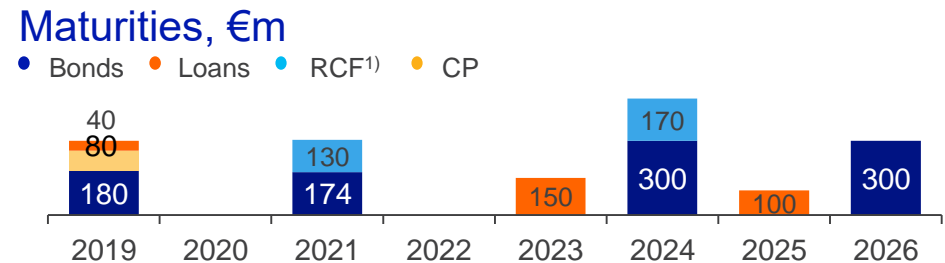
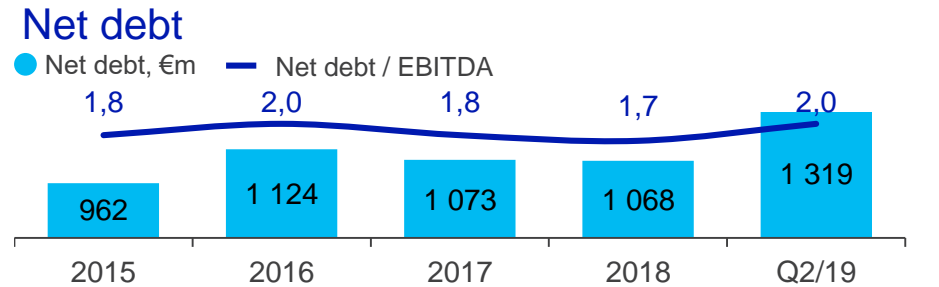
Change in net working capital, €m



¹⁾ Comparable EBITDA – CAPEX excluding investments in shares, licences and finance leases (IFRS 16)

Efficient capital structure and good returns

- Capital structure according to target
 - Net debt / EBITDA 2.0x (target 1.5–2x)
 - Equity ratio 35.3% (target >35%)
 - IFRS 16 impact on assets and interest bearing debt +€70m, net debt / EBITDA +0.1x
- Return ratios at good level
 - Efficient capital structure



¹⁾ RCFs are fully undrawn

²⁾ Comparable, 2017 excluding sale of Comptel shares

Polystar complementary to Elisa Automate offering

Acquisition

- Purchase price (EV) EUR 70m
 - Additional purchase price max. EUR 5m if growth targets are achieved
- Revenue EUR 38m based on FY ending 4 2019
- EBIT EUR 6.4m
- Consolidation 1 June 2019 onwards
- EPS positive from day one
- No impact on mid-term targets nor dividend payment capabilities

Polystar OSIX Group

- Headquarters in Stockholm
- >100 customers in 50 countries
- 200 employees
- Subsidiaries in USA, Canada, Australia, Singapore and Russia



Q&A

APPENDIX

P&L by quarter

EUR million	Q2/19	Q1/19	Q4/18	Q3/18	Q2/18	Q1/18	Q4/17	Q3/17
Revenue	451.6	439.7	470.6	453.9	457.5	449.6	472.5	453.9
<i>YoY growth</i>	-1.3 %	-2.2 %	-0.4 %	0.0 %	2.8 %	8.1 %	8.9 %	8.4 %
Other operating income	1.1	0.7	0.9	1.8	6.0	1.1	2.6	1.5
Materials and services	-168.8	-160.5	-185.1	-172.9	-176.5	-170	-190.2	-178.6
Employee expenses	-82.0	-83.5	-80.3	-69.8	-79.6	-81.7	-82.5	-68.1
Other operating expenses	-42.8	-41.4	-47.9	-44.2	-47.6	-45.6	-51.3	-43.5
EBITDA	159.2	155.1	158.1	168.7	159.8	153.4	151.2	165.3
<i>EBITDA %</i>	35.2 %	35.3 %	33.6 %	37.2 %	34.9 %	34.1 %	32.0 %	36.4 %
<i>YoY Growth</i>	-0.4 %	1.1 %	4.6 %	2.1 %	8.3 %	6.7 %	8.9 %	7.4 %
Comparable EBITDA	163.6	157.5	158.1	168.7	156.8	155.6	153.6	165.3
<i>YoY Growth</i>	4.4 %	1.2 %	3.0 %	2.1 %	4.1 %	8.3 %	10.7 %	6.2 %
<i>Comparable EBITDA %</i>	36.2 %	35.8 %	33.6 %	37.2 %	34.3 %	34.6 %	32.5 %	36.4 %
Depreciation, amortisation and impairment	-66.8	-65.1	-59.7	-59.0	-59.2	-58.3	-58.6	-56.8
EBIT	92.4	90.0	98.4	109.8	100.6	95.1	92.6	108.5
Comparable EBIT	96.8	92.4	98.4	109.8	97.5	97.3	95.0	108.5
Financial income	1.6	3.6	0.6	0.6	0.7	0.5	0.5	1.0
Financial expense	-6.9	-10.8	-6.3	-6.3	-6.2	-6.2	-6.4	-5.9
Share of associated companies' profit	0.0	-0.1	-0.2	-0.1	0.0	0.0	-0.1	0.0
Profit before tax	87.0	82.7	92.6	104.0	95.0	89.4	86.6	103.6
Comparable profit before tax	91.4	85.1	92.6	104.0	92.0	91.6	89.0	103.6
Income taxes	-15.8	-14.0	-13.4	-19.1	-17.5	-15.0	-15.1	-19.1
Profit for the period	71.2	68.7	79.2	84.8	77.6	74.4	71.5	84.6
Comparable Profit	74.9	70.6	75.9	84.8	74.7	76.2	73.5	84.6
Earnings per share (EUR)	0.45	0.43	0.49	0.53	0.49	0.47	0.45	0.53
Comparable EPS	0.47	0.44	0.47	0.53	0.47	0.48	0.46	0.53
<i>YoY Growth</i>	0.2 %	-7.4 %	3.0 %	0.1 %	6.2 %	11.2 %	13.1 %	10.7 %

Cash flow YoY comparison

EUR million	Q2/19	Q2/18	Change ¹⁾	2018
EBITDA	159	160	-1	640
Change in receivables	5	19	-14	6
Change in inventories	-1	1	-2	3
Change in payables	5	-5	10	-30
Change in NWC	10	15	-5	-21
Financials (net)	0	0	0	-17
Taxes for the year	-17	-15	-1	-69
Taxes for the previous year	4	1	3	1
Taxes	-13	-14	2	-68
CAPEX	-55	-64	9	-226
800, 700, 2.600 and 3.500 MHz licences ²⁾			0	-10
Investments in shares ³⁾	-65	-6	-59	-11
Sale of shares			0	1
Sale of assets and adjustments	1	-9	10	-17
Cash flow after investments	37	81	-43	272
Cash flow after invest. excl. acquisitions ⁴⁾	102	87	15	282

1) Difference is calculated using exact figures prior to rounding

2) €4m 700 MHz in Q1/18 and Q1/19, €5m 3.5 GHz Q4/18 in Finland.

3) Kepit Systems, Ukkonet, Fenix Solutions and Lounea in 2018, Polystar and Lounea Q2/19.

4) Excluding share purchases and sale of shares.

Cash flow by quarter

EUR million	Q2/19	Q1/19	Q4/18	Q3/18	Q2/18	Q1/18	Q4/17	Q3/17
EBITDA	159	155	158	169	160	153	151	165
Change in receivables	5	9	4	-23	19	7	-33	-15
Change in inventories	-1	6	-7	2	1	7	-5	0
Change in payables	5	-7	-1	2	-5	-26	36	-4
Change in NWC	10	8	-4	-20	15	-12	-1	-20
Financials (net)	0	-16	-5	0	0	-12	-5	-1
Taxes for the year	-17	-16	-21	-17	-15	-15	-21	-16
Taxes for the previous year	4	-2	0		1	0	0	0
Taxes	-13	-18	-21	-17	-14	-15	-21	-16
CAPEX	-55	-50	-65	-45	-64	-52	-71	-57
700/800/2,600/3,500 MHz licence fees		-4	-5			-4	-7	-2
Investments in shares	-65	0	-6	0	-6	0	0	-3
Sale of shares							0	0
Sale of assets and adjustments	1	-6	-1	0	-9	-7	1	0
Cash flow after investments	37	68	52	87	81	52	48	113
Cash flow after investments excl. acquisition:	102	68	58	85	87	52	48	71

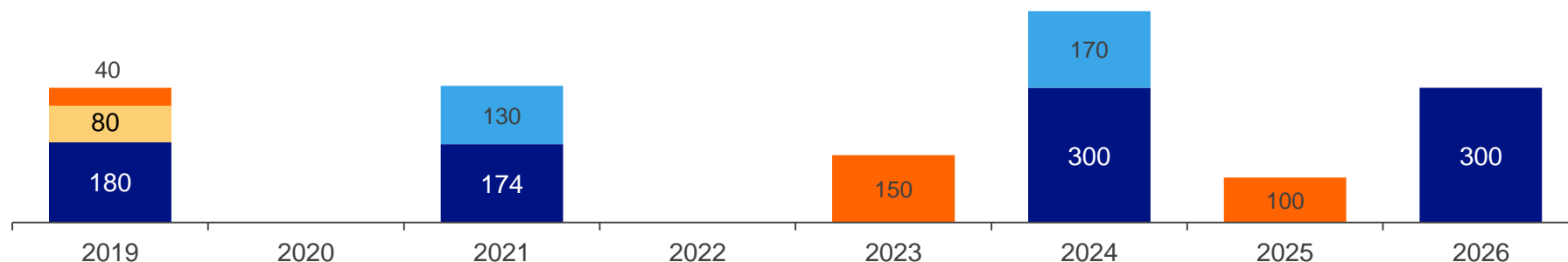
Debt structure

EUR million at the end of the quarter	Q2/19	Q1/19	Q4/18	Q3/18	Q2/18	Q1/18	Q4/17	Q3/17
Bonds and notes	941	939	767	766	764	763	767	766
Commercial papers	80	10	107	179	267	151	115	207
Loans from financial institutions	290	250	250	200	205	205	209	210
Financial leases ¹⁾	93	90	25	25	26	26	26	26
Committed credit lines ²⁾	0	0	0	0	0	0	0	0
Interest-bearing debt. total	1,404	1,290	1,149	1,170	1,261	1,145	1,117	1,209
Cash and cash equivalents	85	215	81	52	60	127	44	91
Net debt ³⁾	1,319	1,075	1,068	1,118	1,201	1,018	1,073	1,118

- 1) Financial leases classified as interest bearing debt according IFRS 16 from Q1/19 onwards
- 2) The committed credit lines are €130m and €170m facilities which Elisa may use flexibly on agreed upon pricing
- 3) Net debt is interest-bearing debt less cash and interest-bearing receivables

Nominal values of bond, bank loan and CP maturities, 30 June 2019

● Bonds ● Loans ● RCF¹⁾ ● CP



1) RCFs are fully undrawn



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Forward-looking statements

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