



elisa

Q3 2018

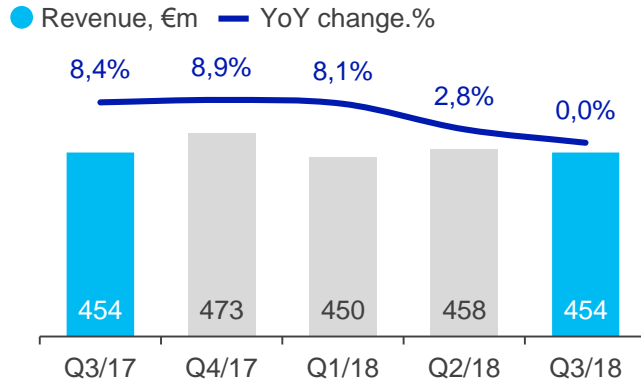
18 OCTOBER 2018

Q3 2018 highlights

- Record quarter again
- Revenue at the previous year's level
 - Divestments
 - Growth in mobile and digital services
- EBITDA growth 2%
- Both domestic and international digital service businesses progressing well
- Mobile service revenue growth 1%
 - Up-selling continues, but campaigns have decelerated growth. Good demand for Premium subscriptions.
- Post-paid voice churn down from 17.4% to 17.2%
- Mobile post-paid subs +8,400, pre-paid +8,000, fixed broadband +2,000
- Elisa opened 5G network in Helsinki. 5G-ready networks already in five Finnish cities, and in Tallinn Estonia.
- Guidance for 2018 upgraded

EBITDA growth continued

Revenue

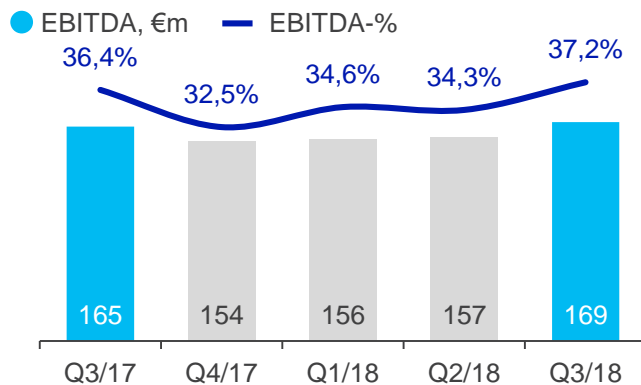


Divestments

Growth

- Mobile and digital services
- Estonia

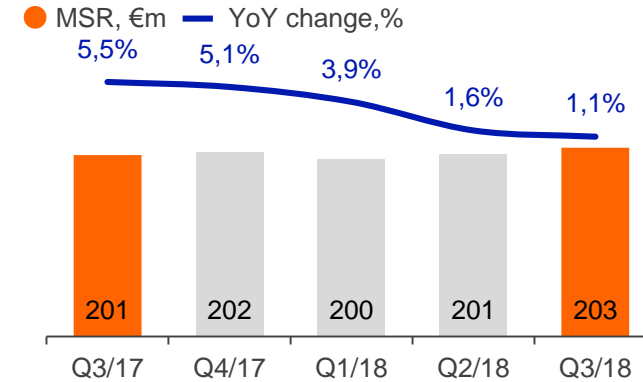
EBITDA¹⁾



- Efficiency improvements

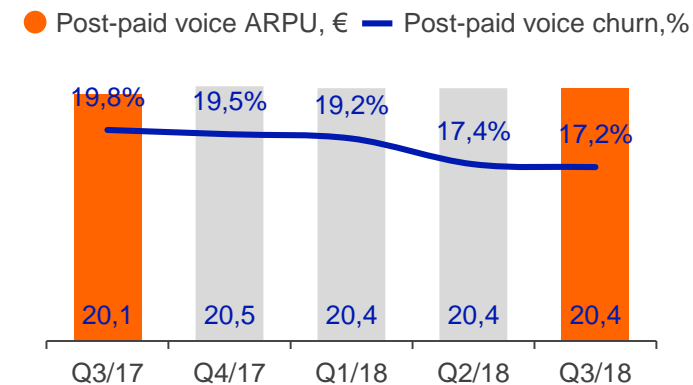
1) Comparable

Mobile service revenue



- 4G up-selling continues
- Campaigns have decelerated growth
- Product changes

ARPU and churn²⁾



- Up-selling and lower MSR growth
- Campaigning continues

2) Finland, churn annualised

Solid growth in consumer EBITDA

Divestments and investments in digital services impacted corporate EBITDA

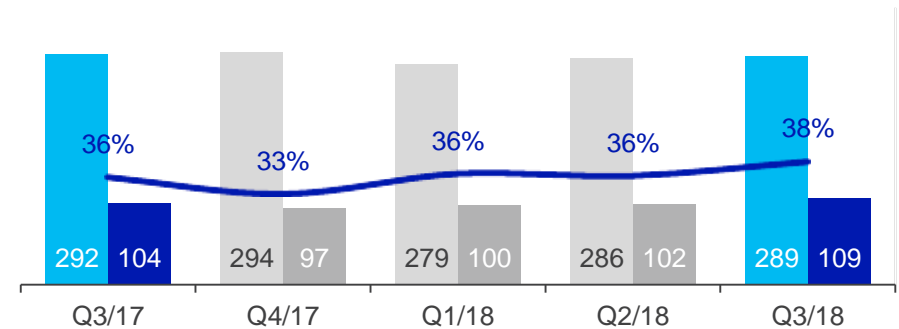
Consumer Customers

Revenue -1%, EBITDA +5%¹⁾

- + Digital services
- + Estonian business
- Traditional fixed services

Revenue and EBITDA¹⁾

● Revenue, €m ● EBITDA, €m — EBITDA-%



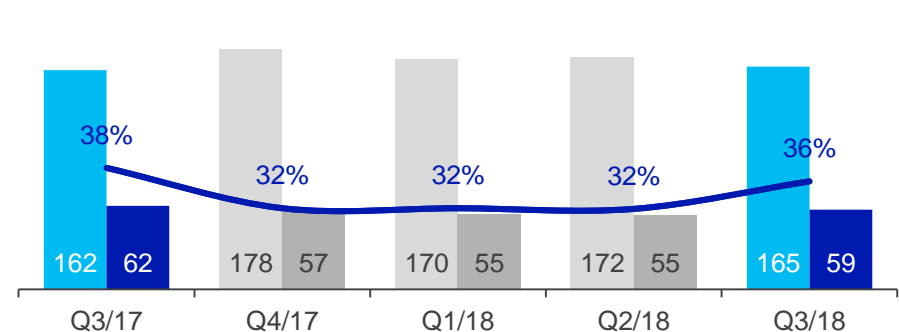
Corporate Customers

Revenue +2%, EBITDA -4%¹⁾

- + Mobile service revenue
- Divested businesses
- 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 by engaging people in building excellence

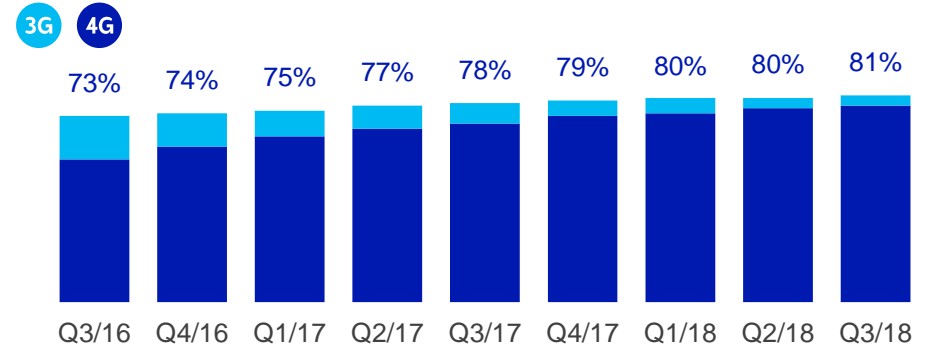


Growth in 4G and up-selling continues

Growth in 4G smartphone penetration

- 81% of customers use a smartphone
 - 95% (90%) 4G-capable
- 91% of phones sold 4G-capable

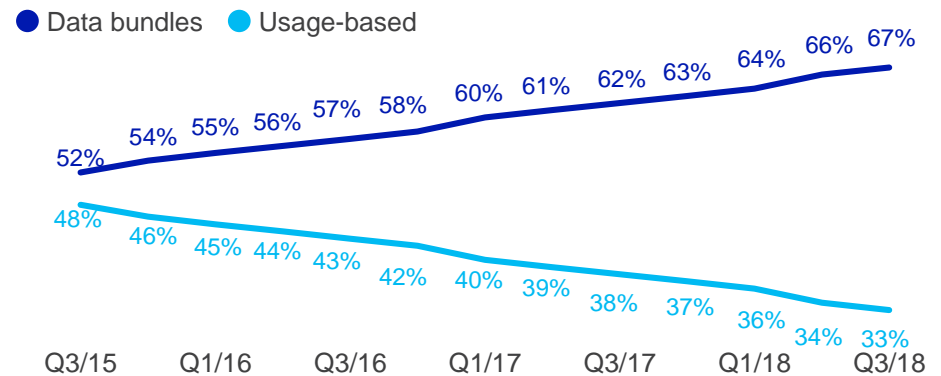
Smartphone penetration¹⁾, %



Proportion of data bundles growing

- 67% of voice subs²⁾ fixed-monthly-fee, “all-you-can-eat” data bundles
- 64% at 4G speeds
 - 3G to 4G up-selling continues
- 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)



Elisa's unique capabilities and innovations recognised by EFQM assessment

- Elisa has been granted the EFQM 5 Star Recognised for Excellence certificate
 - A holistic assessment by trained international EFQM assessors
- Elisa demonstrated performance against globally proven strategic management framework evaluating
 - Capabilities in Leadership, Strategy, People, Partnerships and Resources as well as Processes, Products and Services
 - Results in Customer, People, Society and Business performance perspectives





Focused portfolio of digital service businesses

Leveraging core business capabilities and providing interesting growth perspective

Domestic digital services



Entertaining services

- “Rent or buy”-feature of latest movies digitally from vast selection
- In Q4, original drama series *Bullets* (global distribution by Sky Vision) and *Artic Circle* (global distribution by Lagardère)



Cloud-based IT

- New business category “IT+C” strengthened with Fenix Solutions acquisition

International digital services



International video conferencing

- Polycom reseller of the year award
- Videra cloud connect service provides full interoperability between Microsoft, Cisco, Polycom and Google users, device-independently



Mobile network automation for operators

- Launched an additional service: Virtual Network Operations Centre, currently piloted outside Finland



Elisa IoT

- Several new customers for Elisa Smart Factory solutions
- Rolling out globally End2End Factory Cockpit - application for a Fortune 100 company

Outlook and guidance for 2018 upgraded

Macroeconomic environment has improved, but long-term structural challenges still remain. Competition remains challenging.

- Revenue slightly higher than in 2017
- Comparable EBITDA slightly higher than in 2017
- CAPEX maximum 12% of revenue

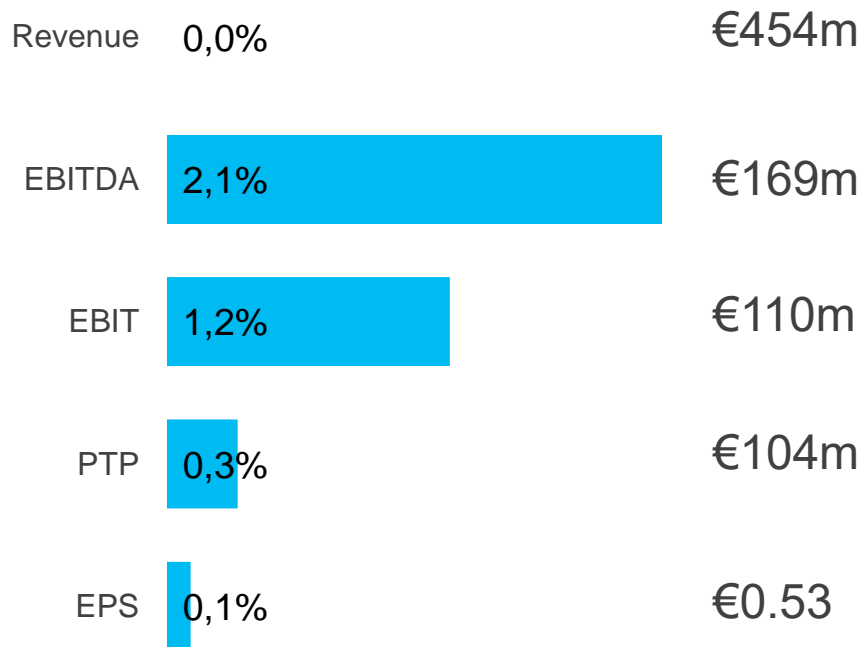


Financial performance

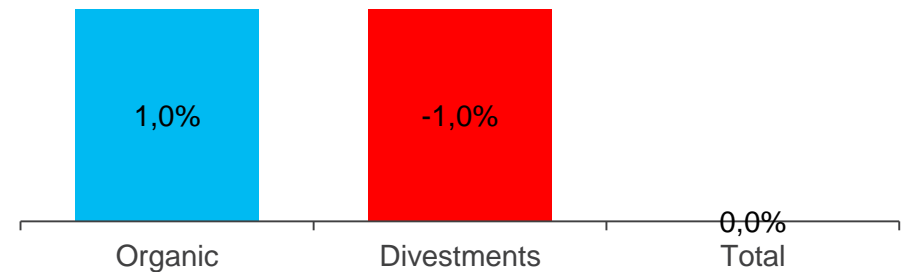
INTERIM REPORT Q3 2018

Despite some divestments, revenue at same level

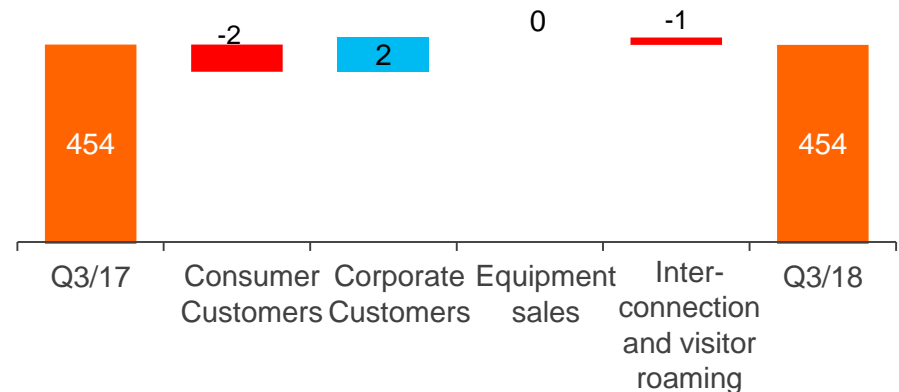
Q3 2018 P&L and growth¹⁾



Revenue YoY growth



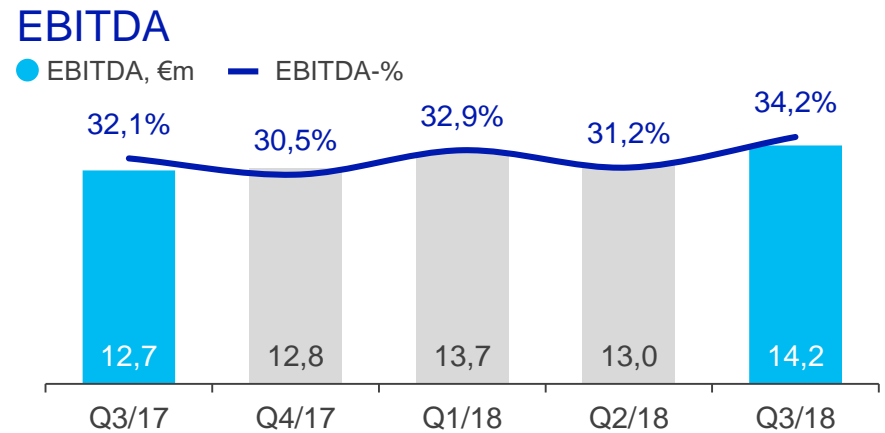
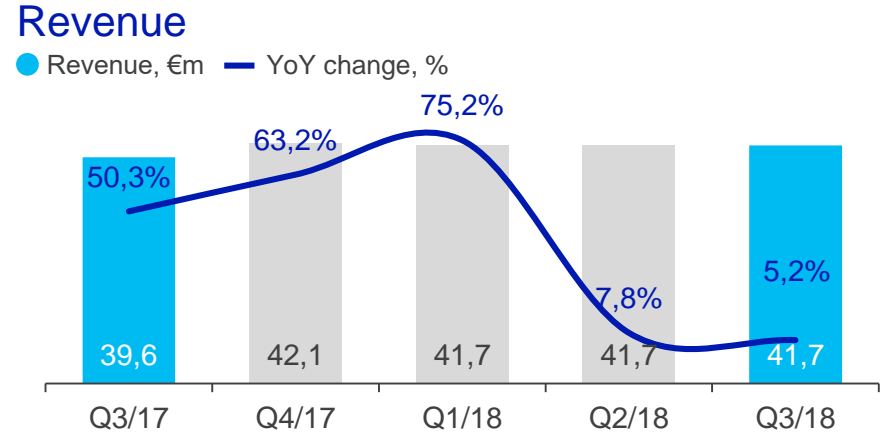
Revenue change YoY



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

Solid revenue and EBITDA growth in Estonia

- Revenue +5%, EBITDA +12%
 - Mobile and fixed services
 - Post-paid voice churn 9.0% (9.5 in Q2)
 - Mobile post-paid base +4,600, pre-paid +1,200
- Integration of acquired companies according to plan
 - Synergy estimates intact
 - Starman €4–6m by end 2019
 - SMN €4–5m by end 2019 (includes SMN Finland)

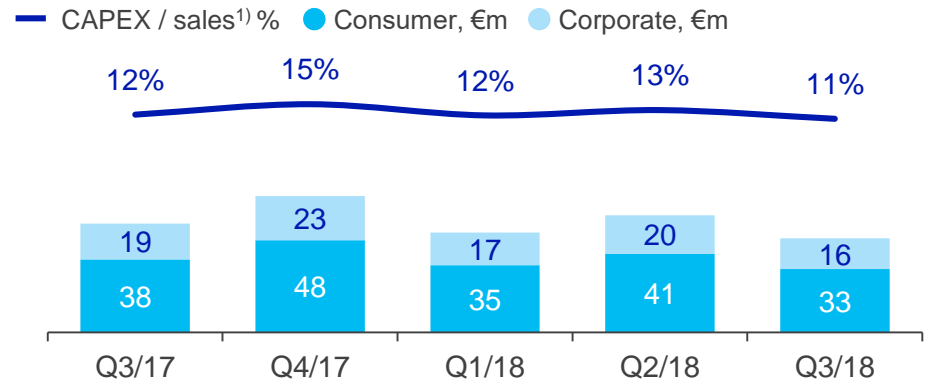


CAPEX in line with guidance

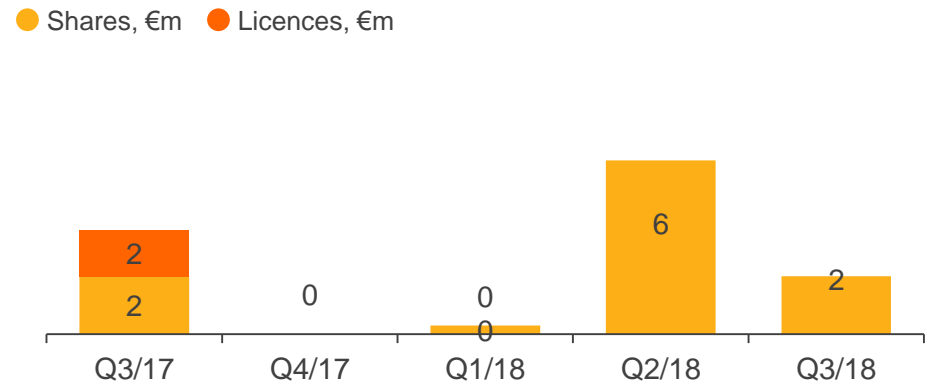
- CAPEX¹⁾ €49m (58)
 - Consumer €33m (39)
 - Corporate €16m (19)
 - CAPEX / sales 11%

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

CAPEX



Investments in shares and licences



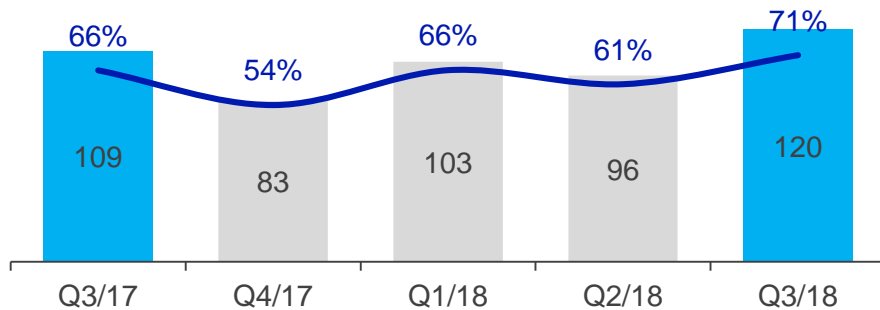
¹⁾ Excluding investments in shares and licence fees

Solid cash flow continuing

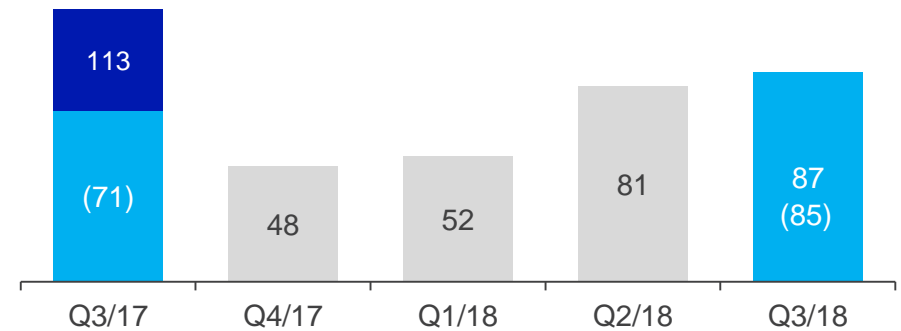
- Comparable cash flow €85m (71)
 - Growth +20%
 - Lower CAPEX
 - Higher EBITDA
- Comparable YTD cash flow €224m (202), growth +11%
- Strong cash conversion continues

Cash conversion

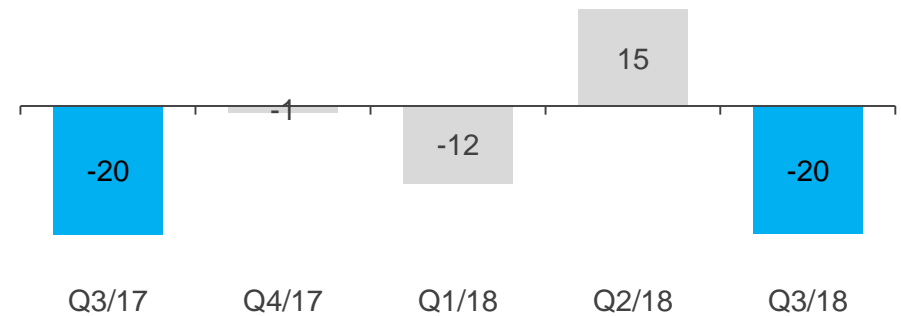
● Operative cash flow, €m¹⁾ — (EBITDA-CAPEX)/EBITDA, %²⁾



Cash flow, €m



Change in net working capital, €m



Efficient capital structure

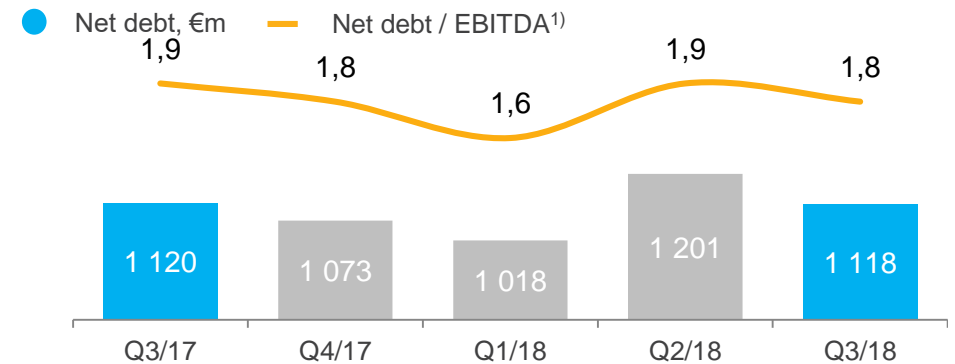
- Capital structure according to target

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

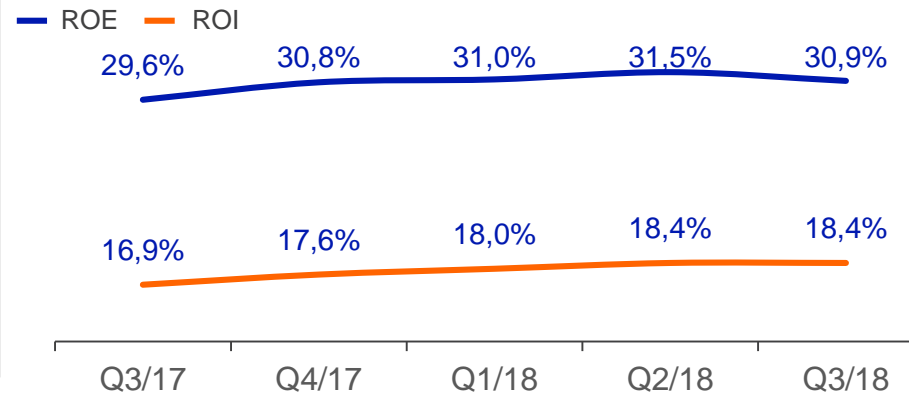
- Return ratios at good level

- Improved earnings
- Efficient capital structure

Net debt



Return ratios²⁾



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



Q&A



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APPENDIX

P&L by quarter

EUR million	Q3/18	Q2/18	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16
Revenue	453,9	457,5	449,6	472,5	453,9	445,1	415,9	434,0
<i>YoY growth</i>	0,0 %	2,8 %	8,1 %	8,9 %	8,4 %	13,3 %	6,6 %	7,3 %
Other operating income	1,8	6,0	1,1	2,6	1,5	0,8	0,7	1,5
Materials and services	-172,9	-176,5	-170,0	-190,2	-178,6	-170,0	-156,8	-175,9
Employee expenses	-69,8	-79,6	-81,7	-82,5	-68,1	-79,4	-74,1	-74,1
Other operating expenses	-44,2	-47,6	-45,6	-51,3	-43,5	-49,1	-42,0	-46,7
EBITDA	168,7	159,8	153,4	151,2	165,3	147,5	143,7	138,8
<i>EBITDA %</i>	37,2 %	34,9 %	34,1 %	32,0 %	36,4 %	33,1 %	34,6 %	32,0 %
<i>YoY Growth</i>	2,1 %	8,3 %	6,7 %	8,9 %	7,4 %	10,4 %	5,2 %	8,7 %
Comparable EBITDA	168,7	156,8	155,6	153,6	165,3	150,6	143,7	138,8
<i>YoY Growth</i>	2,1 %	4,1 %	8,3 %	10,7 %	6,2 %	12,7 %	5,2 %	5,8 %
Comparable EBITDA %	37,2 %	34,3 %	34,6 %	32,5 %	36,4 %	33,8 %	34,6 %	32,0 %
Depreciation, amortisation and impairment	-59,0	-59,2	-58,3	-58,6	-56,8	-59,1	-55,1	-63,0
EBIT	109,8	100,6	95,1	92,6	108,5	88,4	88,6	75,8
Comparable EBIT	109,8	97,5	97,3	95,0	108,5	91,5	88,6	84,8
Financial income	0,6	0,7	0,5	0,5	1,0	46,3	1,2	4,4
Financial expense	-6,3	-6,2	-6,2	-6,4	-5,9	-6,0	-5,5	-6,0
Share of associated companies' profit	-0,1	0,0	0,0	-0,1	0,0	0,0	0,0	0,0
Profit before tax	104,0	95,0	89,4	86,6	103,6	128,6	84,3	74,1
Comparable PTP	104,0	92,0	91,6	89,0	103,6	86,9	84,3	79,7
Income taxes	-19,1	-17,5	-15,0	-15,1	-19,1	-16,6	-15,7	-15,3
Profit for the period	84,8	77,6	74,4	71,5	84,6	112,0	68,6	58,8
Comparable Profit	84,8	74,7	76,2	73,5	84,6	70,3	68,6	65,1
Earnings per share (EUR)	0,53	0,49	0,47	0,45	0,53	0,70	0,43	0,37
Comparable EPS	0,53	0,47	0,48	0,46	0,53	0,44	0,43	0,41
<i>YoY Growth</i>	0 %	6 %	11 %	13 %	11 %	17 %	9 %	11 %

Cash flow YoY comparison

€ MILLION	Q3/18	Q3/17	CHANGE ¹⁾	1-9/18	1-9/17	CHANGE ¹⁾	2017
EBITDA	169	165	3	482	457	25	608
Change in receivables	-23	-15	-8	2	-27	29	-59
Change in inventories	2	0	2	10	-6	16	-11
Change in payables	2	-4	6	-29	9	-37	45
Change in NWC	-20	-20	0	-17	-24	7	-25
Financials (net)	0	-1	0	-12	-10	-2	-15
Taxes for the year	-17	-16	-1	-46	-44	-2	-66
Taxes for the previous year			0	-1	2	-3	2
Taxes	-17	-16	-1	-47	-42	-5	-64
CAPEX	-45	-57	11	-161	-167	6	-238
800, 700 and 2600 MHz licences ²⁾		-2	2	-4	-10	6	-17
Investments in shares ³⁾	0	-3	3	-5	-39	34	-39
Loan agreements (incl. Starman) ⁴⁾	2	45	-42		45	-45	45
Sale of shares (mainly Comptel)			0	1	45	-44	45
Sale of assets and adjustments	0	1	-1	-16	-1	-15	0
Cash flow after investments	87	113	-26	220	252	-32	300
Cash flow after investments excl. acquisitions ⁵⁾	85	71	14	224	202	22	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 and Q1/18 in Finland, €4m 2600 MHz licence in Q2/17 and €2m Q3/17 in Estonia.

3) Investment in Starman, Santa Monica and Tampereen Tietoverkko in 2017, Kepit Systems, Ukkonet and Lounea in 2018.

4) Including Starman acquisition finance arrangement and other loan agreements

5) Excluding share purchases and sale of Comptel and other shares.

Cash flow by quarter

€ MILLION	Q3/18	Q2/18	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16
EBITDA	169	160	153	151	165	148	144	139
Change in receivables	-23	19	7	-33	-15	-23	12	6
Change in inventories	2	1	7	-5	0	-8	3	-2
Change in payables	2	-5	-26	36	-4	28	-15	8
Change in NWC	-20	15	-12	-1	-20	-4	0	12
Financials (net)	0	0	-12	-5	-1	0	-10	-7
Taxes for the year	-17	-15	-15	-21	-16	-14	-14	-22
Taxes for the previous year		1	0	0	0	2		0
Taxes	-17	-14	-15	-21	-16	-12	-14	-22
CAPEX	-45	-64	-52	-71	-57	-59	-51	-61
700/800/2600 MHz licence fees			-4	-7	-2	-4	-4	-7
Investments in shares	0	-6	0	0	-3	-33	-3	-1
Loan agreements (incl. Starman)	2			0	45			-167
Sale of shares				0	0	45		
Sale of assets and adjustments	0	-9	-7	1	0	-3	3	-2
Cash flow after investments	87	81	52	48	113	76	63	-115
Cash flow after investments excl. acquisitions	85	87	52	48	71	65	66	53

APPENDIX

Debt structure

€ MILLION. AT THE END OF QUARTER

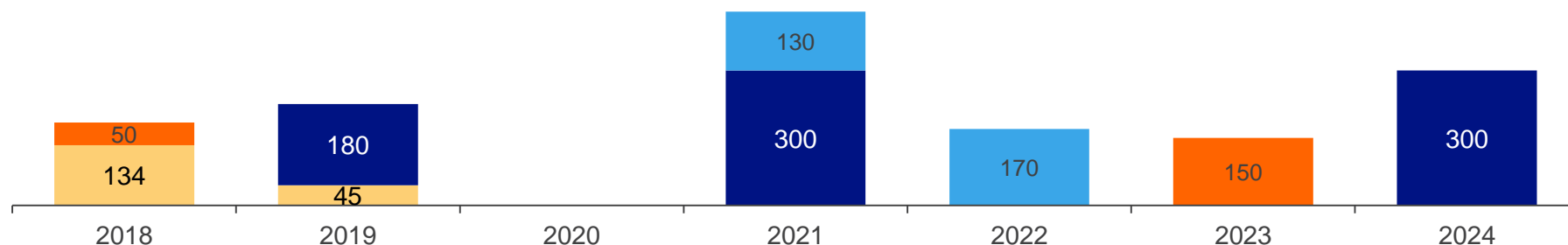
	Q3/18	Q2/18	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16
Bonds and notes	766	764	763	767	766	766	765	594
Commercial papers	179	267	151	115	207	258	193	199
Loans from financial institutions	200	205	205	209	210	216	215	218
Financial leases	25	26	26	26	26	26	25	26
Committed credit lines ¹⁾	0	0	0	0	0	23	80	130
Interest-bearing debt. total	1,170	1,261	1,145	1,117	1,209	1,289	1,278	1,167
Cash and cash equivalents	52	60	127	44	91	58	216	44
Net debt ²⁾	1,118	1,201	1,018	1,073	1,118	1,231	1,062	1,123

1) The committed credit lines are €130m and €170m facilities that Elisa can 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, 30 September 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.