

ANNUAL RESULTS 2016



Agenda

CEO's review

Veli-Matti Mattila, CEO

Financial review

Jari Kinnunen, CFO

CEO's review

- 2016 overview
- Q4 2016 financial and operational highlights
- Segment review
- Strategy execution
- Outlook and guidance for 2017

2016 highlights – best ever year

- Revenue increased by 4% and mobile service revenue by 6%
 - Comparable EBITDA grew by 5% and EPS by 7%*
 - Dividend payment in 2016 was €1.40 per share, total €223m
 - Mobile subscription base decreased in Consumer Customers and increased in Corporate Customers segments
 - Clear growth in fixed broadband subscriptions
 - Strong demand for higher mobile data speeds continued, boosted by 4G, data usage growth 65%
 - Elisa's 4G covers already 99% of Finns
 - Dividend proposal for 2017: €1.50 per share, growth 7%
- Authorisation for 5 million share buy-back

* Reported figures 6% and 6%, respectively

2016 financial highlights – comparable figures

Growth in revenue and in all earnings lines

	2016	Change in 2016
Revenue	€1,636m	+4.2%
EBITDA	€564m	+5.3%
EBITDA-%	34.5%	+0.3 pp
Earnings per share	€1.66	+7.5%
Mobile service revenue	€762m	+6.0%
CAPEX	€204m	+4.2%
Cash flow	€281m	+5.9%
Net debt ¹⁾	€1,124m	+16.8%

Earnings figures excluding non-recurring items, CAPEX excluding share investments and license fees, cash flow excluding share investments

¹⁾ Includes a EUR 167m loan arrangement relating to the Starman acquisition

Growth in mobile data and fixed broadband

	2016	Change in 2016
Mobile subscriptions	4,694,800	-45,600
Fixed broadband subscriptions	594,900	+61,000
Cable TV subscriptions	444,000	+113,700
Mobile ARPU ¹⁾	€16.6	+€0.6
Mobile churn	17.3%	+1.2 pp
Mobile usage, minutes ²⁾	6,404m	-29m
SMS, units	1,932m	-264m
Mobile data, gigabytes	448.5m	+176.9m

¹⁾ Revenue / subscription

²⁾ Outgoing minutes

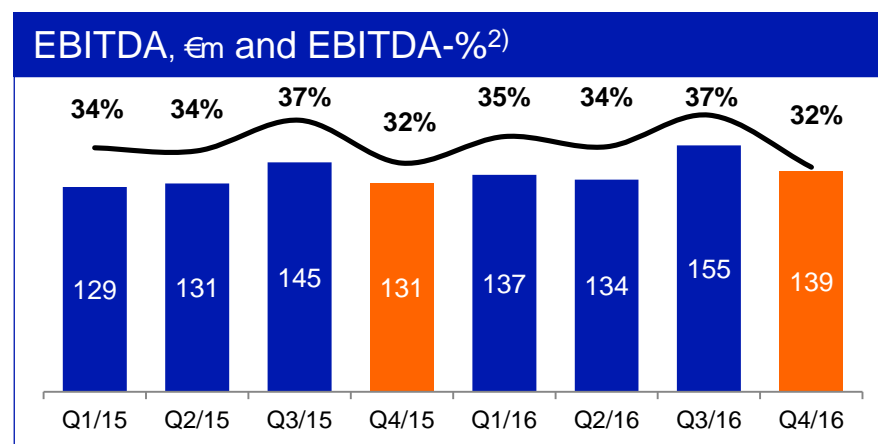
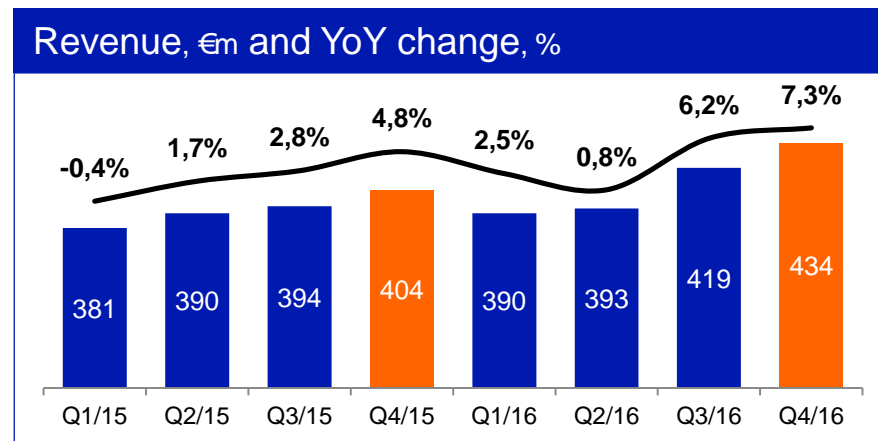
Q4 2016 highlights

- Q4 2016 was best ever fourth quarter
- Revenue increased by 7% and comparable EBITDA by 6%
- Mobile service revenue grew by 3.4%
- Mobile subscription base decreased, especially prepaid, fixed broadband up
- Solid profit improvement in Consumer Customers segment, Corporate Customer segment's profit continued to grow
- Demand for faster data speeds continued, smartphone penetration 74%
 - Smartphones 94% of new sales, 100% 4G-capable
- Success of Elisa Viihde service continued

Growth in revenue and EBITDA

- Revenue €434m (404)
- EBITDA €139m (128, comparable 131)
- EBIT €76m (68)
 - Comparable EBIT €85m (77)
- EPS €0.37 (0.35)
 - Comparable EPS €0.41m (0.37)
- Net debt / EBITDA 2.0 (1.8)
- CAPEX¹⁾ €62m (50)

¹⁾ Excluding licence fee



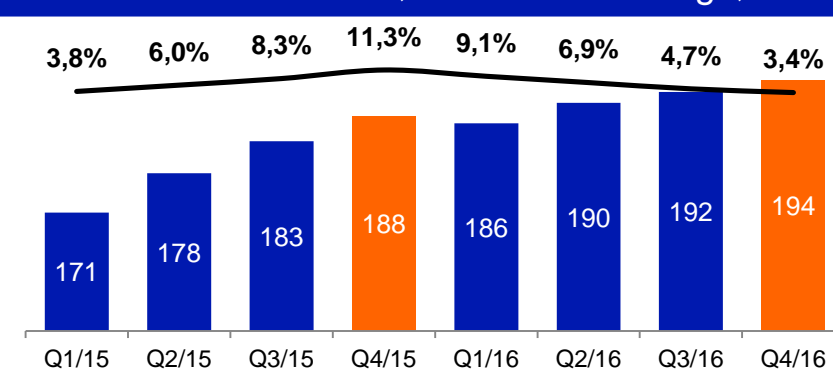
²⁾ Comparable

Growth in mobile service revenue – decrease in subscription base

- Mobile service revenue grew by 3.4%

- Up-selling to higher speeds
- More smartphones and data bundle subscriptions
- Product changes

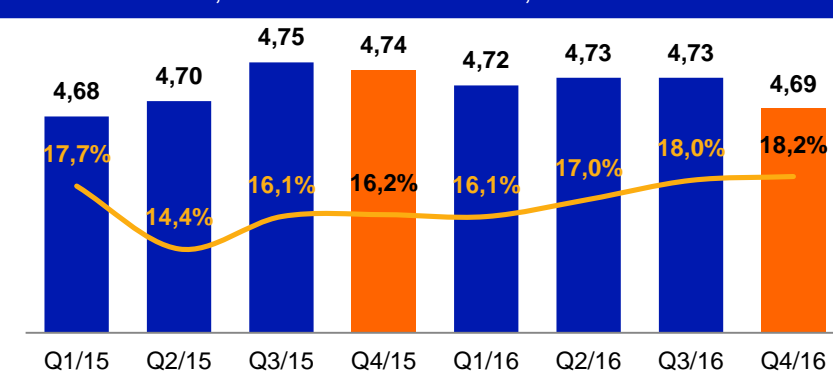
Mobile service revenue, €m and YoY change, %



- Mobile subscription base decreased, growth in fixed broadband

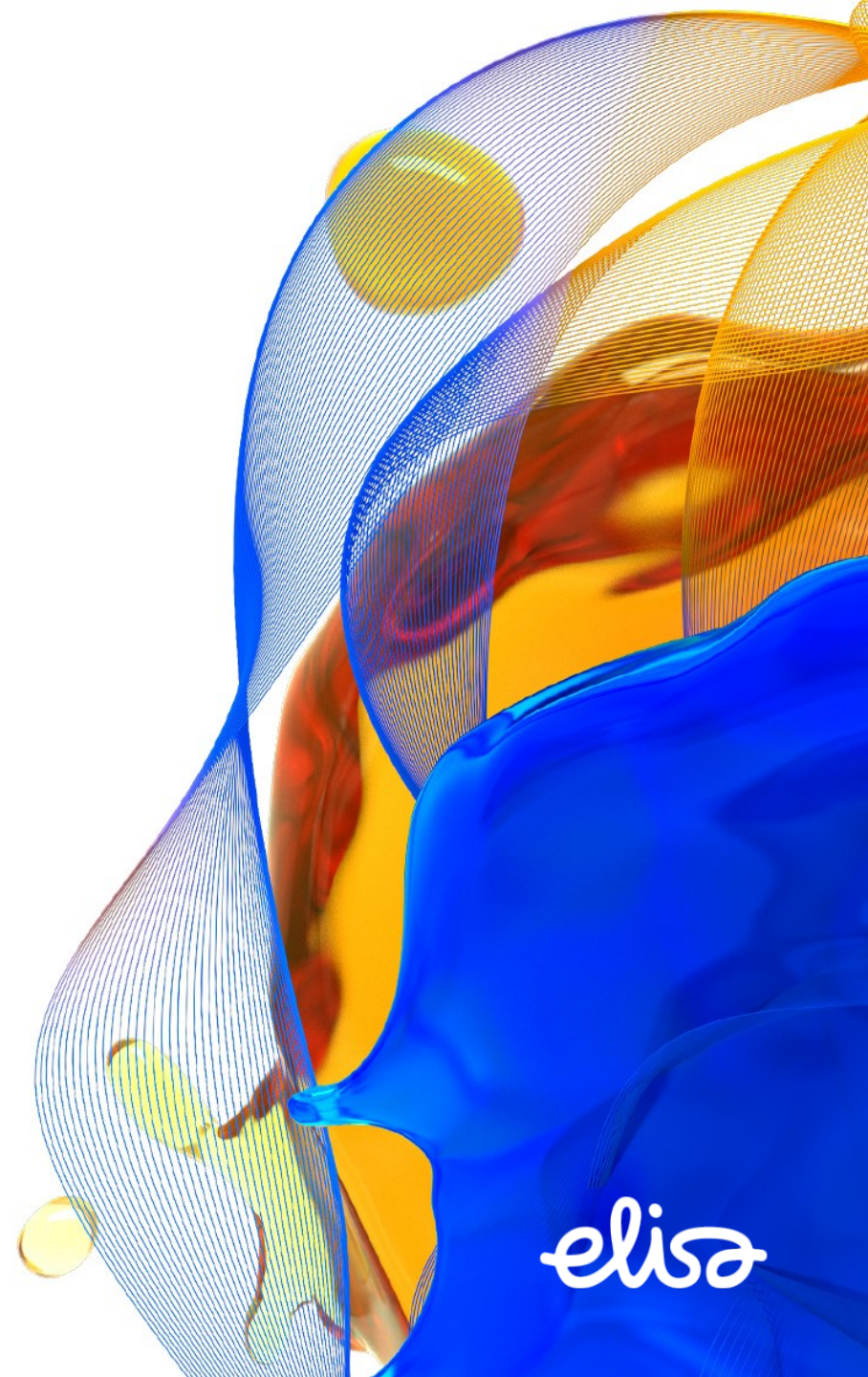
- Consumer customers mobile subs base decreased due to discontinuation of passive subs, clear growth in corporate customers
- Fixed broadband base grew by 3,400
- Churn was 18.2%. Discontinuation of passive subs impacted churn.

Mobile subs, millions and churn¹⁾, %



¹⁾ Annualised

Business segments

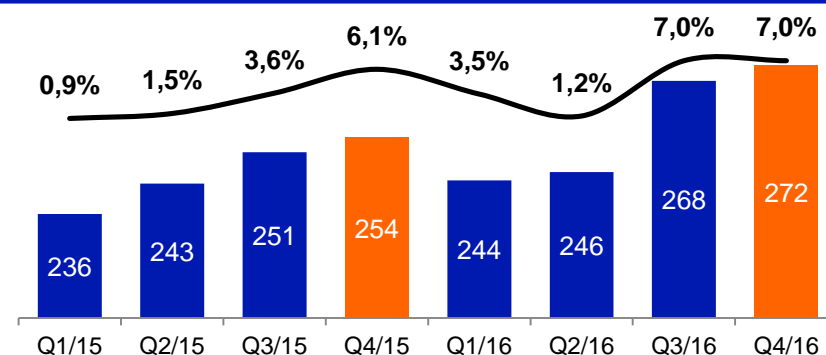


Revenue and EBITDA increased

- Revenue €272m (254)

- Growth in mobile service revenue
- Anvia consolidation, digital services and equipment sales increased revenue
- Traditional fixed, interconnection and roaming revenue decreased

Revenue, €m and YoY change, %

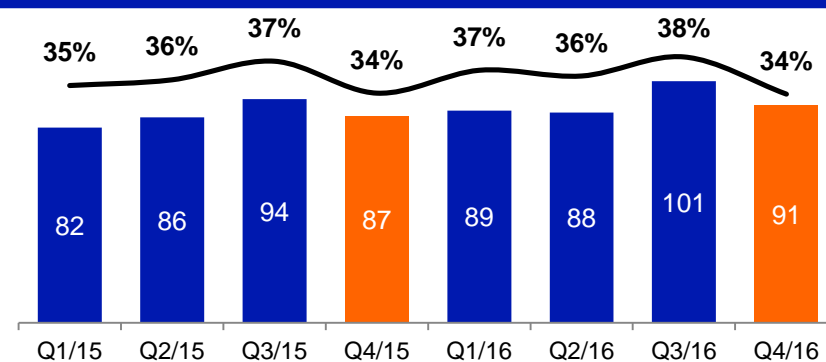


- EBITDA €91m (86, comparable 87)

- Revenue growth
- Productivity improvements

- CAPEX¹⁾ €36m (28)

EBITDA, €m and EBITDA-%²⁾



¹⁾ Excluding license fee

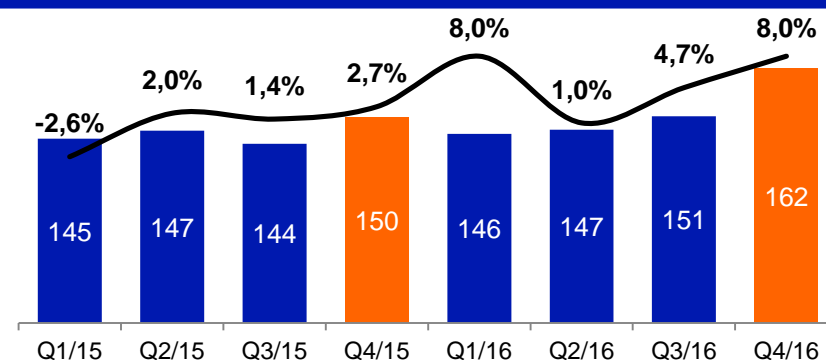
²⁾ Comparable

Growth in revenue, profit improvement continued

- Revenue €162m (150)

- Growth in mobile service revenue
- Anvia consolidation and digital services increased revenue
- Traditional fixed, interconnection and roaming revenue decreased

Revenue, €m and YoY change, %

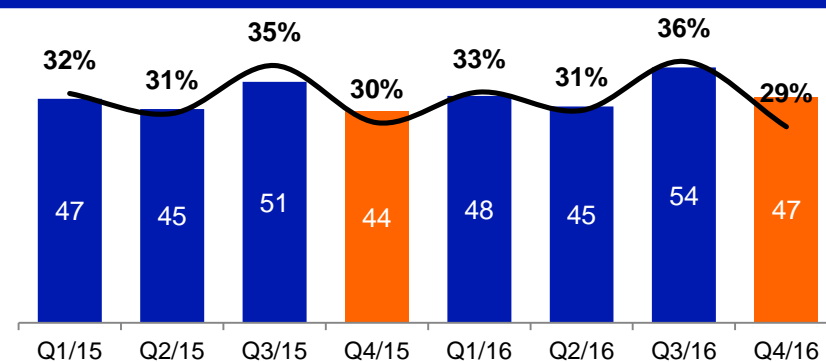


- EBITDA €47m (42, comparable 44)

- Revenue growth
- Productivity improvements

- CAPEX¹⁾ €27m (22)

EBITDA, €m and EBITDA-%²⁾



¹⁾ Excluding license fee

²⁾ Comparable

Strategy execution



Build value on data

Accelerate digital service businesses

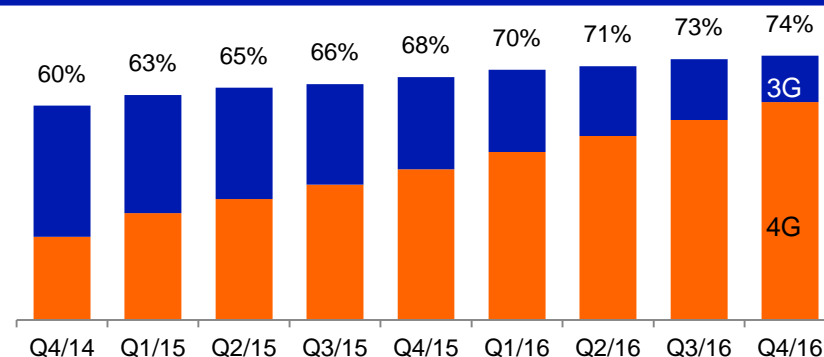
Improve performance with
customer intimacy and operational excellence

Growth in 4G subscriptions continuing

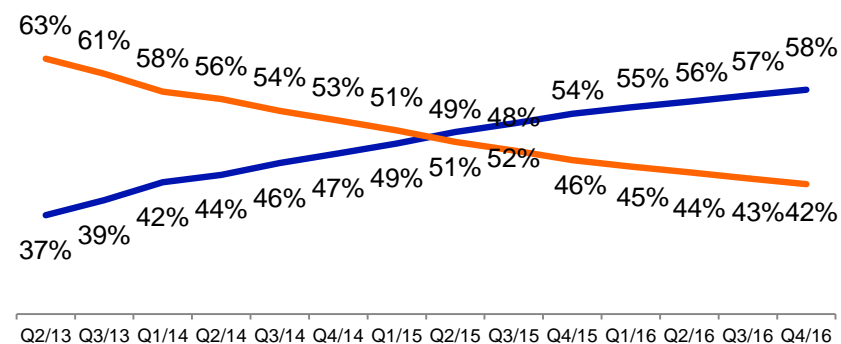
- 74% of customers use a smartphone
 - 82% of smartphones are 4G-capable
- Of all models sold in Q4
 - 94% were smartphones, of which all were 4G-capable (93% and 100% respectively in Q3)

- Proportion of data bundles continues to grow
 - 58% of voice subs²⁾ are new types of fixed-monthly-fee, “all-you-can-eat” data bundles
 - Majority of voice subs still at 2G/3G speeds, good 4G up-selling potential

3G and 4G smartphone penetration ¹⁾, %



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)

Pioneering robot technology as part of daily routines

- UBTECH Robotics' Jimu and Alpha robots for sale
 - Jimu robot is an innovative and easy assembly kit
 - Available from Elisa web store and *Elisa Kulma* flagship store
- Robot schools for youngsters
 - Fun way to learn programming logic



New ways to exploit the business phone

- New service for handset selection
 - Employees get better phone by paying additional fee themselves
- Benefits of *Oma Lasku* (“My Invoice”) service
 - Upgrade of handset or subscription
 - Use of toll numbers (e.g. bus tickets or parking)
 - Buying the business phone after the contract period ends
- Better satisfaction
 - Employees’ wishes are fulfilled
- No extra costs for employer



Elisa Innovation Challenge – high-grade competition

- Winners of the two-part competition were domestic world-class innovations
 - *Emergence*, energy self-sufficient positioning solution
 - *Lukoton*, intelligent locking solution
 - Award presented at Slush 2016
- High-quality, international participants
 - 97 competition ideas
 - 16 participating countries
- The winners' choice was based on the ability to commercialise the service in international markets



Elisa has the fastest 4G network in Finland

- Survey of 35 cities, towns and municipalities
 - Conducted by European Communications Engineering Oy (ECE)
 - Survey covered 60% of the Finnish population
 - Main roads were also covered
- Elisa's 4G network covers 99% of the population at the moment



Outlook and guidance for 2017

Macroeconomic environment still weak in 2017, competition remains challenging

- Revenue at the same level or slightly higher than in 2016
- Comparable EBITDA at the same level or slightly higher than in 2016
- CAPEX maximum 13% of revenue, mid-term target maximum 12% is still valid

Agenda

CEO's review

Veli-Matti Mattila, CEO

Financial review

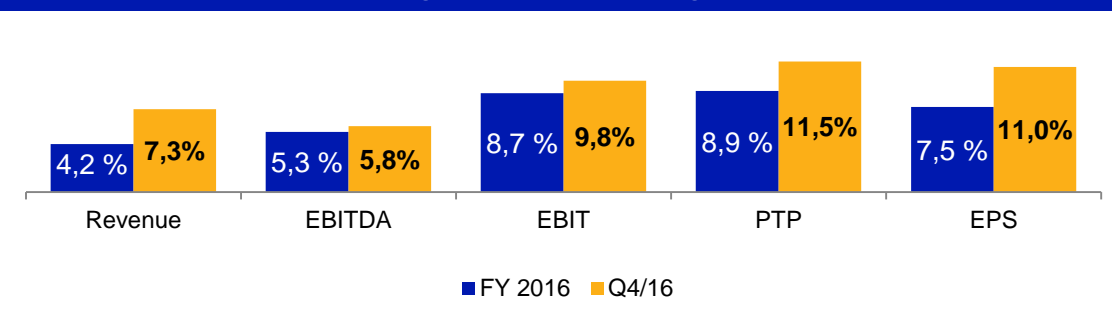
Jari Kinnunen, CFO

Growth in revenue and earnings continued

- Q4 revenue growth 7%
- Q4 EBITDA growth excluding one-offs 6%
 - Mobile service revenue growth
 - Productivity improvements
- One-off goodwill write-down of €9m
- Net financials, lower interest costs
 - Positive one-off €3m
- Taxes higher due to tax asset booking Q4/15
- EPS growth excl. one-offs 11%

€ million, excluding one-offs	Q4/16	Q4/15	Δ ¹⁾	2016	2015	Δ ¹⁾
Revenue	434	404	30	1,636	1,569	66
EBITDA	139	131	8	564	536	28
<i>EBITDA-%</i>	<i>32.0%</i>	<i>32.4%</i>		<i>34.5%</i>	<i>34.1%</i>	
Depreciation and amortisation	-54	-54		-215	-214	
EBIT	85	77	8	349	322	28
<i>EBIT-%</i>	<i>19.6%</i>	<i>19.0%</i>		<i>21.3%</i>	<i>20.5%</i>	
Net financial items	-5	-6		-21	-24	
Profit before tax	80	71	8	327	300	27
Income taxes	-15	-13		-62	-54	
Net profit	65	59	7	265	246	19
EPS, €	0.41	0.37	0.04	1.66	1.54	0.12

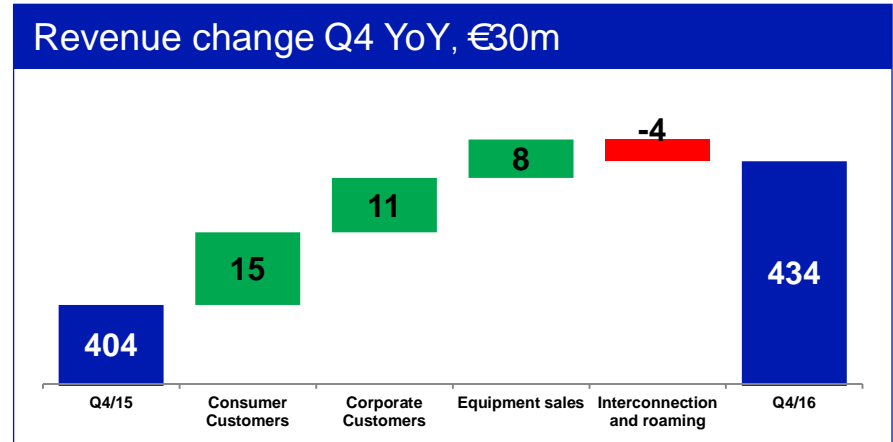
FY2016 and Q4/16 YoY growth, excluding one-offs



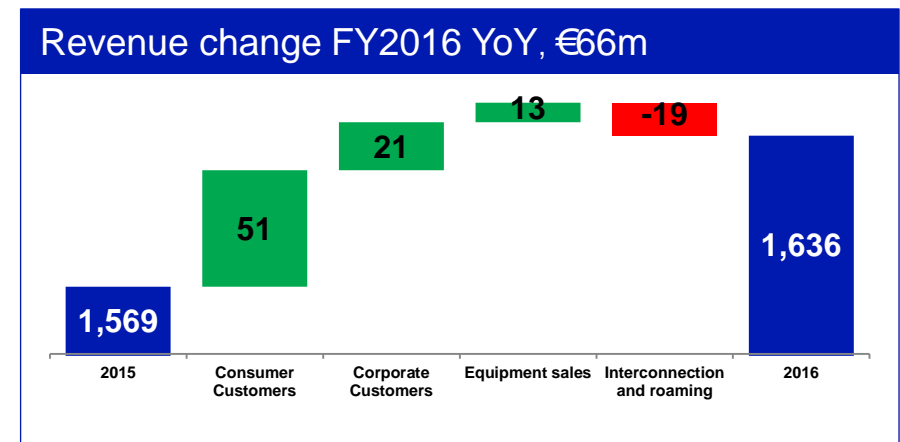
¹⁾ Difference is calculated using exact figures prior to rounding

Revenue growth in both segments, Anvia consolidation contributed positively

- Q4: Consumer and Corporate Customers
 - Growth through Anvia consolidation
 - Growth in mobile and digital services
 - Decrease in fixed services*
- Organic growth approximately 3%



- FY2016: Consumer and Corporate Customers
 - Growth through Anvia consolidation
 - Growth in mobile and digital services
 - Decrease in fixed services*
- Organic growth approximately 2%



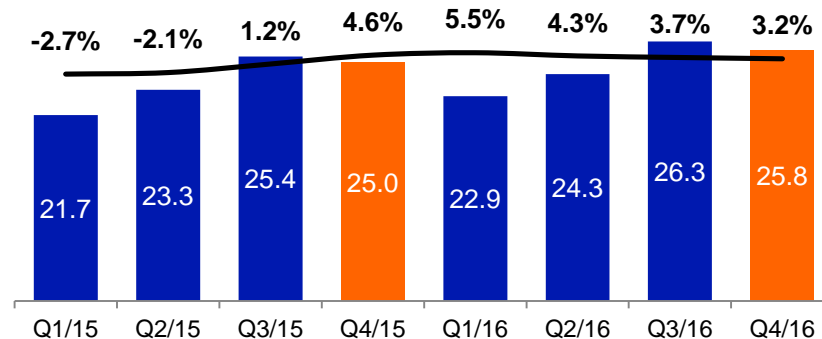
* Excluding Anvia consolidation

Revenue growth continued in Estonia

- Revenue €25.8m (25.0)

- Growth in mobile service revenue and equipment sales

Revenue, €m and YoY change, %



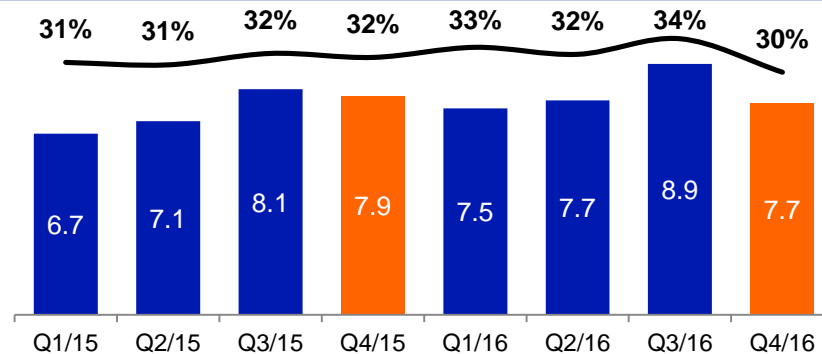
- EBITDA €7.7m (7.9)

- Mobile service revenue
- Negative seasonality effect

- CAPEX €3.7m (2.0)

- Q4 CAPEX / sales 14%
- FY CAPEX / sales 10%

EBITDA, €m and EBITDA-%



Anvia consolidation affected expenses

- **OPEX increased**

- Equipment purchases
- Personnel expenses
- Anvia consolidation Q3/16 onwards

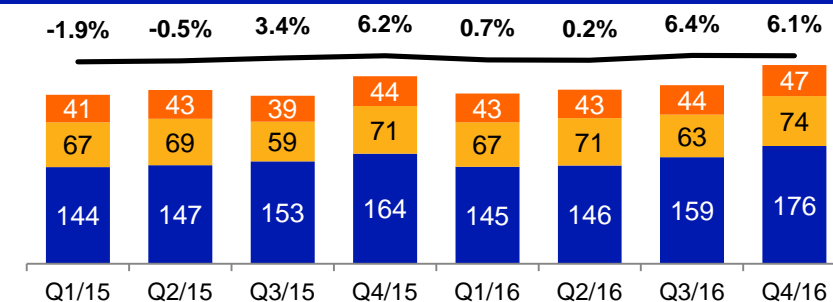
- **OPEX decreased**

- Interconnection and roaming
- Continuous productivity improvements

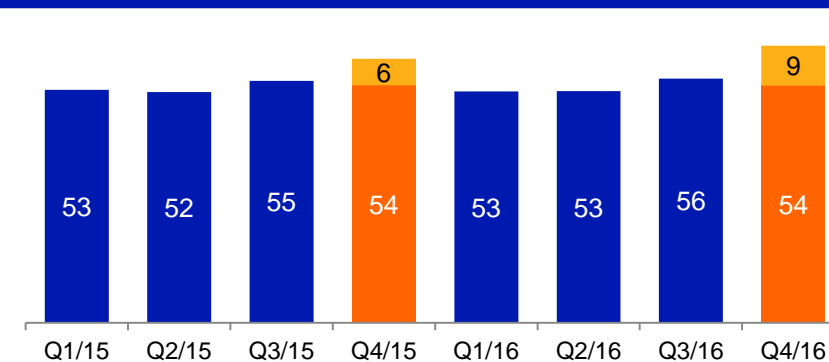
- **Stable depreciation excluding one-offs**

- One-off €9m goodwill write-down
- Long-term stable CAPEX level

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



Depreciation, €m



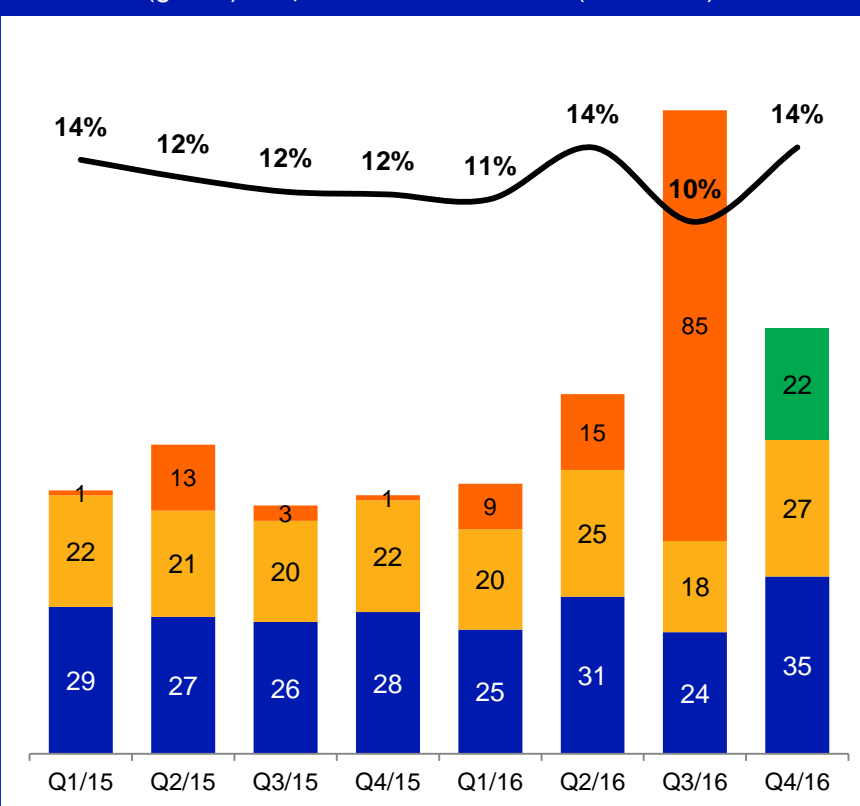
€6m one-off in Q4/15 and €9m one-off in Q4/16

CAPEX according to guidance

- Q4 CAPEX €62m¹⁾ (50)
 - Consumer €35m (28)
 - Corporate €27m (22)
- Full-year CAPEX / sales 12%, in line with guidance
- 700 MHz license in November 2016
 - €22m investment in Q4/16
 - Payable in 5 years 2017–2021 €4.4m/year
 - Depreciated during 2017–2033 €1.3m/year

¹⁾ Excluding 700 MHz licence fee €22m

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



²⁾ Q1/15–Q2/16 includes purchases of Anvia shares, Q3/16 Anvia ICT business

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

Starman acquisition

- Announced on 13 December 2016
- Purchase price (EV) €151m
- Loan provided to company and sellers €167m
- Estonian competition authority has opened phase two proceedings
- Deal expected to be closed during first quarter of 2017

- P&L 2016
 - No impact
- Balance sheet, end of 2016
 - Loan receivables €167m in *Trade and other receivables*
- Cash flow statement 2016
 - Loans granted €167m in *Investing activities*

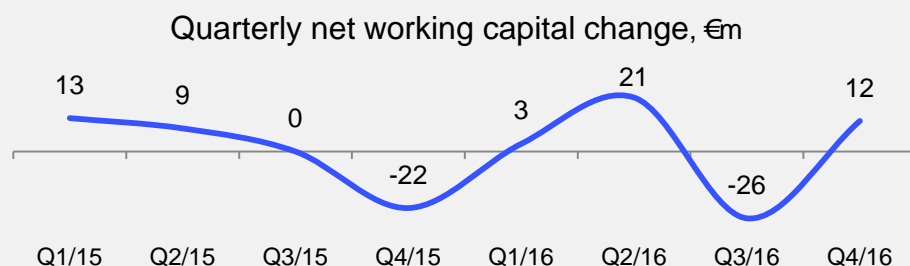
Cash flow affected by acquisitions

- Q4 cash flow excluding Starman and share purchases improved by 76% to €53m (30)

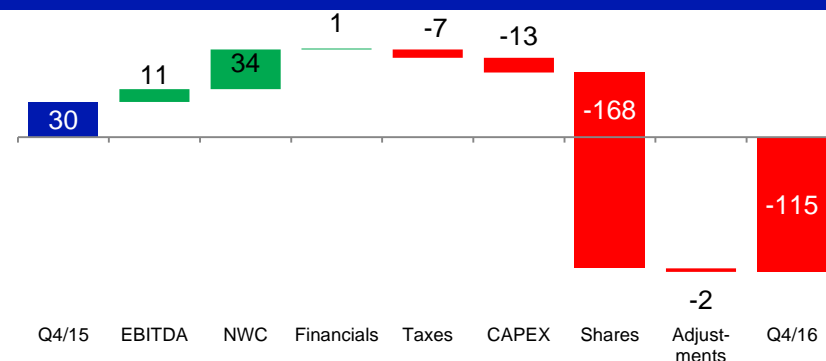
- Change in NWC YoY €34m

- FY cash flow, excluding Starman and share purchases improved by 6% to €281m (266)

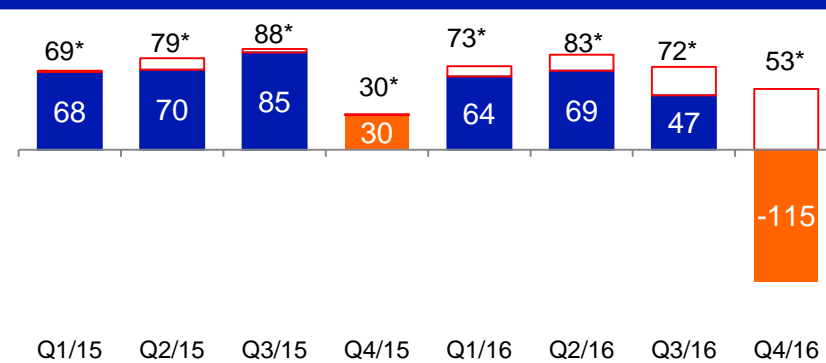
- FY NWC improved: €9m (0)



Cash flow change, €m



Cash flow by quarter, €m

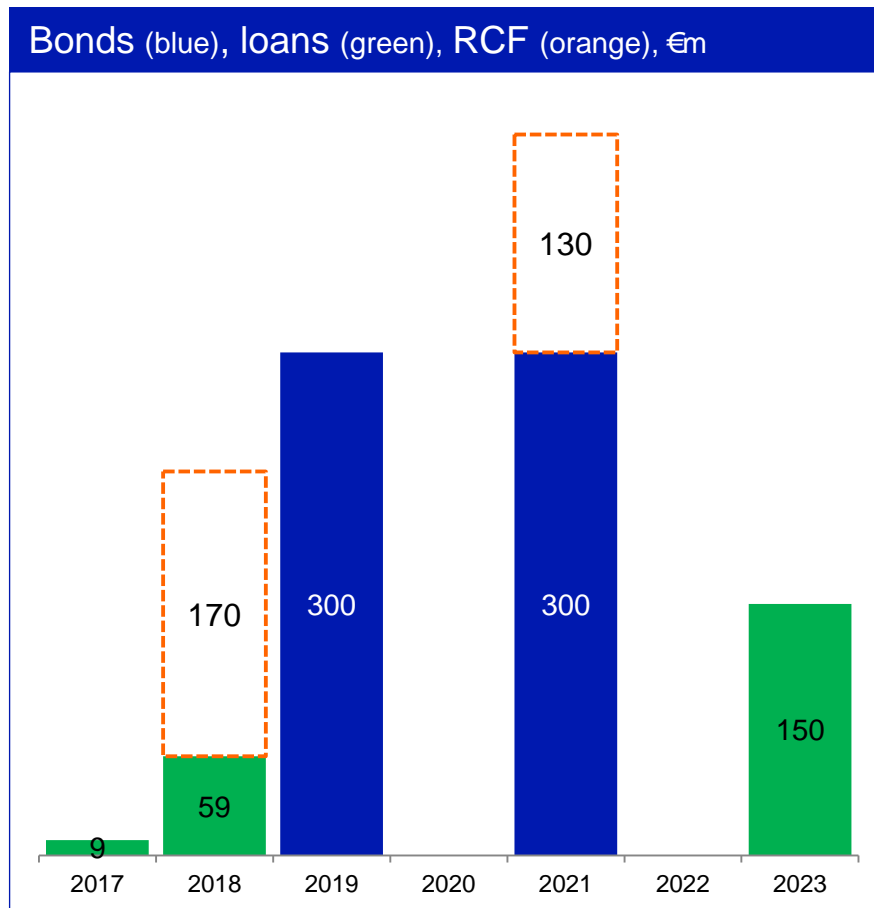


* Excluding investments in shares

Solid liquidity position

- Cash and undrawn committed credit facilities €214m (479)
 - €170m undrawn from €300m credit facilities
- Net financial items down by €3m in 2016 (excluding one-off +€3m)
- Average maturity for debt 3.9 years
- Commercial paper programme
 - €199m in use as of 31 December 2016
- Credit ratings
 - S&P BBB+ Stable outlook
 - Moody's Baa2 Stable outlook

Bonds and bank loan maturities, 31 December 2016



Capital structure in target range

- Net debt in target range

- Net debt / EBITDA 2.0x
- Gearing 116%, equity ratio 38%

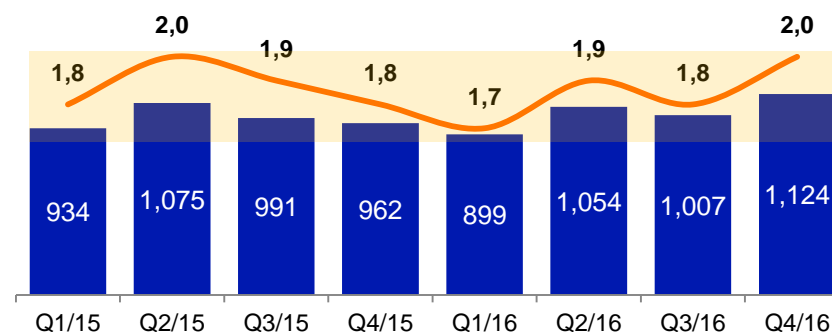
- Target setting

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

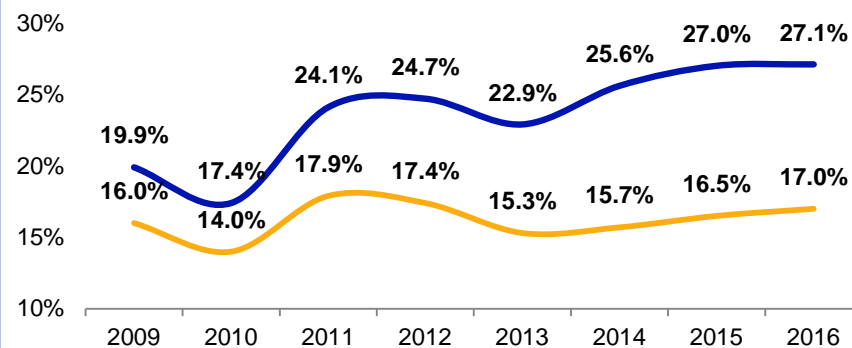
- Return ratios improved further

- Improved result
- Efficient capital structure

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



ROE (blue line) and ROI (yellow line)



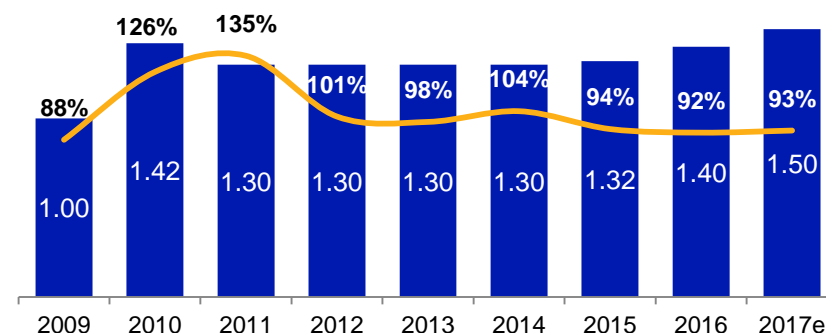
Last four quarters profit per average of last four quarters equity

Competitive remuneration continues

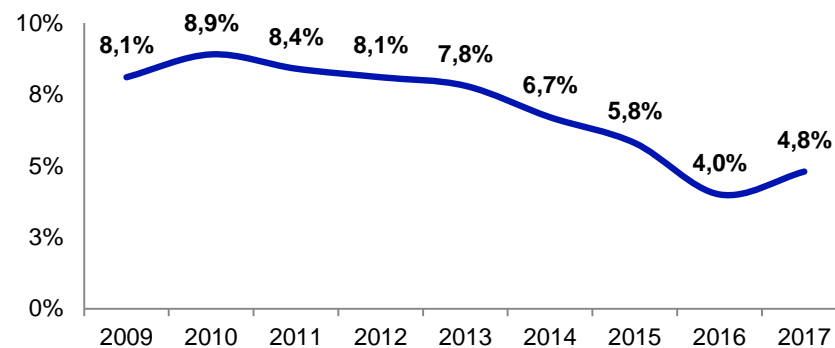
- Dividend proposal of €1.50 per share
 - Dividend growth +7.1%
 - Total amount €239m
 - Ex-dividend date 10 April 2017
 - Payment 19 April 2017
 - Authorisation for buyback of 5m shares
-
- Dividend yield 4.8%¹⁾
 - Payout ratio 93%
 - Strong commitment to competitive shareholder remuneration
 - Distribution policy 80–100% of net profit

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

Dividend (blue), buy-backs (yellow) and pay-out ratio



Dividend yield





Contacts:

Mr. Vesa Sahivirta

vesa.sahivirta@elisa.fi

+358 102 623 036

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APPENDIX

Cash flow YoY comparison

€ million	Q4/16	Q4/15	Δ ¹⁾	Δ%	2016	2015	Δ ¹⁾	Δ%
EBITDA	139	128	11	9%	563	532	31	6%
Change in receivables	6	10			-3	-2		
Change in inventories	-2	-12			1	-6		
Change in payables	8	-20			12	7		
Change in NWC	12	-22	34		9	-0	10	
Financials (net)	-7	-8	1		-16	-18		
Taxes for the year	-22	-15			-65	-54		
Taxes for the previous year	0	0				2		
Taxes	-22	-15	-7		-65	-52	-13	
CAPEX	-61	-48	-13		-202	-193	-9	
800 MHz licences 2)	-7	-7	0		-7	-7		
Investments in shares 3)	-1	-1	0		-49	-13	-36	
Starman acquisition 4)	-167				-167		-167	
Sale of assets and adjustments	-2	2	-4		-1	4		
Cash flow after investments	-115	30	-144		65	253	-188	
Cash flow after investments excl. acquisitions 5)	53	30	23	76%	281	266	16	6%

¹⁾ Difference is calculated using exact figures prior to rounding

²⁾ 800 MHz LTE licence in Finland 2014 €7m and 2015 €7m

³⁾ Investment in Anvia in 2015 and 2016 ⁵⁾ Excluding Anvia shares and Starman acquisition

⁴⁾ Starman acquisition finance arrangement

APPENDIX

Cash flow by quarters

€ million	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15
EBITDA	139	154	134	137	128	145	131	129
Change in receivables	6	-30	19	2	10	-22	15	-5
Change in inventories	-2	-7	3	6	-12	4	-2	5
Change in payables	8	11	-2	-6	-20	18	-3	12
Change in NWC	12	-26	21	3	-22	0	9	13
Financials (net)	-7	-1	2	-10	-8	1	-1	-9
Taxes for the year	-22	-15	-13	-13	-15	-13	-13	-12
Taxes for the previous year	0	0	-3				2	
Taxes	-22	-15	-15	-13	-15	-13	-11	-12
CAPEX	-61	-42	-56	-44	-48	-45	-50	-50
800 MHz licence fees	-7	0			-7			
Investments in shares	-1	-25	-15	-9	-1	-3	-9	-1
Starman acquisition	-167							
Sale of assets and adjustments	-2	3	-2	-1	2	2	2	-2
Cash flow after investments	-115	47	69	64	30	85	70	68
Cash flow after investments excl. acquisitions	53	72	83	73	30	88	79	69

APPENDIX

Debt structure

€ million, at the end of the quarter	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15
Bonds and notes	594	594	593	593	592	592	592	591
Commercial papers	199	201	215	146	171	229	219	169
Loans from financial institutions	218	219	195	195	200	200	205	205
Financial leases	26	25	26	27	28	29	30	30
Committed credit lines ¹⁾	130	0	80	0	0	0	90	0
Interest-bearing debt, total	1,169	1,040	1,109	961	991	1,050	1,135	995
Cash and cash equivalents	44	33	55	61	29	59	60	61
Net debt ²⁾	1,124	1,007	1,054	899	962	991	1,075	934

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.

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