

2010

Annual Results 2010
11 February 2011

Agenda

CEO's review

Veli-Matti Mattila, CEO

Financial review

Jari Kinnunen, CFO

CEO's review

- 2010 overview
- Q4 2010 financial and operational highlights
- Segment review
- Strategy execution
- Progress of new services and smartphone market
- Outlook for 2011

2010 highlights

- Revenue growth above industry average
- Profitability at good level
- Strong mobile subscription growth
- EBITDA was in line with guidance given in the beginning of 2010
- In 2010 profit distribution was EUR 1.42 per share, pay-out ratio 126%
- Success of Elisa Viihde IPTV continued
- ICT offering extended, new acquisitions
- 3G success continues, strong growth in smartphone market at year-end
- Dividend proposal: EUR 0.90 per share
 - Authorisation for additional dividend of EUR 0.40 and 5m share buy-back

2010 financial highlights

	2010	Change in 2010
Revenue	€ 1,463m	+2%
EBITDA	€ 485m	0%
Earnings per share *	€ 1.15	+2%
CAPEX	€ 184m	+7%
Cash flow *	€ 212m	-16%
Net debt	€ 776m	+ 8%

* Excluding one-off items

2010 operational highlights

	2010	Change in 2010	Change in Q4/2010
Mobile subscriptions	3,796,900	+467,900	+144,400
Fixed broadband subs.	467,200	+100	+3,400
Mobile ARPU ¹⁾	€ 21.6	€ -2.0	€ -0.5 ⁴⁾
Mobile churn ²⁾	16.1%	+1.6%-units	-3.1%-units ⁴⁾
Mobile usage, min ³⁾	6,828m	+483m	+42m
Active 3G data users	1,017,000	+345,000	+112,000

¹⁾ Revenue per subscription ³⁾ Outgoing minutes

²⁾ Annualised

⁴⁾ Q4/10 ARPU € 20.7 and Churn 15.0%

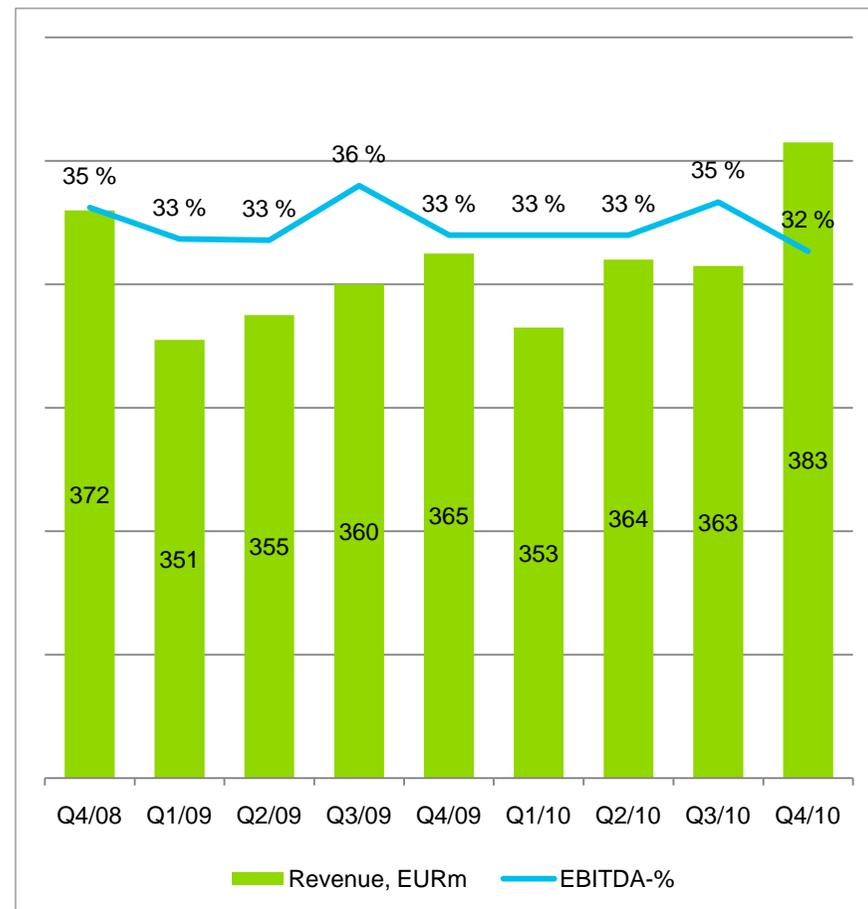


Q4 2010 highlights

- Revenue growth was stronger than in previous quarters
- Profitability was at a good level, cash flow was affected by non-recurring CDO guarantee settlement
- Mobile subscription base and usage continued to increase
- Growth in 3G data services was good
- Elisa Viihde IPTV service improved further
- Appelsiini acquisition strengthened ICT offering
- Smartphone market improved briskly

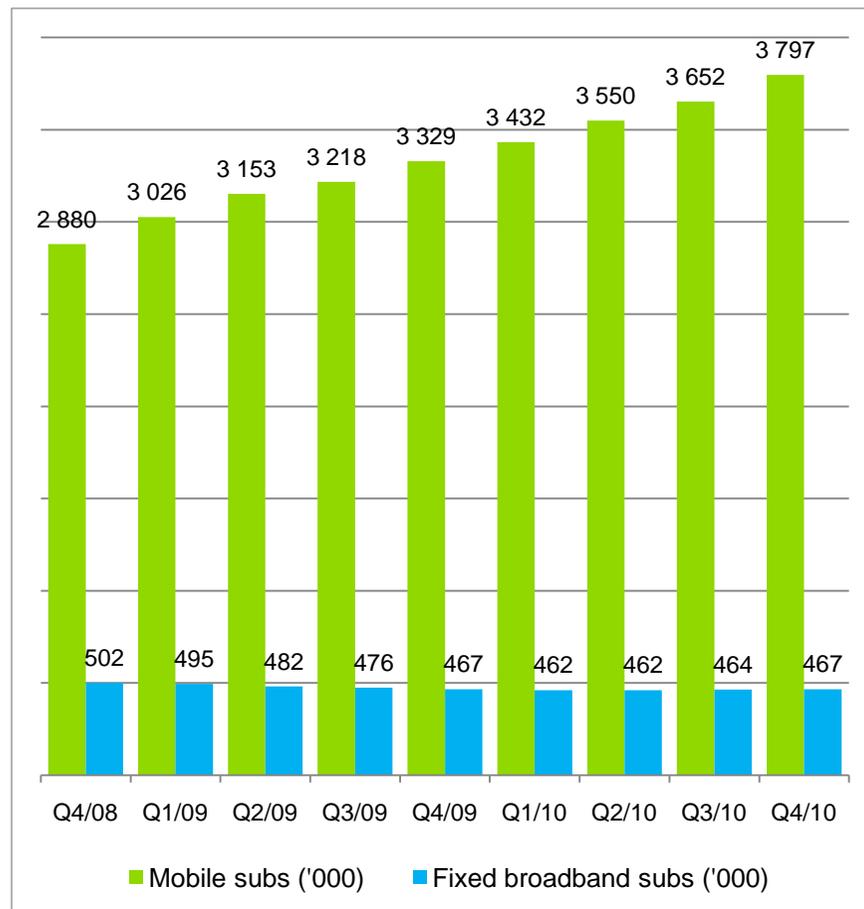
Revenue growth continued

- **Revenue €383m (365)**
 - Growth in mobile services, especially data services and smartphones
 - Decrease in fixed line business
 - Growth in online and ICT service business
- **EBITDA €123m (121)**
- **CAPEX €56m (61), 15% of revenue**
 - Full year CAPEX according to target, 12% of revenue
- **Net debt €776m (719)**
 - Cash flow €28m
 - Net debt / EBITDA 1.6 (1.5)



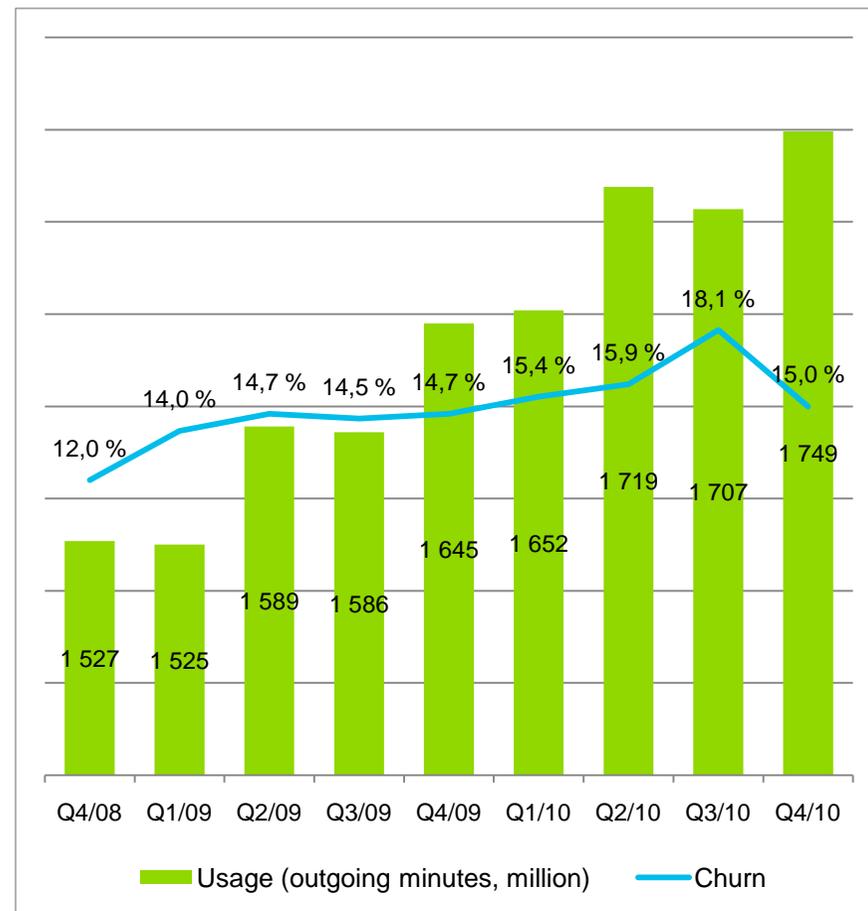
Strong mobile subscription growth continued

- **144,400 new subscriptions in Q4**
 - Growth in both customer segments
 - Growth in mobile broadband and 3G subscriptions
 - Estonia +36,400 subscriptions
- **Growth in fixed broadband continued**
 - 3,400 new subscriptions in Q4



Churn decreased QoQ

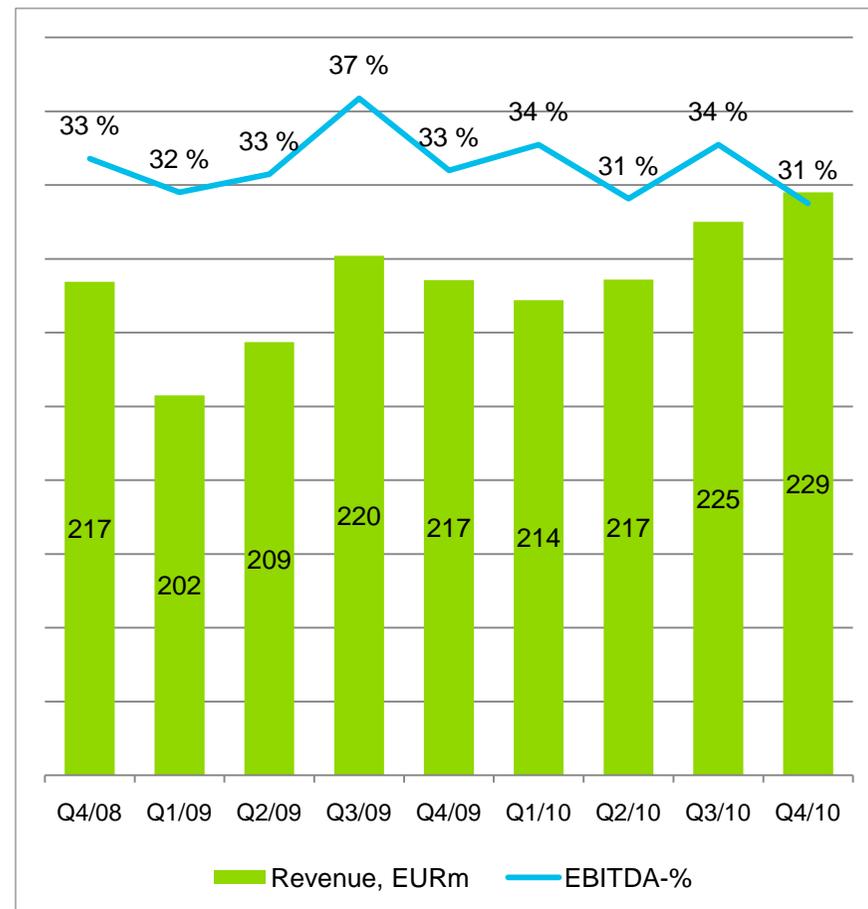
- Growth in mobile services
 - Outgoing minutes growth +6% YoY
 - SMS growth +10% YoY
- Mobile churn 15.0% (14.7)
 - Churn dropped from previous quarter
 - Keen competition will continue



Business Segments

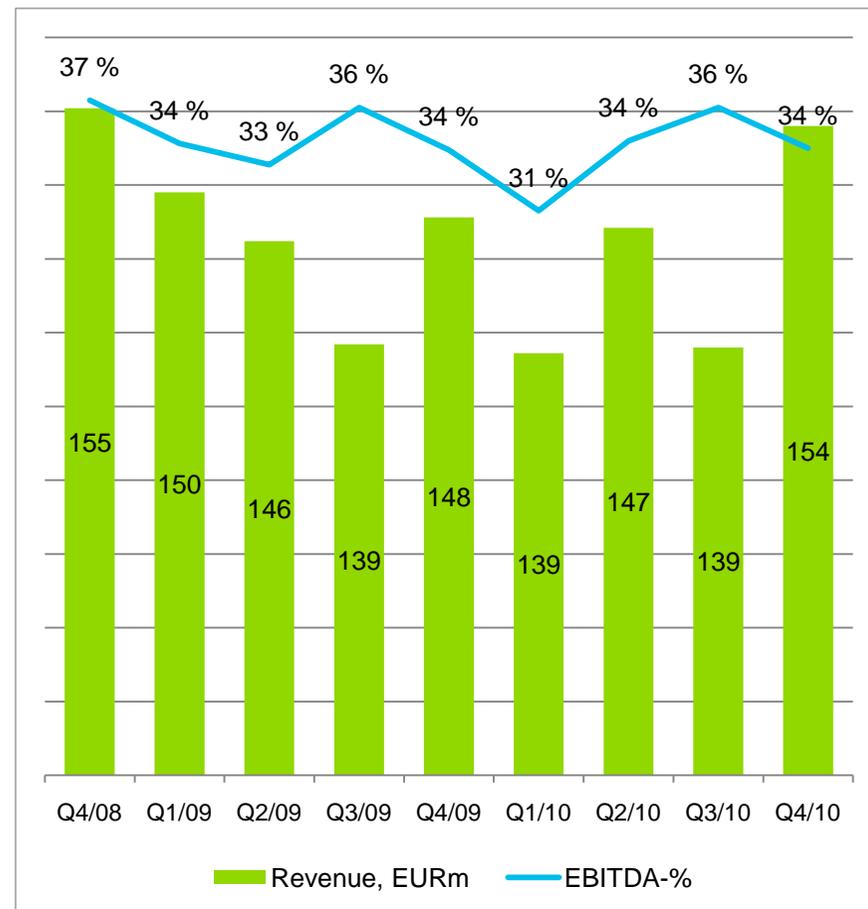
Growth in mobile usage and handset sales

- Revenue €229m (217)
 - Growth in mobile customer billing, handset sales and online services
 - Decrease in fixed business
- EBITDA €71m (71), 31% of revenue
 - Decrease in SAC per subscription
 - Increase in sales costs
- CAPEX €31m (33)



Solid performance in the fourth quarter

- Revenue € 154m (148)
 - Growth in mobile customer billing and online services
 - Acquisitions increased revenue
 - Decrease in fixed business
- EBITDA € 52m (50), 34% of revenue
 - Revenue growth
- CAPEX € 25m (28)



Strategy execution



New services and
new markets



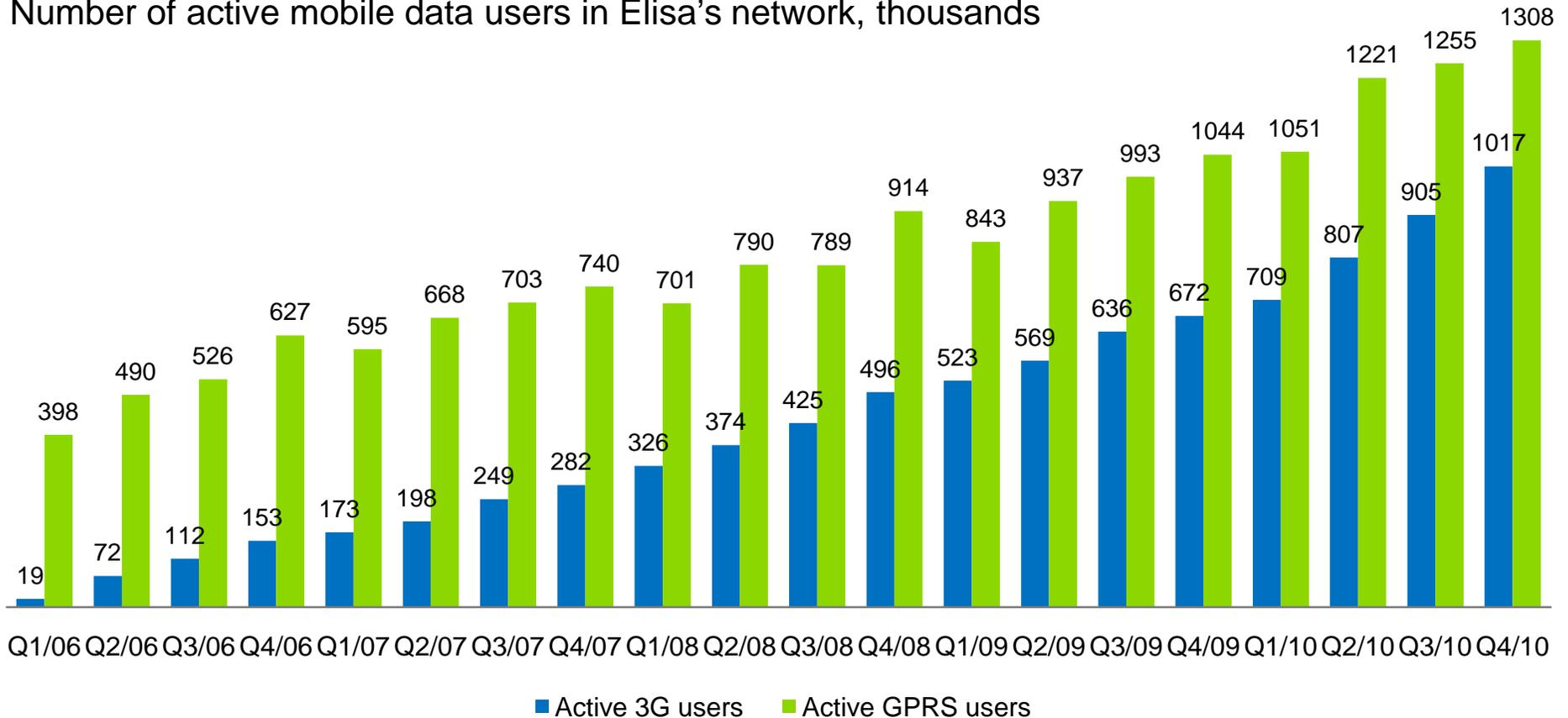
Strengthening market
position in core markets



Integration of One Elisa

More than one million 3G data users

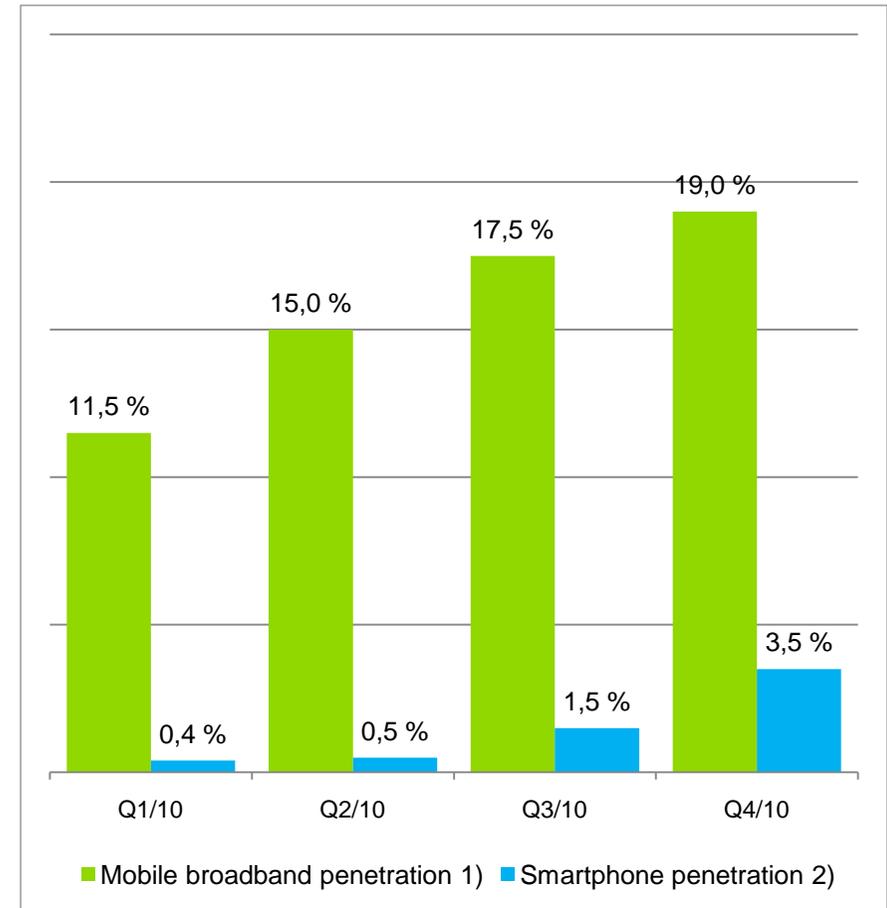
Number of active mobile data users in Elisa's network, thousands



Good growth in mobile broadband and smartphones

- Every fifth subscription includes mobile broadband service
- Smartphone penetration more than doubled, still significant growth potential
- Smartphones top the list of most sold phones
 - 45% of all models sold were smartphones in Q4
 - Wide assortment of different price categories

Penetration in Finland



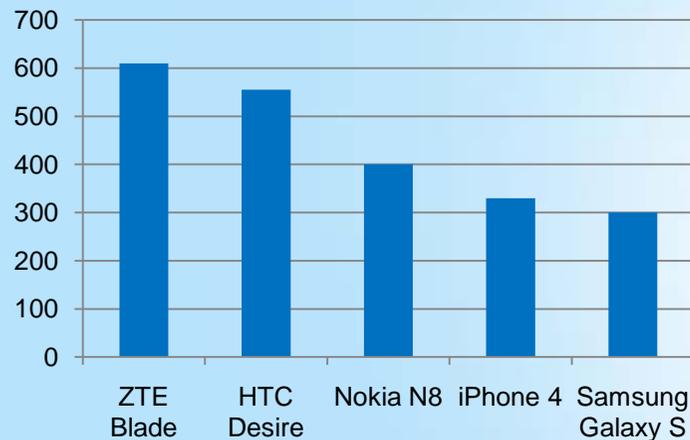
1) Dongles and mobile BB add-on services of the total subscription base

2) iOS, Android and Symbian 3^ phones of the total phone base

Fast development in smartphone and application market

- Applications increasingly popular
 - Facebook and other social media
 - E-mail and navigation
 - Games, like Angry Birds
- Smartphones use over 300 MB of data per month

MB/month Smartphone data usage in January 2011



Elisa Viihde IPTV developed further

- Elisa Viihde application for Android phones
 - Scheduling programs
 - Recording the programs
- World exclusive for unique NHL content
 - Summary of the Finnish players' performance



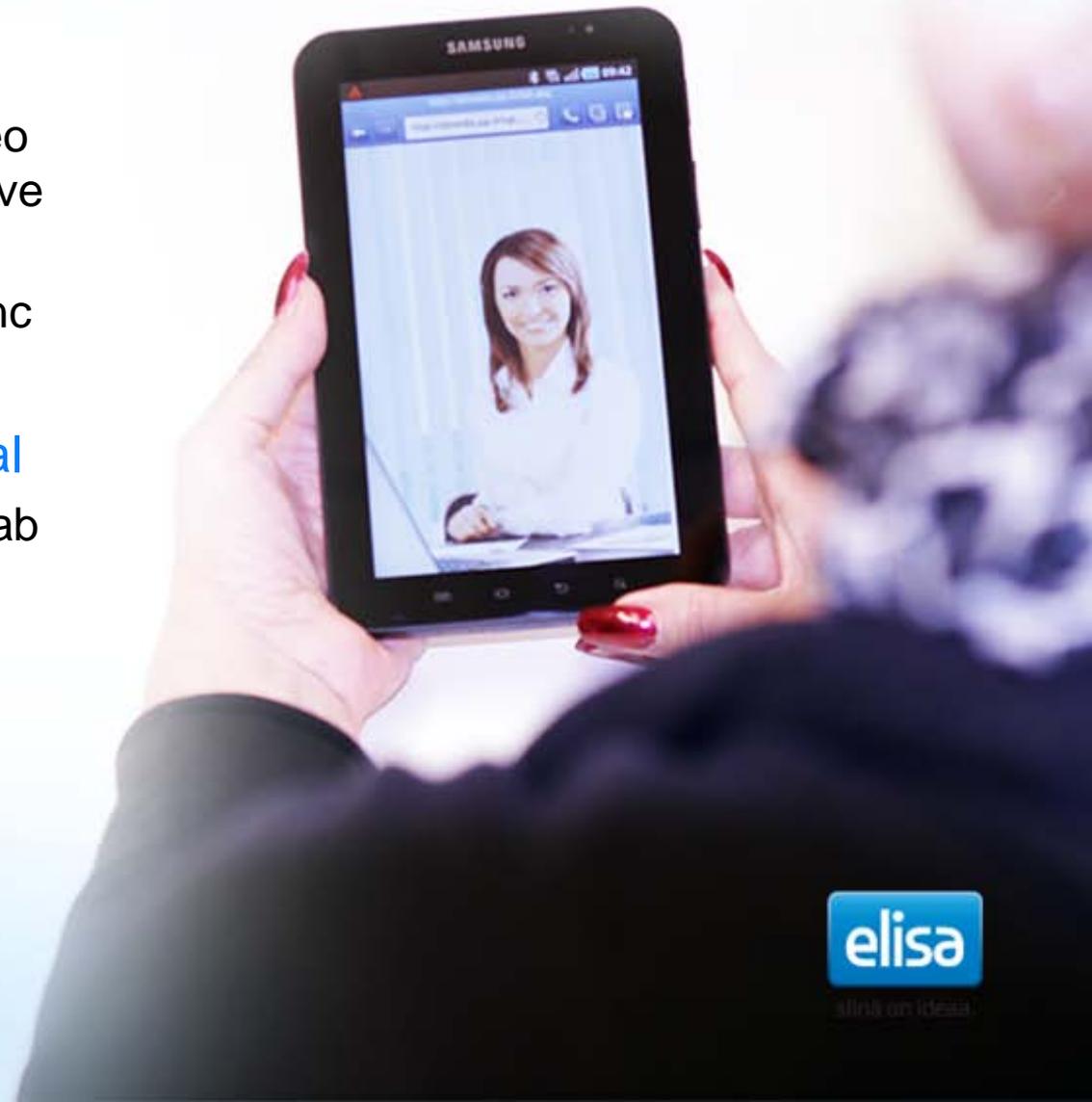
IT outsourcing services added to Elisa's offering

- Acquisition of Appelsiini Finland
 - Revenue EUR 13m
 - 150 employees
- Elisa ICT services
 - Customised business solutions
 - Workstations
 - Server systems
 - Data center services and networks
- SME as a target
- Expanded to nationwide service



Telepresence video conference on tablets

- **World's first**
 - Android application enabling video conference attendance irrespective of time or place
 - Technology provided by Vidyo, Inc
- **Smartphone or tablet as a terminal**
 - For example Samsung Galaxy Tab



Outlook for 2011

- Positive trends of the general economy have continued
- Competition remains challenging
- Revenue increase slightly
- EBITDA excluding one-offs improve slightly
- CAPEX maximum 12 per cent of revenue

Mid-term targets by end-2011

Parameter	Target	Status 2010
Revenue growth	Above industry average	Elisa +1,5% Industry -2,7%*
EBITDA-margin	Above 35%	33%
CAPEX-to-sales	10 - 12%	12%
Capital structure Net debt / EBITDA Equity ratio	1.5 - 2x > 35%	1.6x 43%

* European operators' YoY cumulative Q1-Q3/2010 domestic revenue growth. Peer group companies: Belgacom, BT Group, Deutsche Telecom, Elisa, France Telecom, KPN, OTE, Portugal Telecom, Swisscom, Telecom Austria, Telecom Italia, Telefonica, Telenor and TeliaSonera. Source: Company reports.



Mid-term targets by end-2013

Parameter	Target
Revenue growth	Above industry average
EBITDA-margin	Above 35 %
CAPEX-to-sales	$\leq 12 \%$
Capital structure Net debt / EBITDA Equity ratio	1.5 - 2x > 35 %

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CEO's review

Veli-Matti Mattila, CEO

Financial review

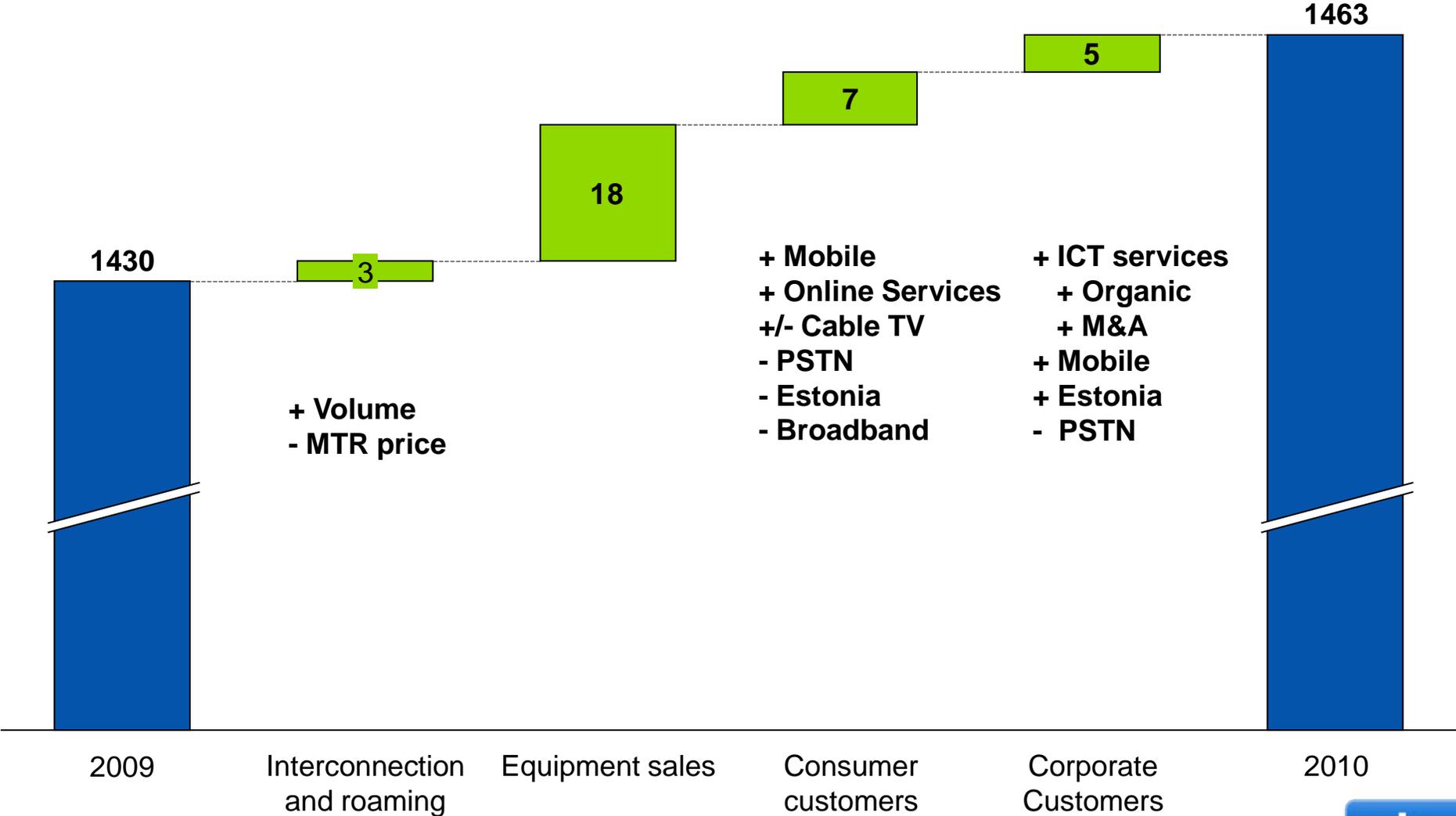
Jari Kinnunen, CFO

Revenue and EBITDA in line with guidance

EUR million	Q4/10	Q4/09	Δ	2010	2009	Δ
Revenue	383	365	18	1463	1430	33
Other operating income	2	2		5	4	1
Operating expenses	-262	-246	-16	-984	-951	-33
EBITDA	123	121	2	485	484	1
<i>EBITDA-%</i>	32%	33%		33%	34%	
Depreciation and amortisation	-55	-57	2	-217	-216	
EBIT	69	64	4	268	267	1
<i>EBIT-%</i>	18%	18%		18%	19%	
Profit before tax	66	56	10	197	235	-38
Profit before taxes w/o one-off 1)	61	56	6	237	235	2
Income taxes	-15	-15		-47	-58	11
Profit for the period	52	41	11	151	177	-26
Profit for the period w/o one-off 1)	48	41	7	180	177	3
EPS, EUR/share	0.33	0.26	0.07	0.96	1.13	-0.17
EPS w/o one-off 1)	0.31	0.26	0.05	1.15	1.13	0.02

1) Non recurring item: CDO guarantee settlement

Full year revenue change



Equipment sales and acquisitions affected OPEX

- OPEX decreases

- Network operating expenses
- Interconnections and roaming
- Credit losses lower
- Productivity improvements

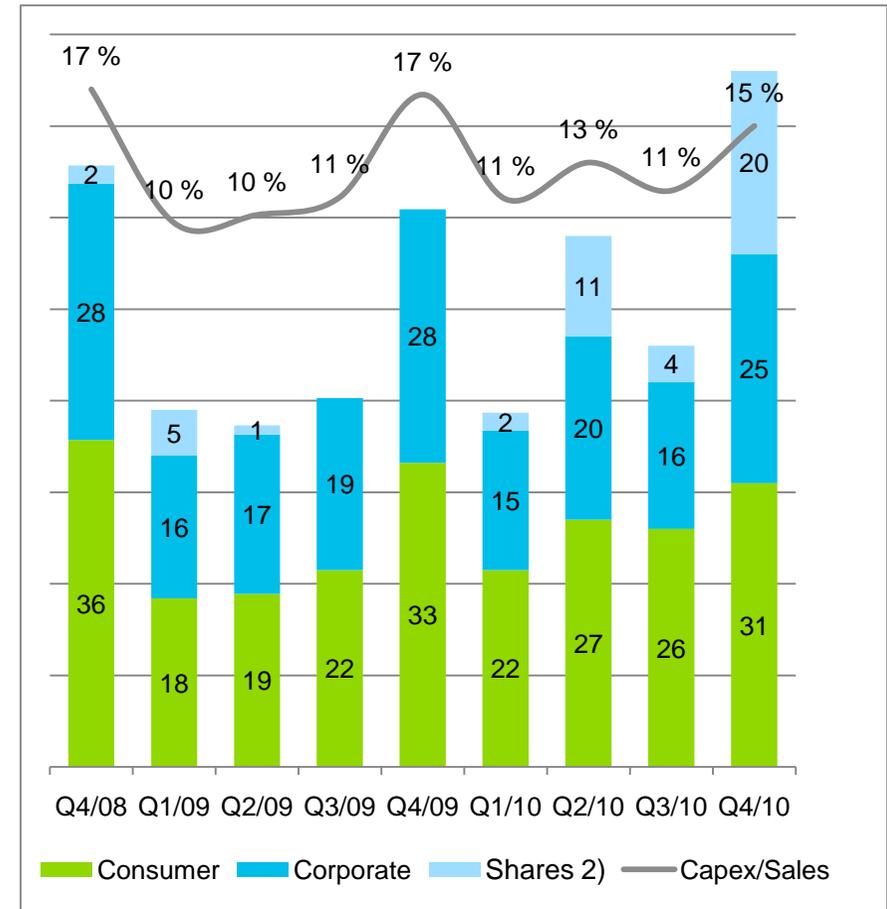
- OPEX increases

- Cost of equipment sales
- Structural changes:
 - M&A Videra and Appelsiini
- Personnel expenses
 - Salary increases based on collective labor agreements 1.10.2010
 - 181 persons in acquired companies
 - Call center and customer service personnel increase

EURm	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10
Materials and services	144	140	148	148	163
Employee benefit expenses	51	55	52	46	55
Other operating expenses	50	43	46	42	44
Total expenses	246	238	247	237	262
Depreciation	57	54	54	54	55

CAPEX/Sales in line with guidance

- Total CAPEX in Q4 EUR 56m (61)
 - CAPEX/Sales 15% (17%)
- Total CAPEX 2010 EUR 182m ¹⁾ (171)
 - CAPEX/Sales 12% (12%)
- Q4/10 by segments
 - Consumer EUR 31m (33)
 - Corporate EUR 25m (28)
- Major CAPEX areas
 - 3G network
 - Fixed access and backbone networks
 - IT systems
 - Customer equipment



1) Excluding of shares or acquisitions of business assets

2) Including acquisitions of business assets

Cash flow

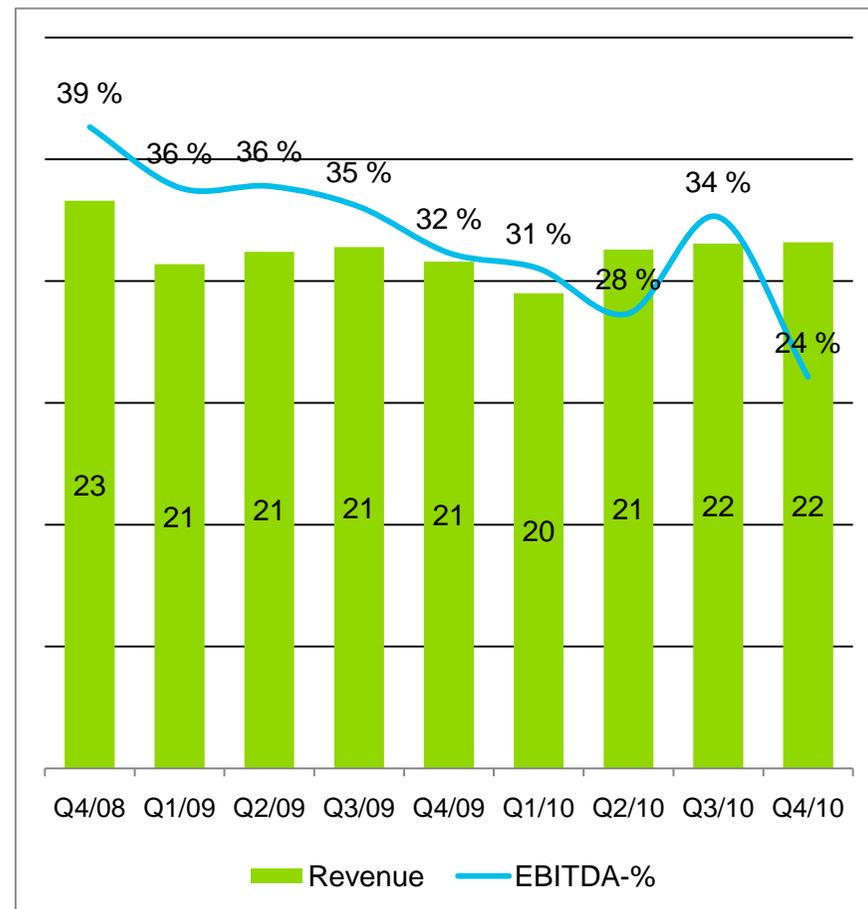
EUR million	Q4/10	Q4/09	Δ	2010	2009	Δ
EBITDA	123	121	3	485	484	1
Change in receivables	-2	10	-12	2	36	-34
Change in inventories	-3	-7		-6	-9	3
Change in payables	23	23		11	10	1
Change in NWC	18	26	-8	7	37	-30
Finance income and expenses	-1	-1		-28	-30	2
CDO Guarantee settlement 1)	-40		-40	-40		-40
Financials (net)	-41	-1	-40	-68	-30	-38
Taxes for the year	-6	-11	5	-47	-55	8
Taxes for the previous year				-6	-2	-4
Taxes	-6	-11	5	-53	-57	4
CAPEX	-55	-61	6	-182	-170	-12
Investments in shares	-10	0	-10	-19	-10	-9
Sale of assets and adjustments	-1	0	0	2	-2	4
Cash flow after investments	28	74	-46	172	252	-80
Cash Flow after investments without non recurring items	68	74	-6	212	252	-40

1) Non recurring item

Good subscription growth in Estonia

- Revenue flat, market share increased
 - Market share 26%, up 3 percentage units
 - Mobile broadband is picking up
- EBITDA decreased
 - Strong growth in mobile
 - + 80 100 YoY, + 36 400 QoQ
 - Increased competition
- CAPEX
 - 3G Coverage
- 4G license awarded

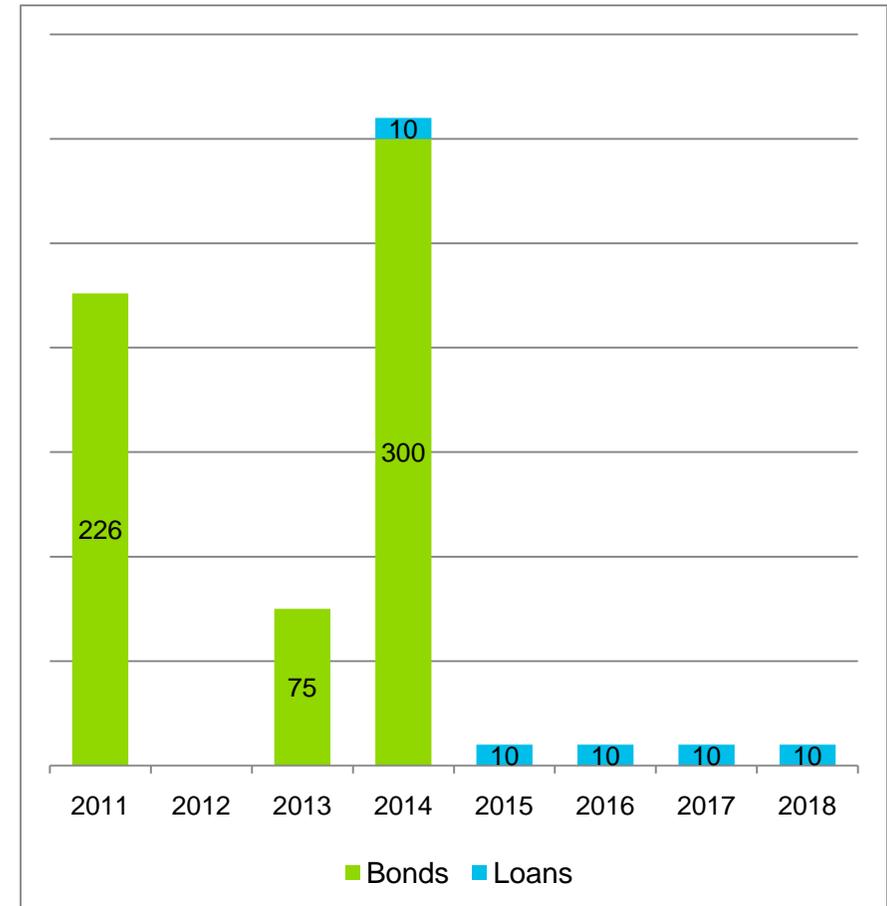
EUR million	Q4/10	Q4/09	2010	2009
Revenue	22	21	84	84
EBITDA	5	7	25	29
<i>EBITDA-%</i>	<i>24</i>	<i>32</i>	<i>29</i>	<i>34</i>
EBIT	2	4	13	18
<i>EBIT-%</i>	<i>11</i>	<i>18</i>	<i>16</i>	<i>21</i>
CAPEX	4	3	10	7



Liquidity position is good

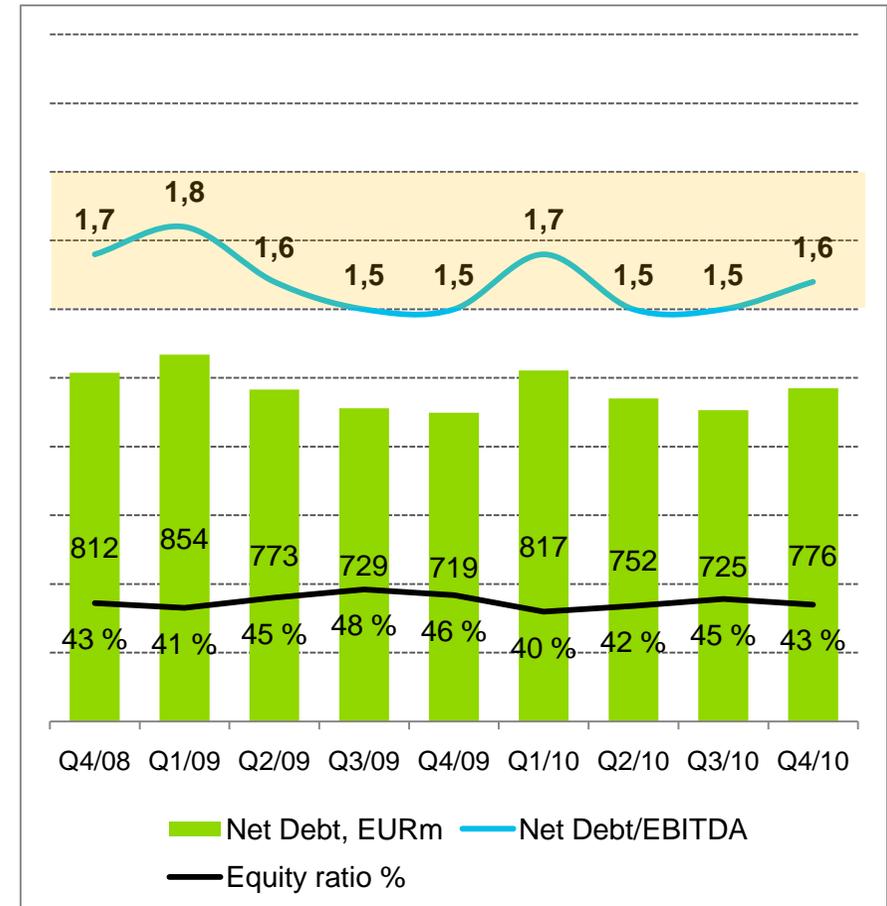
- Cash and undrawn committed facilities EUR 299m (324m)
- Revolving Credit Facilities
 - EUR 170m maturing Jun 2012
 - EUR 130m maturing Nov 2014
 - EUR 32m drawn Q4/10
- Commercial Paper Program
 - EUR 102m in use
- Credit ratings constant since 2003
 - S&P BBB/Stable outlook
 - Moody's Baa2/Stable outlook

Bond and Bank loan maturities



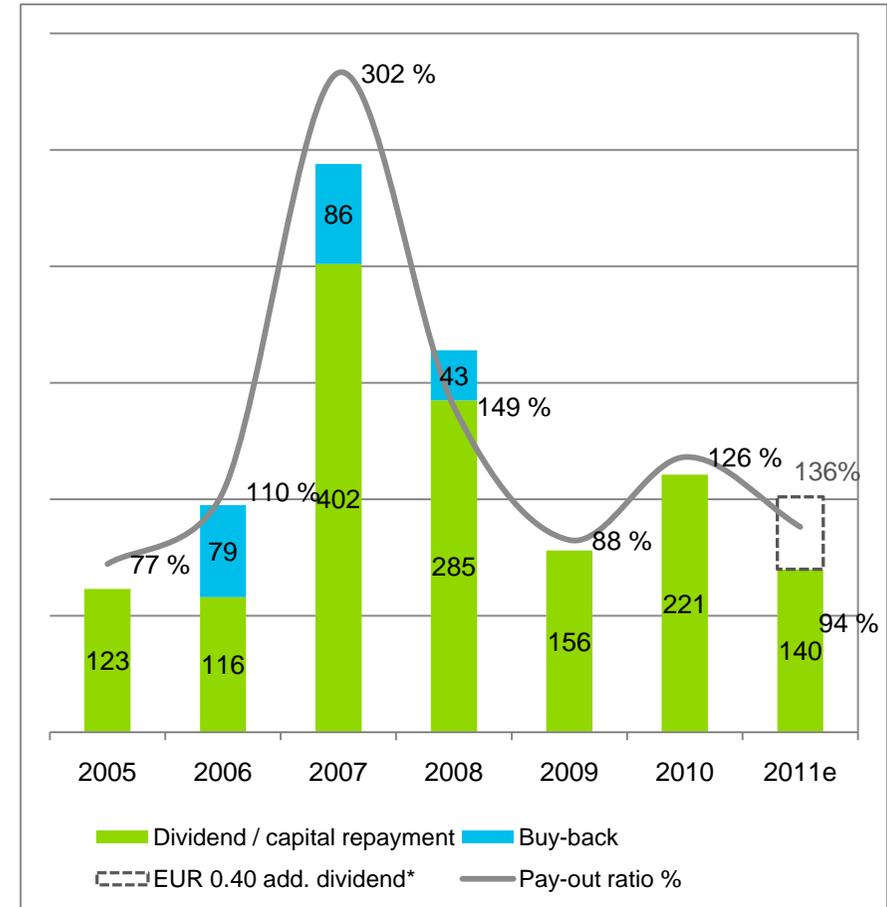
Capital structure in line with targets

- Capital structure
 - Net debt / EBITDA 1.6
 - Gearing 93%, Equity ratio 43%
- Target setting
 - Net debt / EBITDA 1.5 – 2x
 - Equity ratio >35%



Profit distribution proposal

- **EUR 0.90 dividend per share**
 - Total amount EUR 141m
 - Pro Forma Net Debt/EBITDA after payment 1.9
 - Dividend yield 6% *
 - Payout ratio 94%
- **Payment date 7.4.2011**
- **Record date 30.3.2011**
- **Authorisations proposals to AGM**
 - EUR 0,40 per share additional dividend
 - If authorised and used total dividend yield 8% *
 - Max 5 million share buy back



* total profit distribution /share price as 30.12.2010 (€ 16.27)

* if authorised by AGM and decided by BoD

2010

Annual Results 2010
11 February 2011

Consolidated Cash flow statement

EUR million	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Cash flow from operating activities									
Profit before tax	67	68	53	10	56	70	56	53	70
Adjustments to profit before tax	55	60	67	106	64	60	60	61	57
Change in working capital	18	-27	20	-4	26	-23	30	4	33
Cash flow from operating activities	140	101	140	112	146	107	146	119	159
Received dividends and interests and interest paid 1)	-41	-11	0	-15	-1	-12	-2	-15	-4
Taxes paid	-6	-16	-19	-13	-11	-11	-18	-17	-11
Net cash flow from operating activities	92	74	121	84	134	84	127	87	145
Cash flow in investments									
Capital expenditure	-55	-42	-46	-38	-61	-40	-36	-34	-60
Investments in shares and other investments	-10	-4	-5	-1		0	-2	-7	-1
Proceeds from asset disposal	1	0	1		0	0	1	0	0
Net cash used in investment	-64	-45	-51	-39	-61	-41	-37	-41	-61
Cash flow after investments	28	29	70	45	74	43	89	46	84
Cash flow in financing									
Share Buy Backs and sales (net)									0
Change in interest-bearing receivables									0
Change in long-term debt	0		-30	25			-36		0
Change in short-term debt	65	-42	-33	69	13	-62	-47	40	-70
Repayment of financing leases	-1	-1	-1	-1	-1	-1	-1	-1	-1
Dividends paid	-78		-1	-143	-63	0	-8	-86	-1
Cash flow in financing	-13	-43	-65	-50	-51	-64	-92	-47	-72
Change in cash and cash equivalents	15	-15	5	-5	23	-20	-2	-2	12

1) Includes non recurring item: CDO guarantee settlement

Financial situation

EUR Million	31 Dec 2010	30 Sep 2010	30 Jun 2010	31 Mar 2010	31 Dec 2009	30 Sep 2009	30 Jun 2009	31 Mar 2009	31 Dec 2008
Interest-bearing debt									
Bonds and notes	599	598	598	597	572	572	570	606	606
Commercial Papers	102	68	110	118	74	62	119	101	56
Loans from financial institutions	52	52	52	80	80	80	80	80	80
Financial leases	23	23	24	23	23	24	27	27	27
Committed credit lines 1)	32	0	0	25	0	0	5	70	75
Others 2)	0	0	0	0	0	0	1	1	1
Interest-bearing debt, total	808	742	784	843	750	738	802	885	845
Cash and cash equivalents	32	17	32	26	31	9	29	31	33
Interest-bearing receivables	32	17	32	26	31	9	29	31	33
Net debt 3)	776	725	752	817	719	729	773	854	812

1) The committed credit lines are EUR 170 million and EUR 130 million revolving credit facilities with five banks, which Elisa Corporation may use flexibly on agreed pricing. The loan arrangements are valid until 17 June 2012 and 23 November 2014.

2) Redemption liability for minorities

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