

# 2nd quarter results 2012

13 July 2012



siinä on ideaa.

# Agenda

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**CEO's review**

**Veli-Matti Mattila, CEO**

**Financial review**

**Jari Kinnunen, CFO**

# CEO's review

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- Q2 2012 financial and operational highlights
- Segment review
- Strategy execution
- Mobile data and smartphone market development
- Progress of new services
- Outlook for 2012

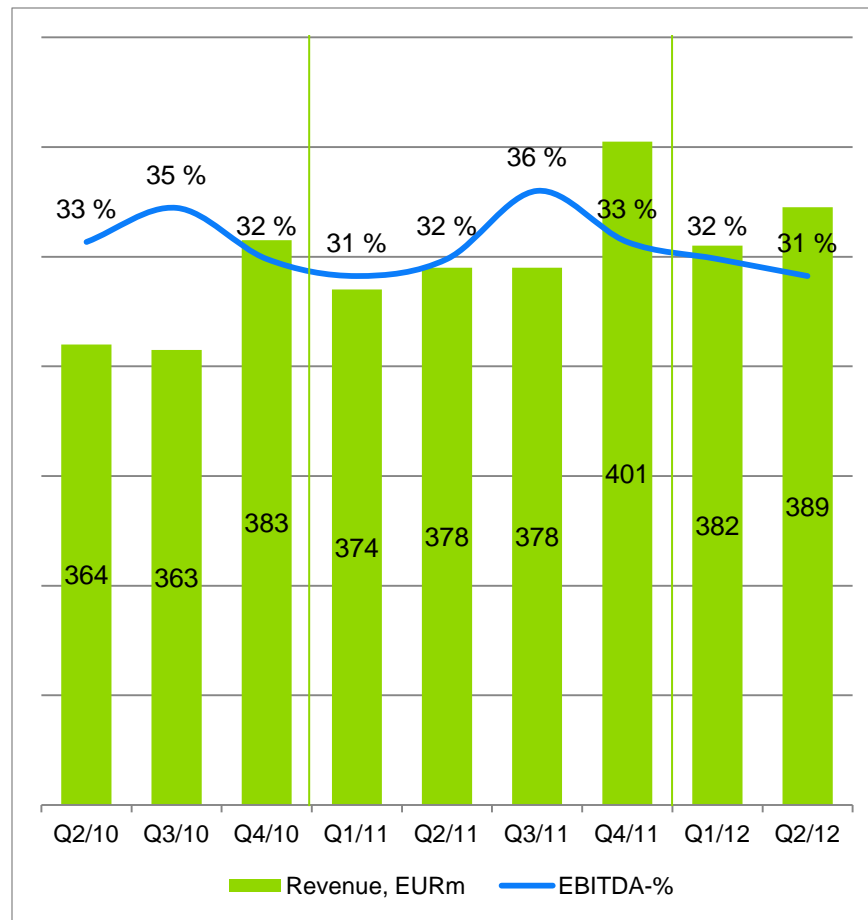
# Q2 2012 highlights

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- Q2 performance was good and in accordance with our expectations
- Profitability was at a good level
- Earnings per share improved markedly
- Mobile subscription base continued to increase
- Mobile usage continued to grow
- Elisa Viihde IPTV contributed to fixed broadband growth
- Smartphone market success continued
- Demand for new 4G subscriptions was good

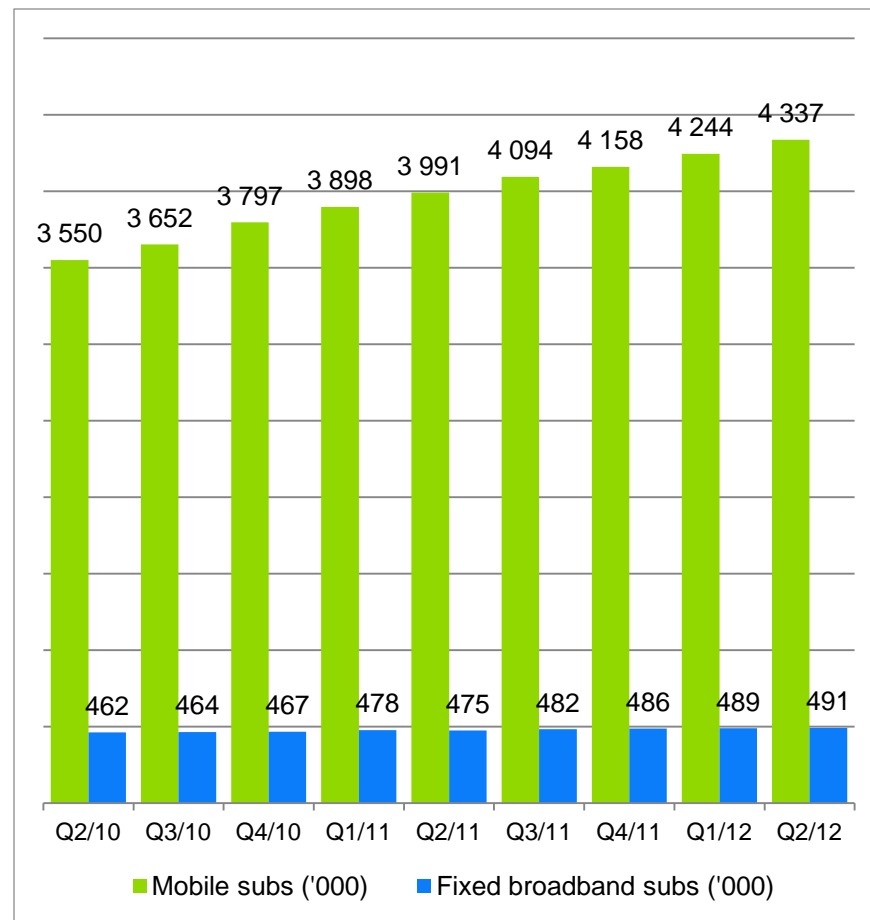
# Growth in revenue and earnings

- Revenue €389m (378)
- EBITDA €122m (121),
  - 31% of revenue (32)
- EBIT €72m (69)
- CAPEX €51m (54),
  - 13% of revenue
  - H1 CAPEX €92m, according to guidance, 12% of revenue
- Net debt €909m (845)
  - Dividend payment €203m in Q2
  - Cash flow €47m (59)
  - Net debt / EBITDA 1.8 (1.7)



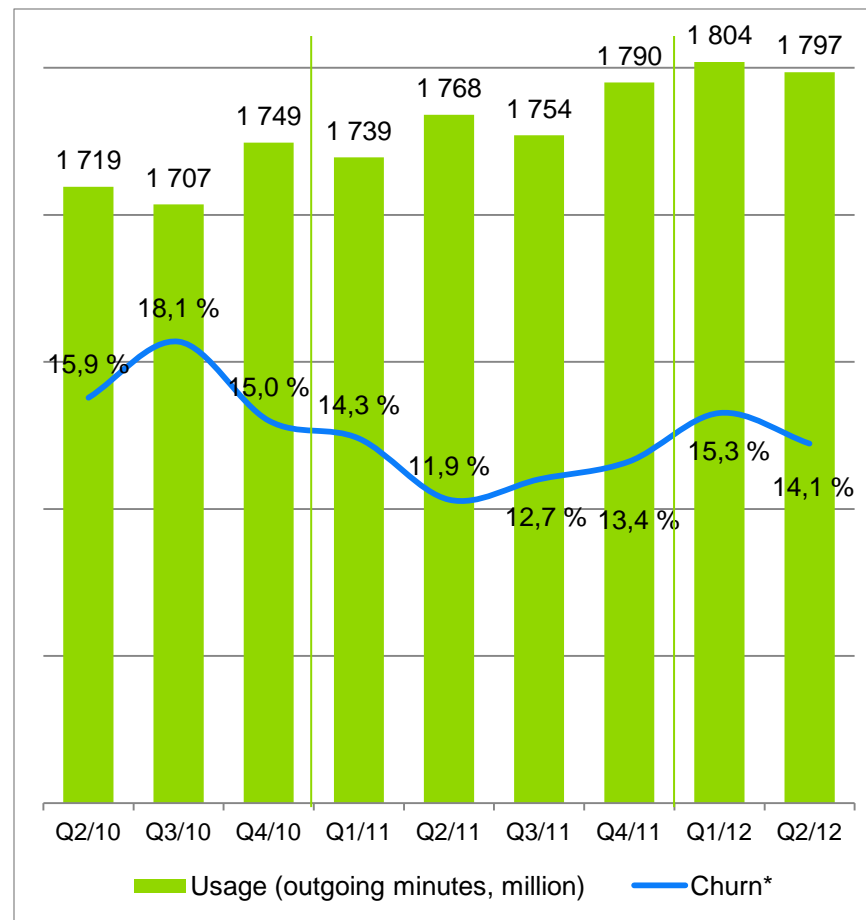
# Subscription growth continued

- **93,000 new mobile subs**
  - Growth in both customer segments
  - Strongest growth in voice and mobile broadband subs
  - Estonia +14,700 subscriptions
- **Fixed broadband growth continued**
  - Net adds 3,000
- **Elisa Viihde IPTV customer base continued to grow**



# Growth in usage, churn slightly down

- **Growth in mobile usage**
  - Strong growth in data
  - Outgoing minutes 1.8bn, YoY growth 2%
  - 561m SMS, YoY growth 13%
- **Churn\* 14.1% (11.9)**
  - At the normal level
  - Competition has remained keen



\* Annualised



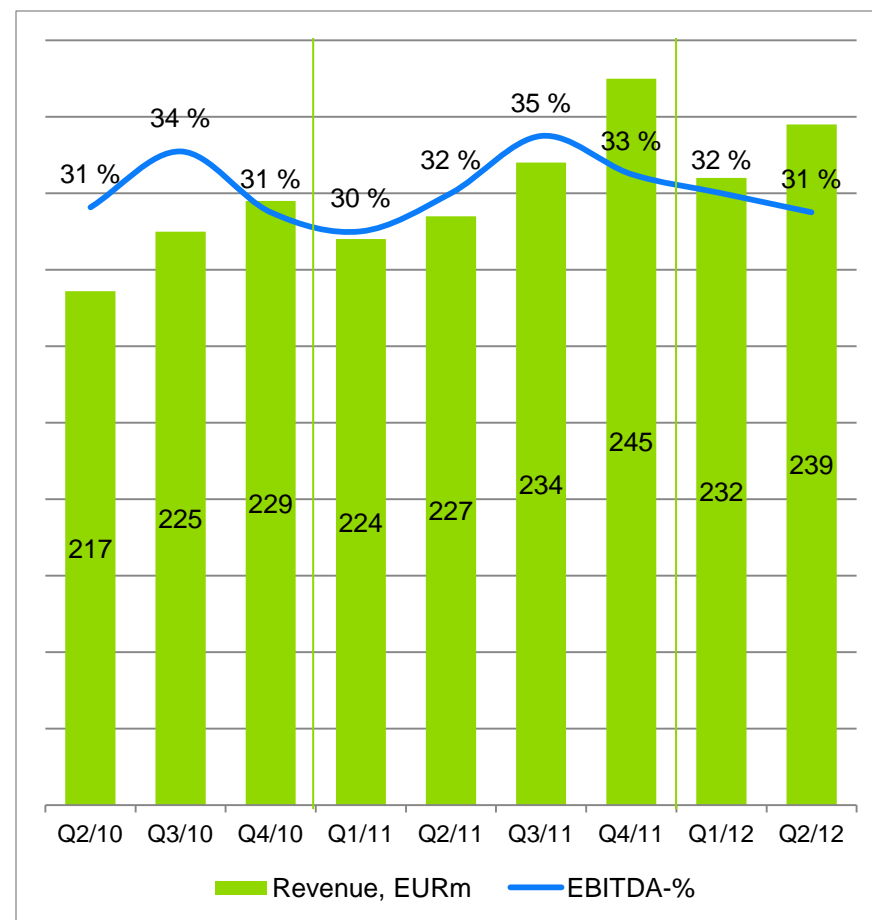
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# Business Segments



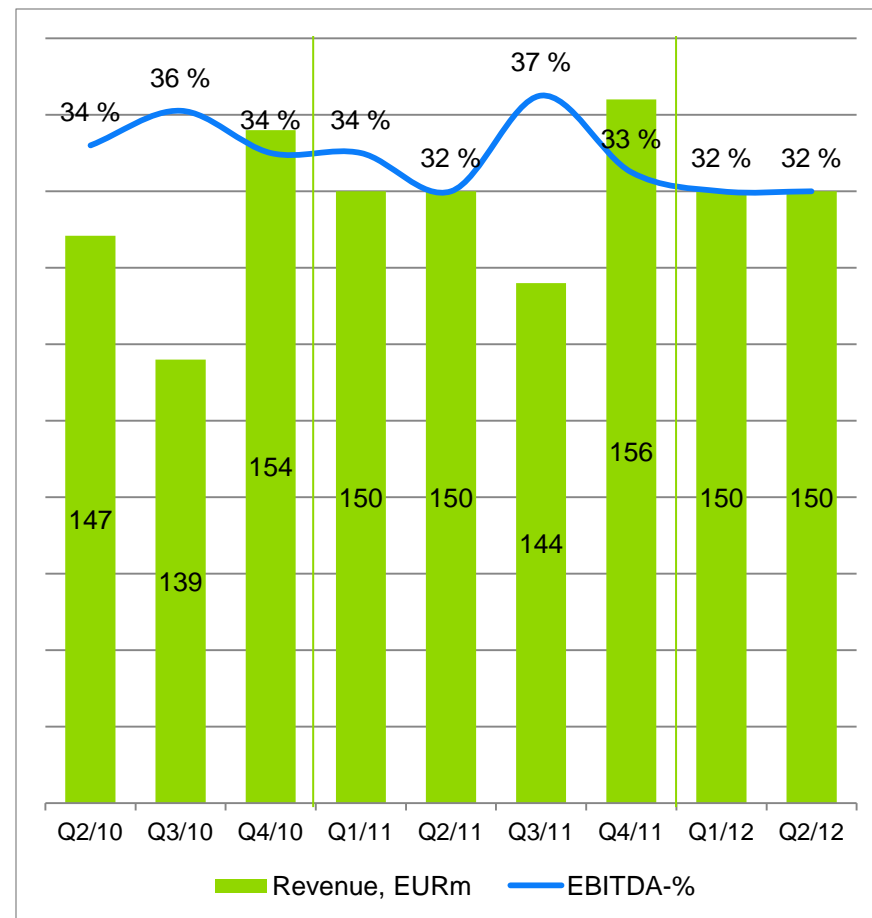
# Growth in new services and mobile business

- Revenue €239m (227)
  - Growth in mobile usage, smartphone sales and online services
  - Growth in Estonia
  - Decrease in fixed telephony business and mobile interconnection revenue
- EBITDA €74m (72)
  - 31% of revenue (32)
  - Revenue growth
  - Cost efficiency
- CAPEX €30m (32)



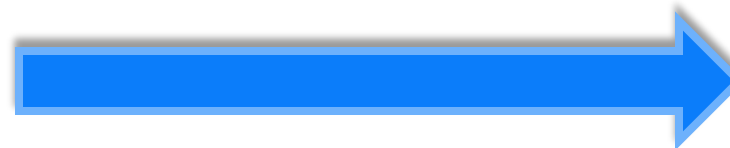
# ICT service business up, traditional fixed down

- **Revenue € 150m (150)**
  - Growth in mobile data, ICT services and equipment sales
  - Decrease in fixed network business and mobile interconnection revenue
- **EBITDA € 48m (49)**
  - 32% of revenue (32)
  - Increase in equipment sales
  - Decrease in usage in fixed network business
- **CAPEX € 21m (22)**

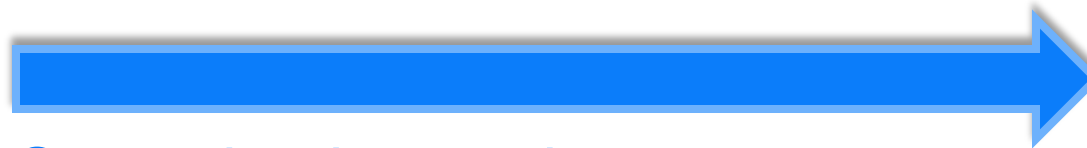


# Strategy execution

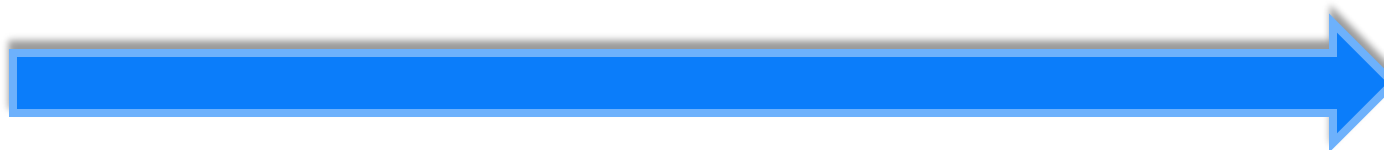
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New services and  
new markets



Strengthening market  
position in core markets

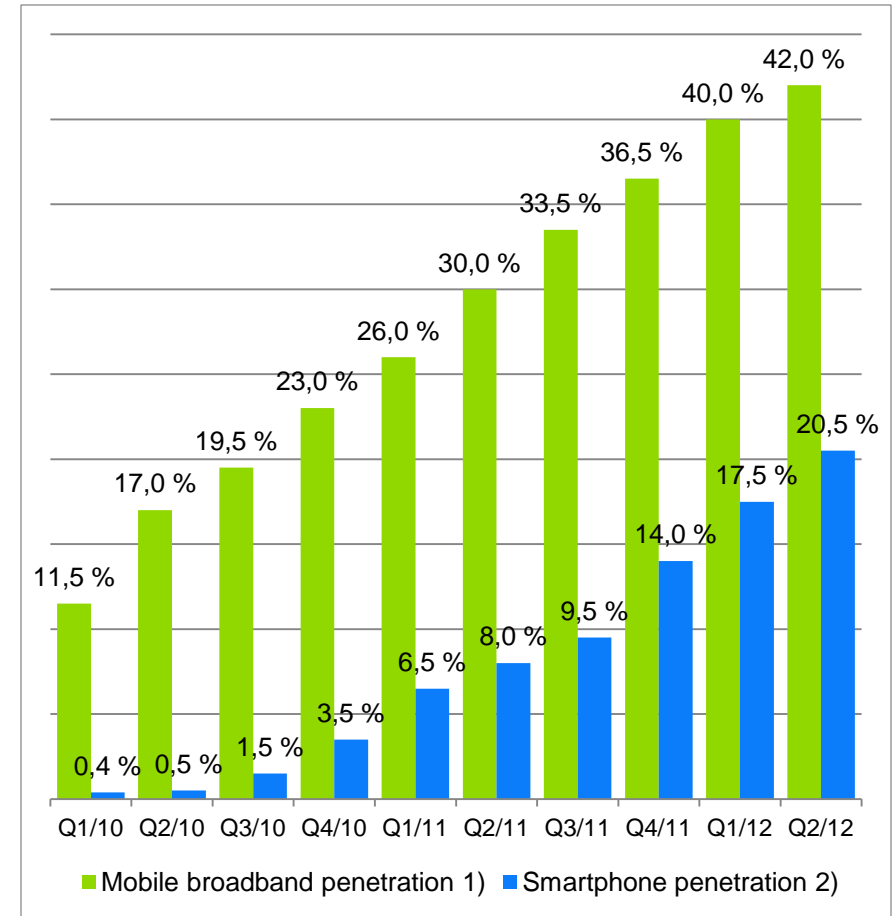


Integration of One Elisa

# Mobile data and smartphone market grow strongly

- Already one out of five customers uses a new type of smartphones
- Smartphones top the list of most sold phones in June
  1. Samsung Galaxy S III
  2. Apple iPhone 4S
  3. Nokia Lumia 610
  4. Nokia Lumia 900
  5. Nokia C2-01 (feature phone)
- 81% of all models sold were smartphones in Q2
  - In Q1/12 77%, year ago 64%

Penetrations in Elisa's network in Finland



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

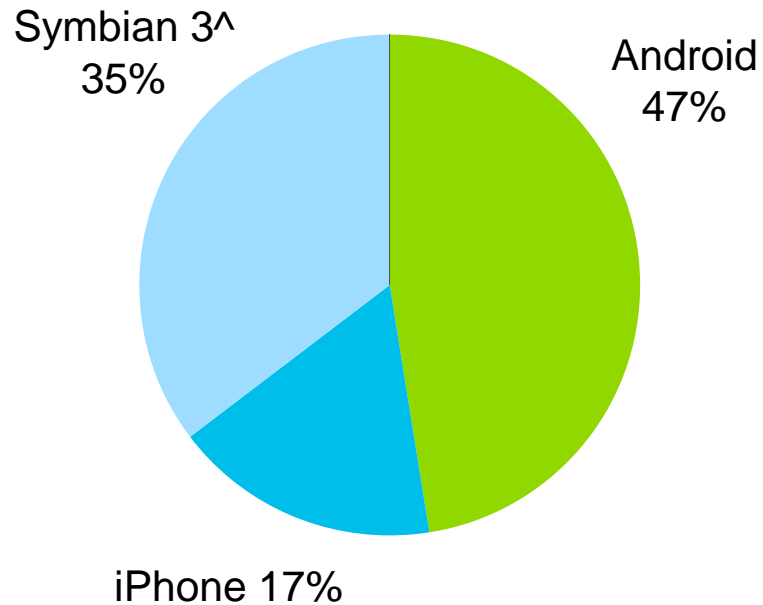
2) iOS (iPhone), Android, Symbian 3^ and Windows phones of the total phone base



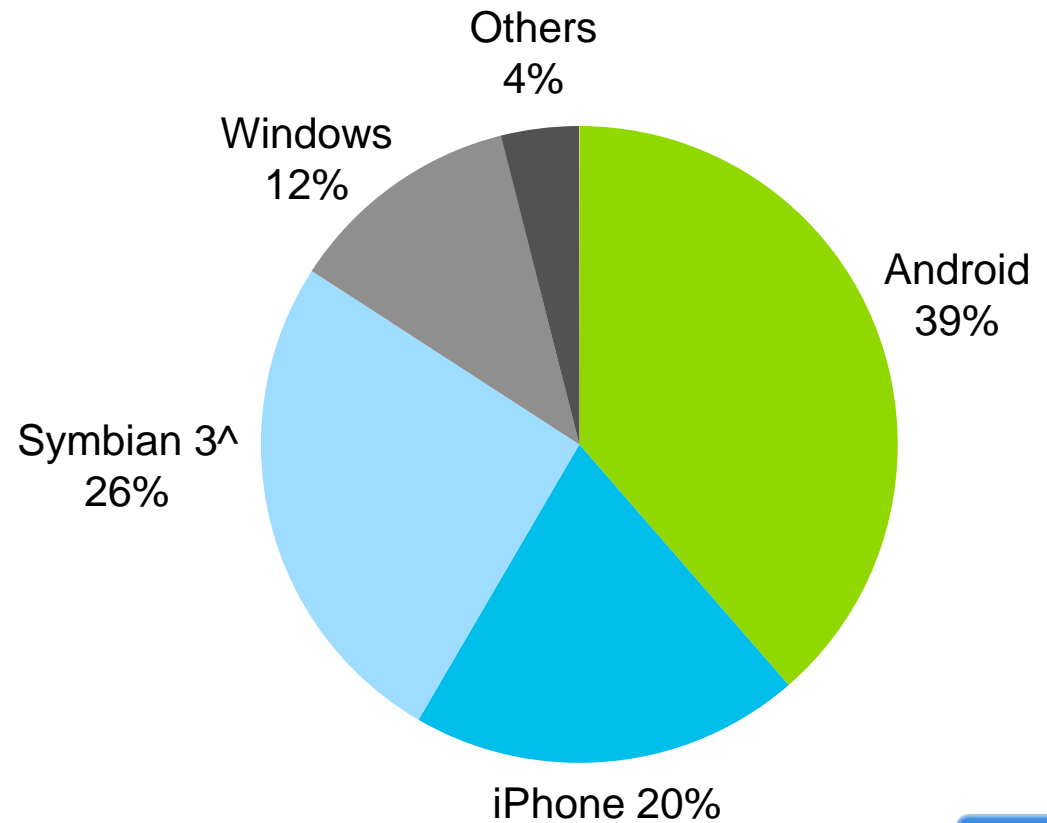
# Growth in Windows phones in Finland

Smartphone operating systems in Elisa's network

**Q2 / 2011**

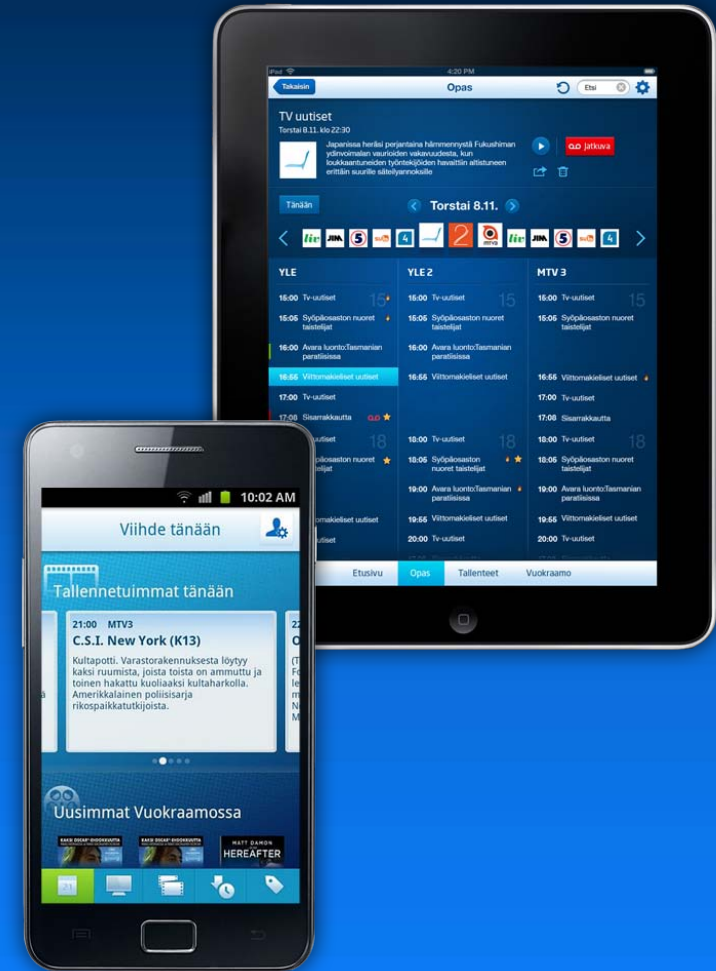


**Q2 / 2012**



# Popular Elisa Viihde IPTV applications

- More than 120,000 application downloads to tablets and smartphones
  - Browsing of TV programs and movie rental offering
  - Recording of favourite programs
- For all major operating systems
  - Most recently to Windows phones



# Elisa Kirja e-book to city libraries

- Libraries in Helsinki and Oulu lending out the Elisa Kirja e-book service on tablets
  - 2 libraries in Helsinki, 1 in Oulu
  - 50 e-books loaded on tablet
- The service was also expanded to cover more than 100 out-of-print detective novels



# Elisa eSali cloud service – an easy way to add server capacity

- With Elisa eSali cloud services corporate customers can expand their existing data center to Elisa's cloud service
  - Connection occurs via technology developed by Elisa
- Flexible solution to support corporate own cloud services





# Outlook for 2012

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- Uncertainties in the general economy have also affected Finland. The macroeconomic outlook for Finland is weaker than the outcome in 2011.
- Competition remains challenging
- Revenue at the same level as last year
- EBITDA excluding one-offs at the same level and EBIT will improve from the previous year due to lower depreciation level
- CAPEX maximum 12 per cent of revenue

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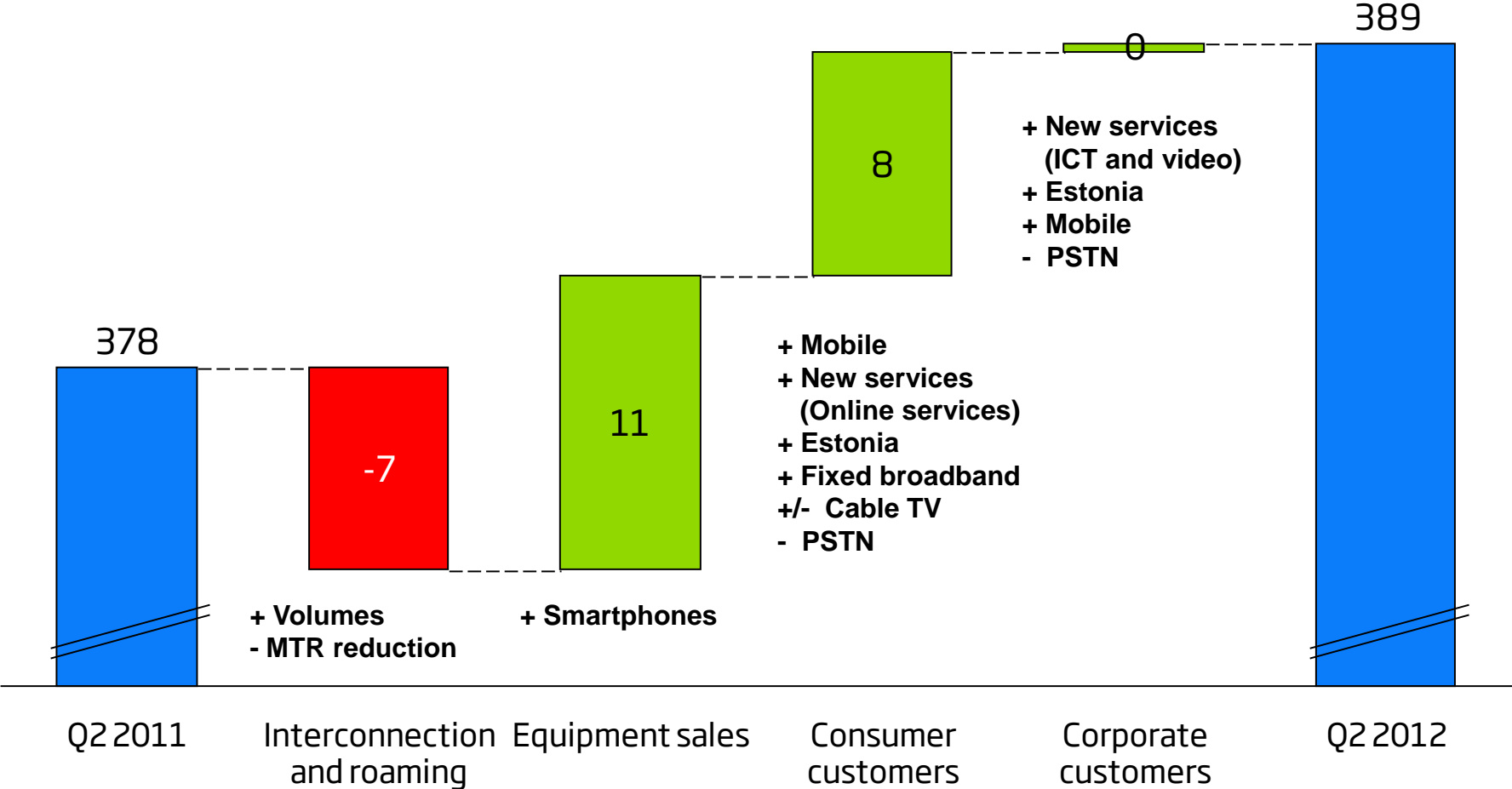
# Strong earnings growth continued

EUR million	Q2/12	Q2/11	$\Delta$ <sup>2)</sup>	$\Delta$ %	1H/12	1H/11	$\Delta$ <sup>2)</sup>	$\Delta$ %	2011
Revenue	389	378	12	3%	771	752	19	3%	1 530
Other operating income	1	2	-1		2	3	-1		6
Operating expenses	-269	-259	-10		-530	-516	-14		-1 030
EBITDA <sup>1)</sup>	122	121	1	1%	243	239	4	2%	506
<i>EBITDA-%</i>	31%	32 %			32%	32 %			33%
Depreciation and amortisation	-50	-53	3		-103	-105	2		-211
EBIT	72	69	4	5%	140	134	6	5%	295
<i>EBIT-%</i>	19 %	18 %			18 %	18 %			19%
Profit before tax	66	61	5		127	119	8		265
Income taxes	-15	-16	0		-28	-31	2		-64
Profit for the period	50	45	5		98	88	10		201
EPS, EUR/share	0.32	0.29	0.03	10%	0.63	0.56	0.07	12%	1.29

1) 1H/11 EBITDA excluding one off items EUR 240m

2) Difference is calculated using exact figures prior to rounding.

# Growth in service revenue and equipment sales



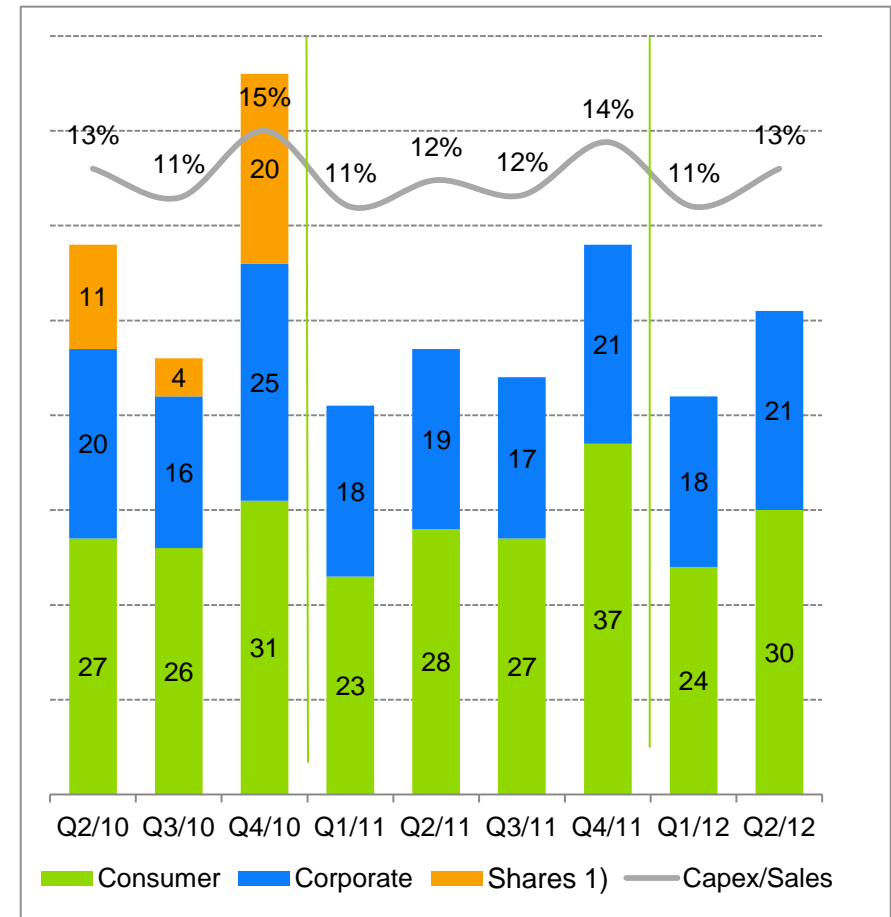
# Equipment sales increased OPEX

- **OPEX decreases in Q2**
  - Interconnection and roaming
  - Productivity improvements, e.g. IT and customer service
- **OPEX increases in Q2**
  - Equipment sales
  - Subscription acquisition costs
  - Personnel expenses
    - Increased personnel in customer contact centers and new services
    - Collective labor agreement salary increases
- **Depreciation lower in 2012**
  - Billing and CRM fully depreciated in Q1/12

EURm	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12
Materials and services	159	156	170	158	164
Employee benefit expenses	57	49	59	61	61
Other operating expenses	43	38	41	42	44
<b>Total expenses</b>	<b>259</b>	<b>243</b>	<b>270</b>	<b>261</b>	<b>269</b>
Depreciation	53	53	54	53	50

# CAPEX/Sales in line with guidance

- **CAPEX in Q2 EUR 51m (47)**
  - CAPEX/Sales 13% (12%)
  - Consumer EUR 30m (28)
  - Corporate EUR 21m (19)
- **H1 CAPEX EUR 92m (88)**
  - CAPEX/Sales 12% (12%)
- **Major CAPEX areas**
  - 3G and 4G coverage and upgrade
  - Fixed access and backbone networks
  - IT systems
  - Customer equipment



Q2/11 CAPEX figures excluding EUR 7m data center infrastructure lease

<sup>1)</sup> Including acquisitions of business assets

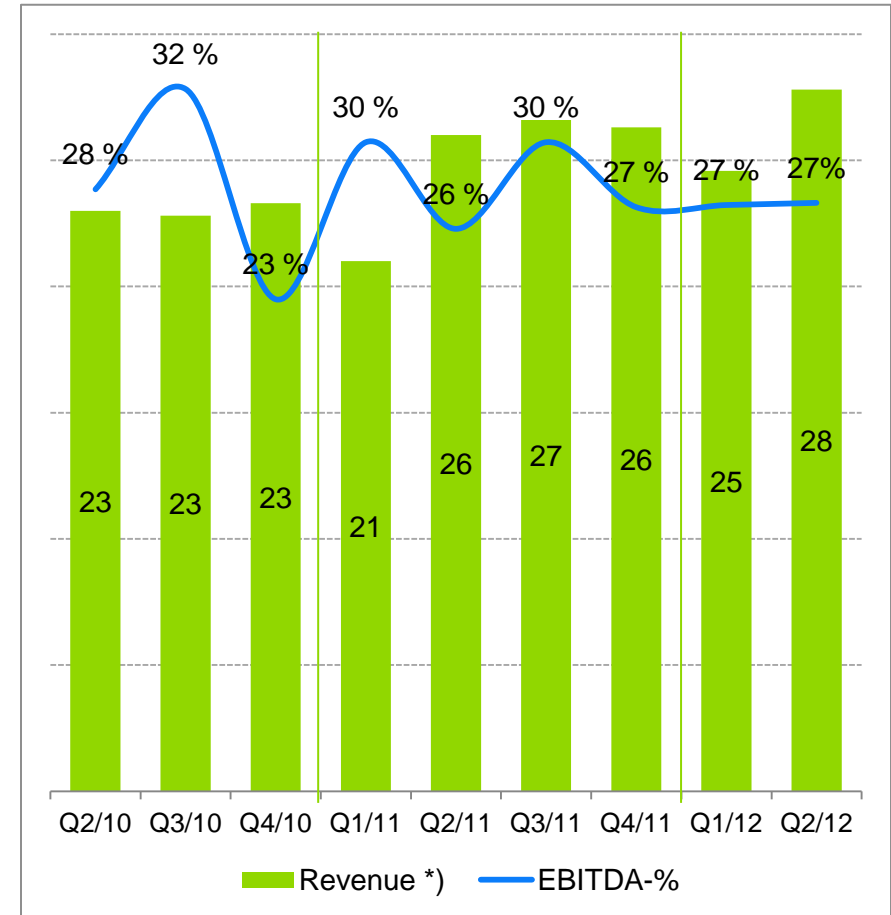
# Stable cash flow continues

EUR million	Q2/12	Q2/11	Δ <sup>1)</sup>	H1/12	H1/11	Δ <sup>1)</sup>	2011
EBITDA	122	121	1	243	239	4	506
Change in receivables	22	9	13	24	12	12	-19
Change in inventories	0	1	-1	-7	-4	-4	-1
Change in payables	-16	-21	5	-25	-33	8	-10
Change in NWC	6	-11	17	-9	-25	16	-31
Financials (net)	-2	-1	-1	-21	-18	-3	-31
Taxes for the year	-16	-11	-5	-27	-26	-2	-53
Taxes for the previous year	-10	0	-10	-10	0	-10	2
Taxes	-26	-11	-16	-37	-26	-12	-51
CAPEX	-51	-45	-7	-91	-86	-5	-188
Investments in shares	-1	0	0	-1	-5	4	-5
Sale of assets and adjustments	1	5	-4	0	6	-6	8
<b>Cash flow after investments</b>	<b>47</b>	<b>59</b>	<b>-11</b>	<b>85</b>	<b>86</b>	<b>-2</b>	<b>207</b>

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

# Strong growth in Estonia continued

- Revenue €28m (26)
  - Revenue growth 9%
  - Strong growth in mobile subs
    - +72 500 YoY, +14 700 QoQ
    - Mobile broadband growing
- EBITDA €8m (7)
  - Revenue growth
- CAPEX €1.4m (2.5)
  - 3G Coverage



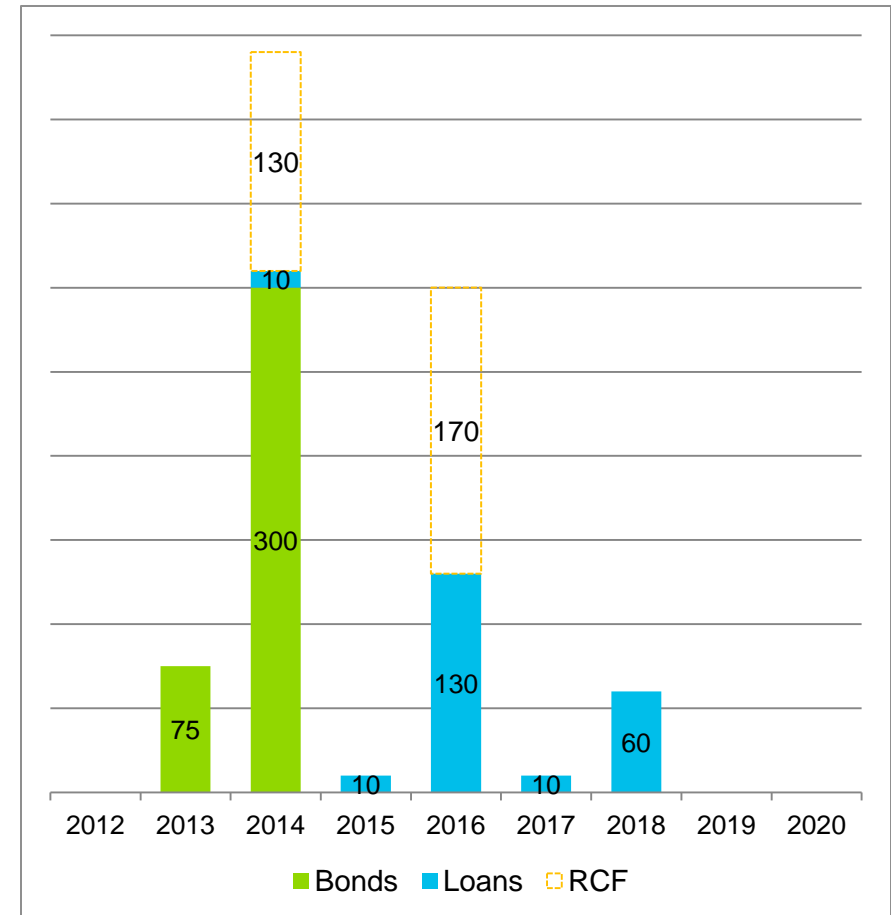
\* Elisa Eesti AS including group items



# Liquidity position is good

- Cash and undrawn committed facilities EUR 222m (302)
- Revolving Credit Facilities
  - EUR 130m maturing Nov 2014
  - EUR 170m maturing Jun 2016
  - EUR 115m drawn 2Q/12
- Commercial Paper Program
  - EUR 198m in use
- Credit ratings constant since 2003
  - S&P BBB/Stable outlook
  - Moody's Baa2/Stable outlook

Bond and Bank loan maturities



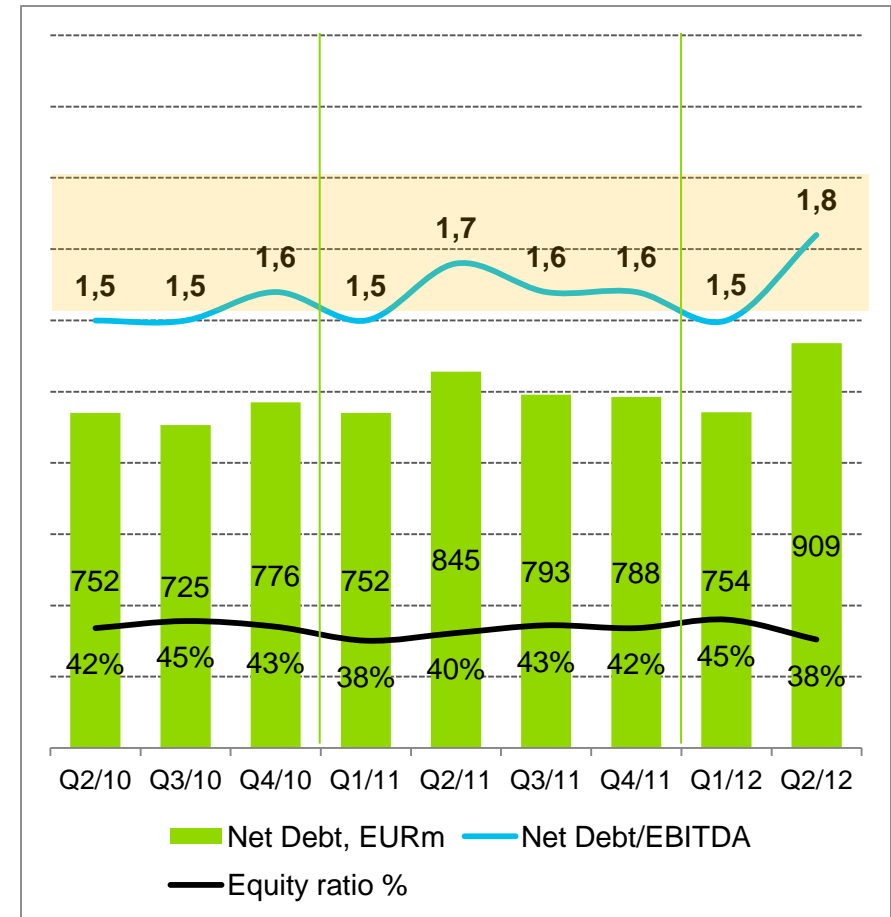
# Capital structure in line with targets

- Capital structure

- Net debt / EBITDA 1.8
- Gearing 123%, Equity ratio 38%
- Dividend payment EUR 203m in Q2

- Target setting

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



# 2nd quarter results 2012

13 July 2012



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# Consolidated Cash flow statement

EUR million	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010
<b>Cash flow from operating activities</b>									
Profit before tax	66	61	72	74	61	58	66	68	53
Adjustments to profit before tax	55	59	58	61	61	59	56	60	67
Change in working capital	6	-14	4	-10	-11	-13	18	-27	20
Cash flow from operating activities	126	106	134	125	111	103	140	101	140
Received dividends and interests and interest paid 1)	-2	-19	-1	-12	-1	-17	-41	-11	0
Taxes paid	-26	-11	-13	-13	-11	-15	-6	-16	-19
Net cash flow from operating activities	98	77	120	100	99	71	92	74	121
<b>Cash flow in investments</b>									
Capital expenditure	-51	-40	-58	-45	-45	-41	-55	-42	-46
Investments in shares and other investments	-1	0	0	0	0	-5	-10	-4	-5
Proceeds from asset disposal	2	0	3	0	5	2	1	0	1
Net cash used in investment	-50	-40	-55	-44	-40	-44	-64	-45	-51
<b>Cash flow after investments</b>	47	37	65	56	59	27	28	29	70
<b>Cash flow in financing</b>									
Share Buy Backs and sales (net)									
Change in interest-bearing receivables									
Change in long-term debt	0	0	50	-106	0	0	0		-30
Change in short-term debt	129	-31	-15	30	80	-14	65	-42	-33
Repayment of financing leases	-2	-2	-1	-1	-2	-1	-1	-1	-1
Increase in reserve for invested non-restricted equity	1	1	3						
Dividends paid	-203	0	-62	-1	-140	0	-78		-1
Cash flow in financing	-74	-32	-25	-78	-62	-15	-13	-43	-65
<b>Change in cash and cash equivalents</b>	<b>-27</b>	<b>5</b>	<b>39</b>	<b>-22</b>	<b>-2</b>	<b>12</b>	<b>15</b>	<b>-15</b>	<b>5</b>

1) Includes non recurring item: CDO guarantee settlement Q4/10

# Financial situation

EUR Million	30 Jun 12	31 Mar 12	31 Dec 11	30 Sep 11	30 Jun 11	31 Mar 11	31 Dec 10	30 Sep 10	30 Jun 10
<b>Interest-bearing debt</b>									
Bonds and notes	375	375	375	375	600	600	599	598	598
Commercial Papers	198	184	189	160	160	120	102	68	110
Loans from financial institutions	221	221	222	171	51	52	52	52	52
Financial leases	38	38	36	36	35	24	23	23	24
Committed credit lines 1)	115	0	25	70	40	0	32	0	0
<b>Interest-bearing debt, total</b>	<b>946</b>	<b>818</b>	<b>847</b>	<b>812</b>	<b>887</b>	<b>795</b>	<b>808</b>	<b>742</b>	<b>784</b>
Cash and cash equivalents	37	64	59	19	42	44	32	17	32
<b>Interest-bearing receivables</b>	<b>37</b>	<b>64</b>	<b>59</b>	<b>19</b>	<b>42</b>	<b>44</b>	<b>32</b>	<b>17</b>	<b>32</b>
<b>Net debt 2)</b>	<b>909</b>	<b>754</b>	<b>788</b>	<b>793</b>	<b>845</b>	<b>752</b>	<b>776</b>	<b>725</b>	<b>752</b>

1) The committed credit lines are EUR 130 million and EUR 170 million revolving credit facilities with five banks, which Elisa Corporation may use flexibly on agreed pricing. The loan arrangements are valid until 23 November 2014 and 3 June 2016.

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