

3rd quarter results  
19th October

2012



siinä on ideaa.

# Agenda

**CEO's review**

**Veli-Matti Mattila, CEO**

**Financial review**

**Jari Kinnunen, CFO**

# CEO's review

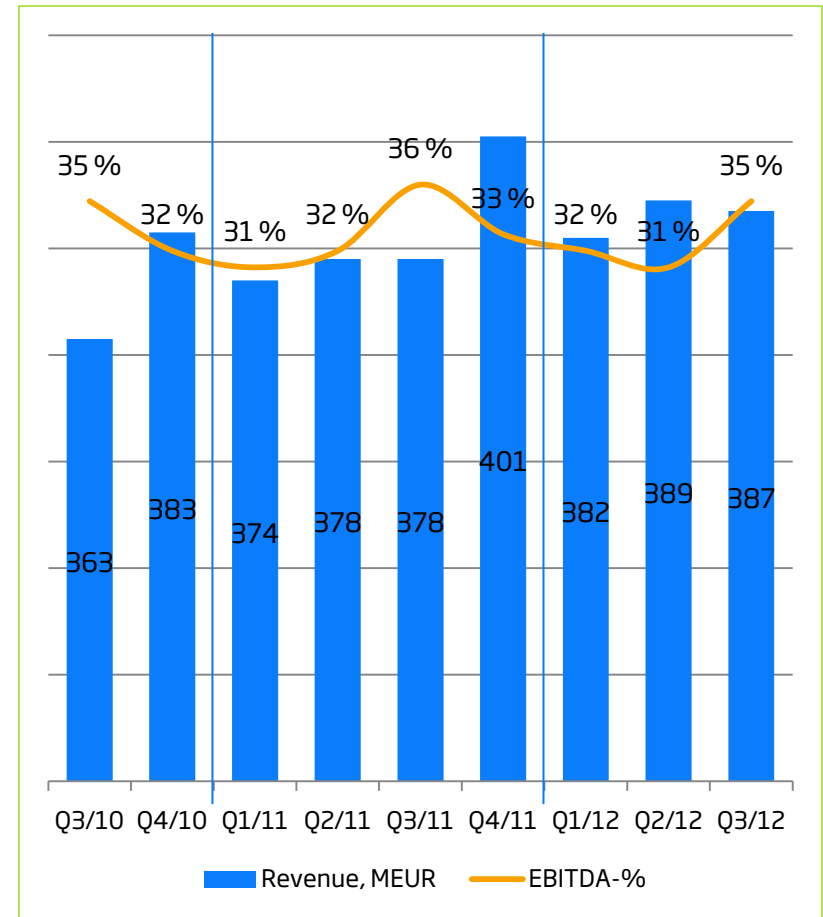
- Q3 2012 financial and operational highlights
- Segment review
- Strategy execution
- Outlook for 2012

# Q3 2012 highlights

- Good Q3 performance, in accordance with our expectations
- Profitability was at a good level
- Revenue increased, earnings per share even more
- Mobile subscription base continued to increase
- Mobile usage continued to grow
- Smartphone market growth accelerated
- Elisa Viihde IPTV contributed to fixed broadband growth
- New EUR 300m bond issued and buyback of old bond

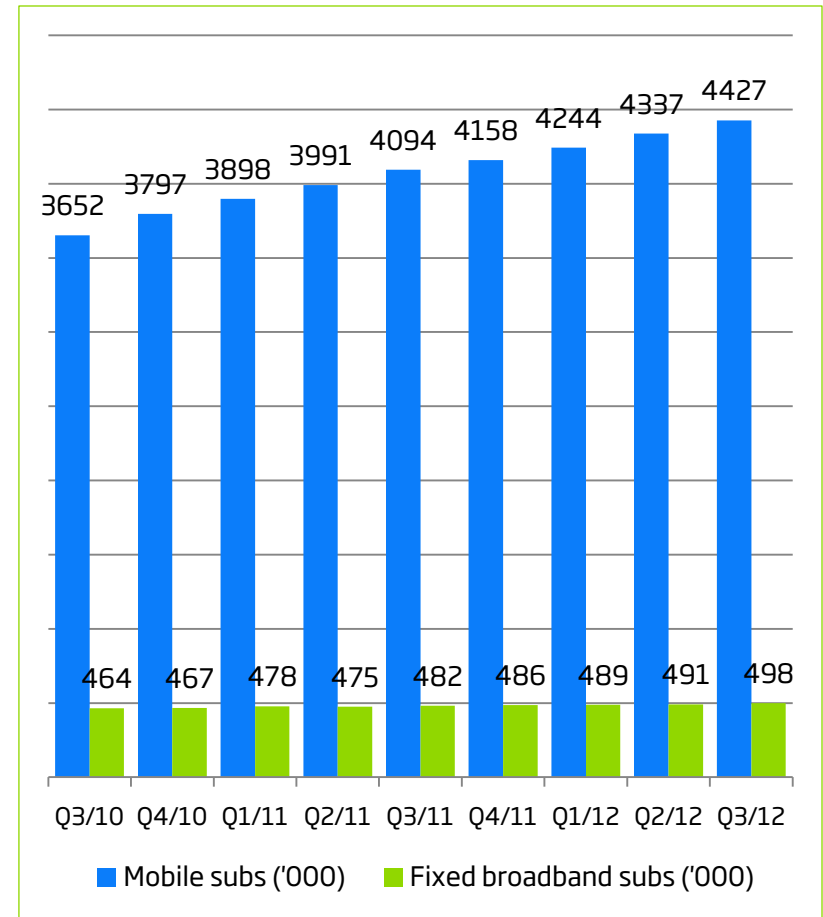
# Growth in revenue and earnings

- Revenue € 387m (378)
- EBITDA € 134m (135), 35% of revenue (36)
- EBIT € 85m (82)
- EPS € 0.38 (0.36)
- CAPEX € 51m (45), 13% of revenue
  - 1-9/12 CAPEX 12% of revenue
- Net debt € 874m (793)
  - Cash flow € 37m (56)
  - Net debt / EBITDA 1.7 (1.6)



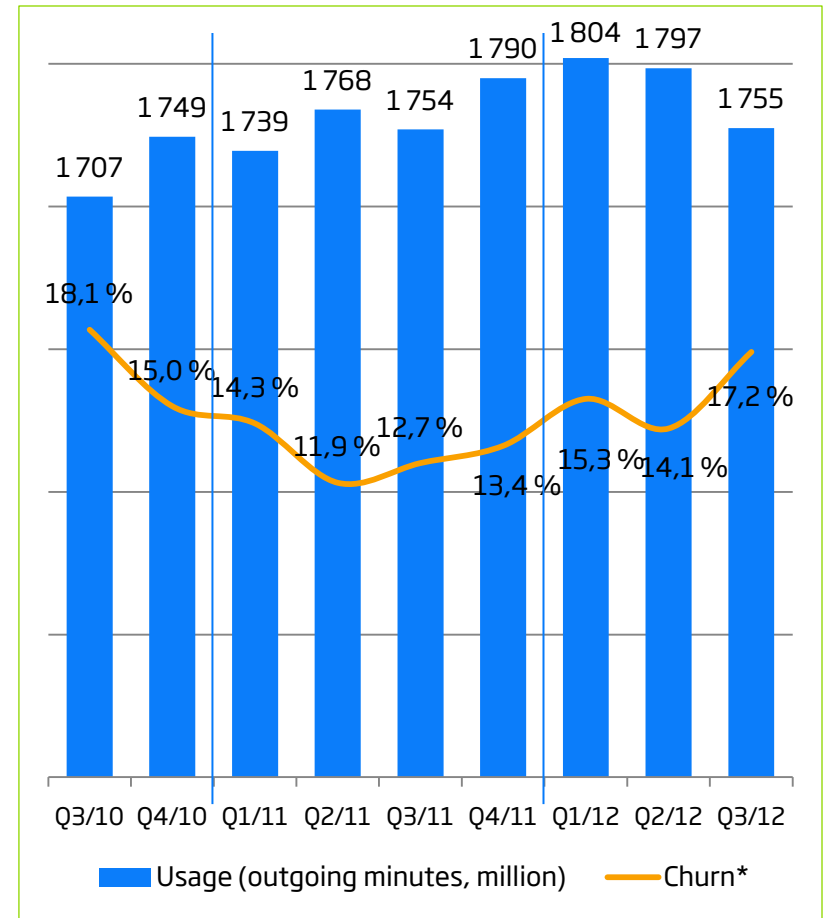
# Strong subscription growth continued

- 89,300 new mobile subscriptions
  - Growth in both customer segments
  - Strong growth in voice and mobile broadband subs
  - Estonia +17,000 subscriptions
- Fixed broadband growth continued
  - Net adds 6,600
- Elisa Viihde IPTV customer base continued to grow



# Growth in mobile usage

- Strongest growth in mobile data
  - Outgoing minutes 1.8bn, at last year's level
  - 578m SMS, YOY growth 13%
- Churn\* 17.2% (12.7)
  - Competition has remained keen



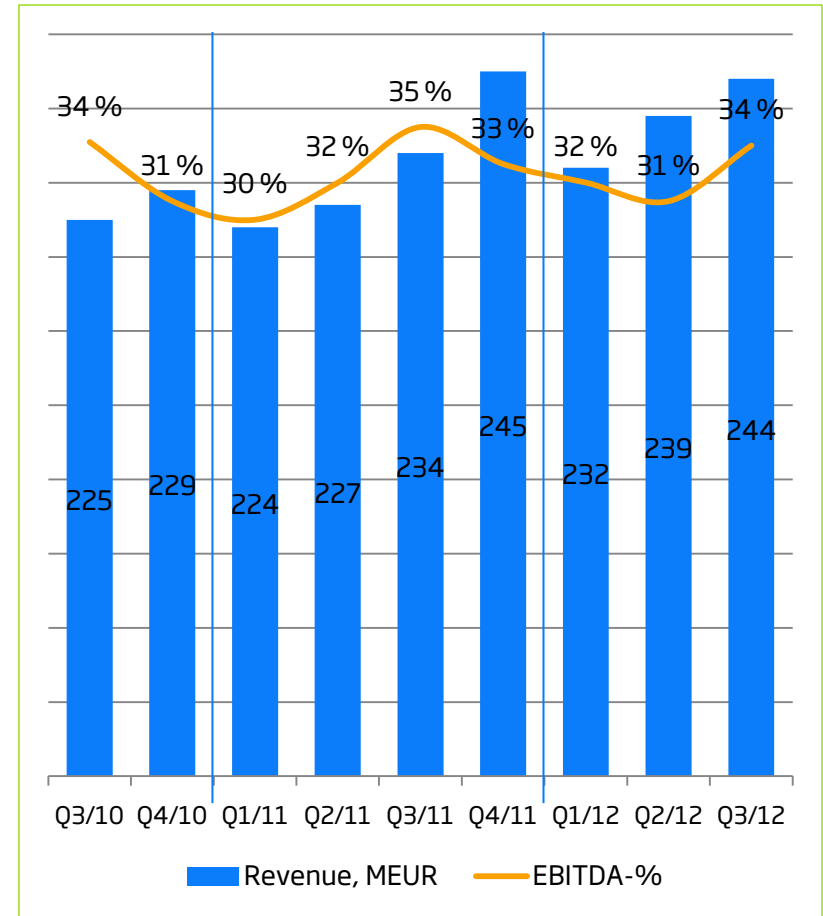
\* Annualised

# Business Segments



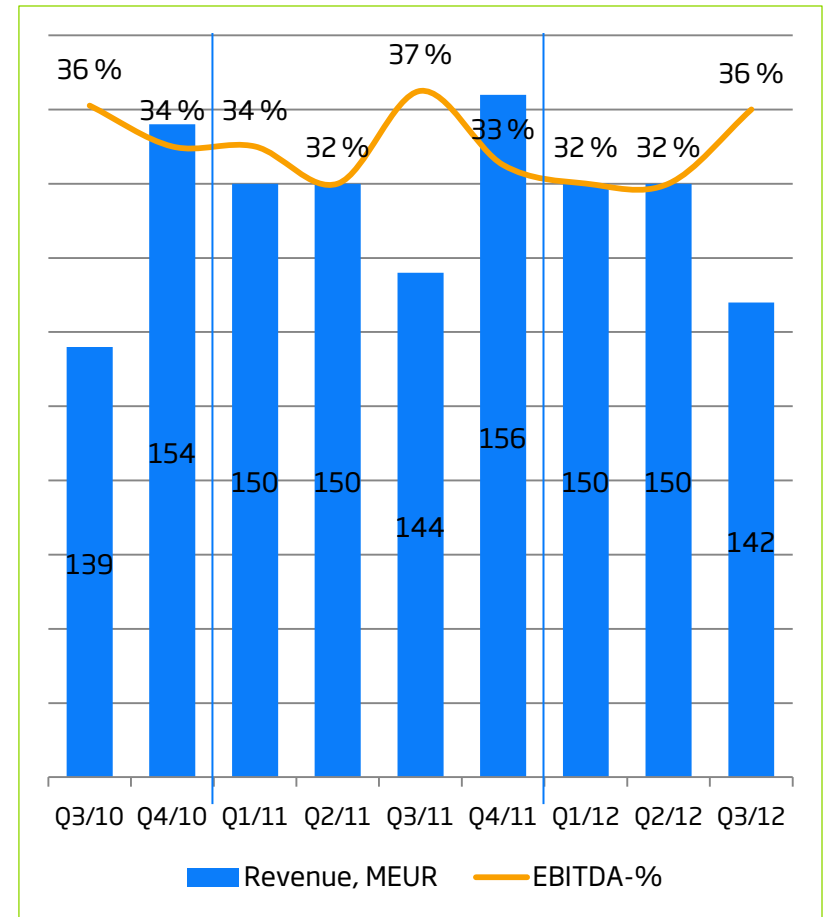
# Growth in new services and mobile

- Revenue € 244m (234)
  - Growth in mobile usage, smartphone sales and online services
  - Growth in Estonia
  - Decrease in fixed telephony business and mobile interconnection revenue
- EBITDA € 83m (81)
  - 34% of revenue (35)
  - Revenue growth
  - Cost efficiency
- CAPEX € 30m (27)

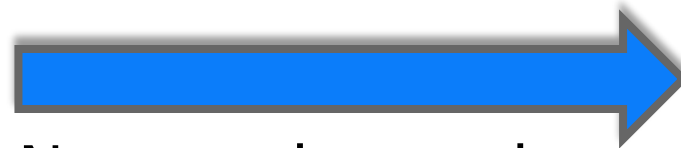


# ICT services and mobile data are growing

- Revenue € 142m (144)
  - Growth in mobile data, ICT services and equipment sales
  - Decrease in mobile and fixed network businesses and mobile interconnection revenue
- EBITDA € 51m (54)
  - 36% of revenue (37)
  - Decrease in usage in mobile and fixed network businesses
- CAPEX € 21m (17)



# Strategy execution



New services and  
new markets



Strengthening market  
position in core markets

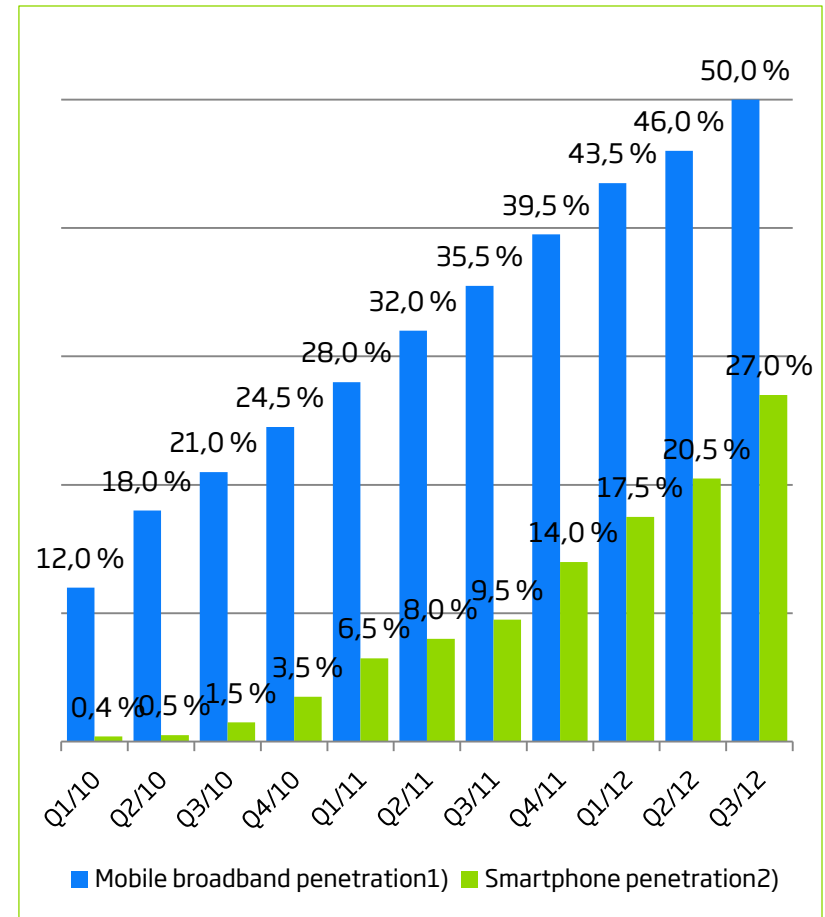


Integration of One  
Elisa

# Smartphone market growth accelerated

- More than one out of four customer uses new type of smartphone
- Smartphones top the list of most sold phones in September
  1. Apple iPhone 5
  2. Samsung Galaxy S III
  3. Samsung Galaxy S II
  4. Nokia Lumia 610
  5. Nokia C2-01 (featurephone)
- 82 % of all models sold were smartphones in Q3
  - In Q2 81%, a year ago 66%

Penetrations in Elisa's network in Finland

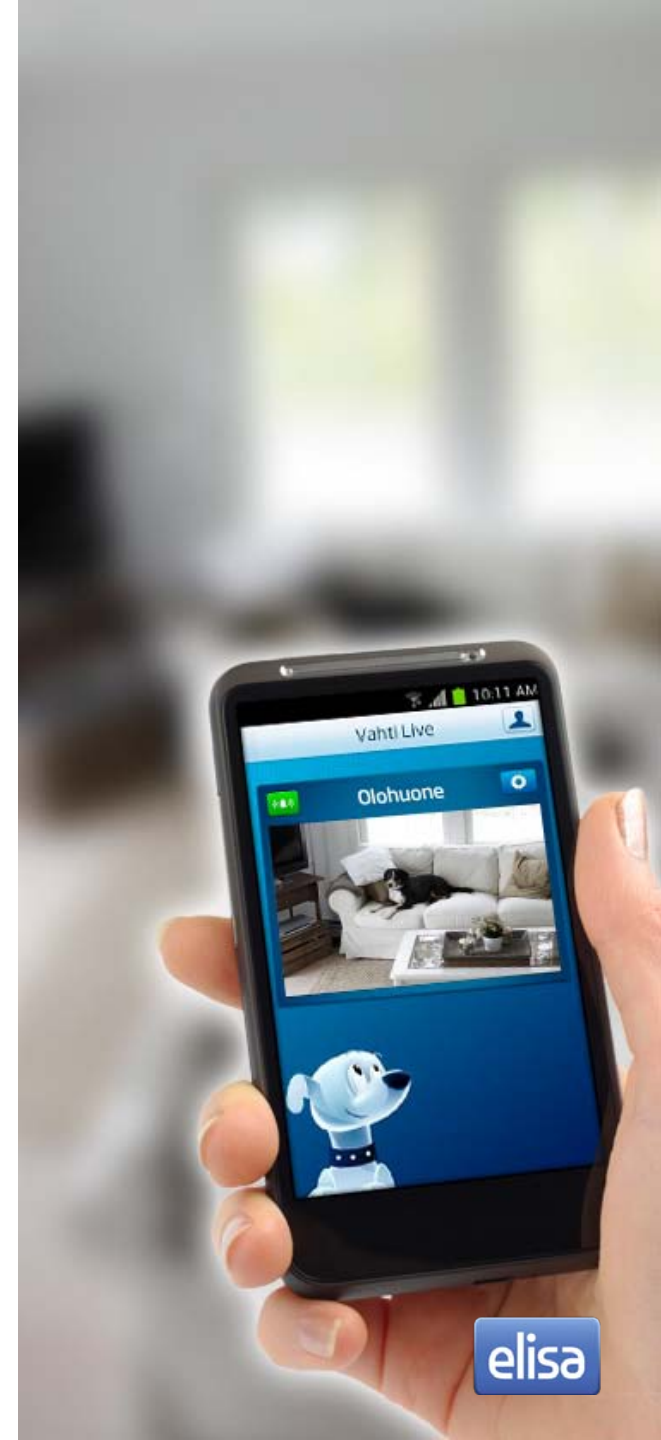


1) Dongles and mobile BB add-on services of the total subscription base excluding M2M and service operator subs

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

# Elisa Vahti Live - Real-time video picture

- High-quality video picture to smartphone or tablet
  - Includes voice
- Easy to use
- Last 24 hours recorded to the cloud
- The service is developed in close cooperation with customers



# Elisa integrates wallet into the mobile phone

- New mobile payment service
  - Virtual payment card for web
  - Online and mobile applications
  - Enables money transfers between users
- Makes life easier and payment faster
- Student-owned Lyyra launches service to more than 100,000 students at year end



# Elisa recognised for customer service

- Elisa No 1 in The Best of the Year 2012 Customer service competition
  - In big corporate category
- The recognition is an indication of the development of activities on the basis of customers' wishes



# Demand for ICT services strengthened

- IT service business growth continued
  - IT services e.g. to the Parliament
  - New generation cloud services for more than 250 municipalities through Kuntien Tiera
- Video service deliveries grew strongly
  - Productivity-enhancing video services for example to City of Gothenburg and OP-Pohjola Group





# Most comprehensive roaming agreements

- Use of mobile services is affordable and as easy as in Finland
- Elisa customers can use their mobile services in 200 countries
  - 418 cooperation operators



# Outlook for 2012

- Uncertainties in the general economy have also affected Finland. The macroeconomic environment in Finland is weaker than 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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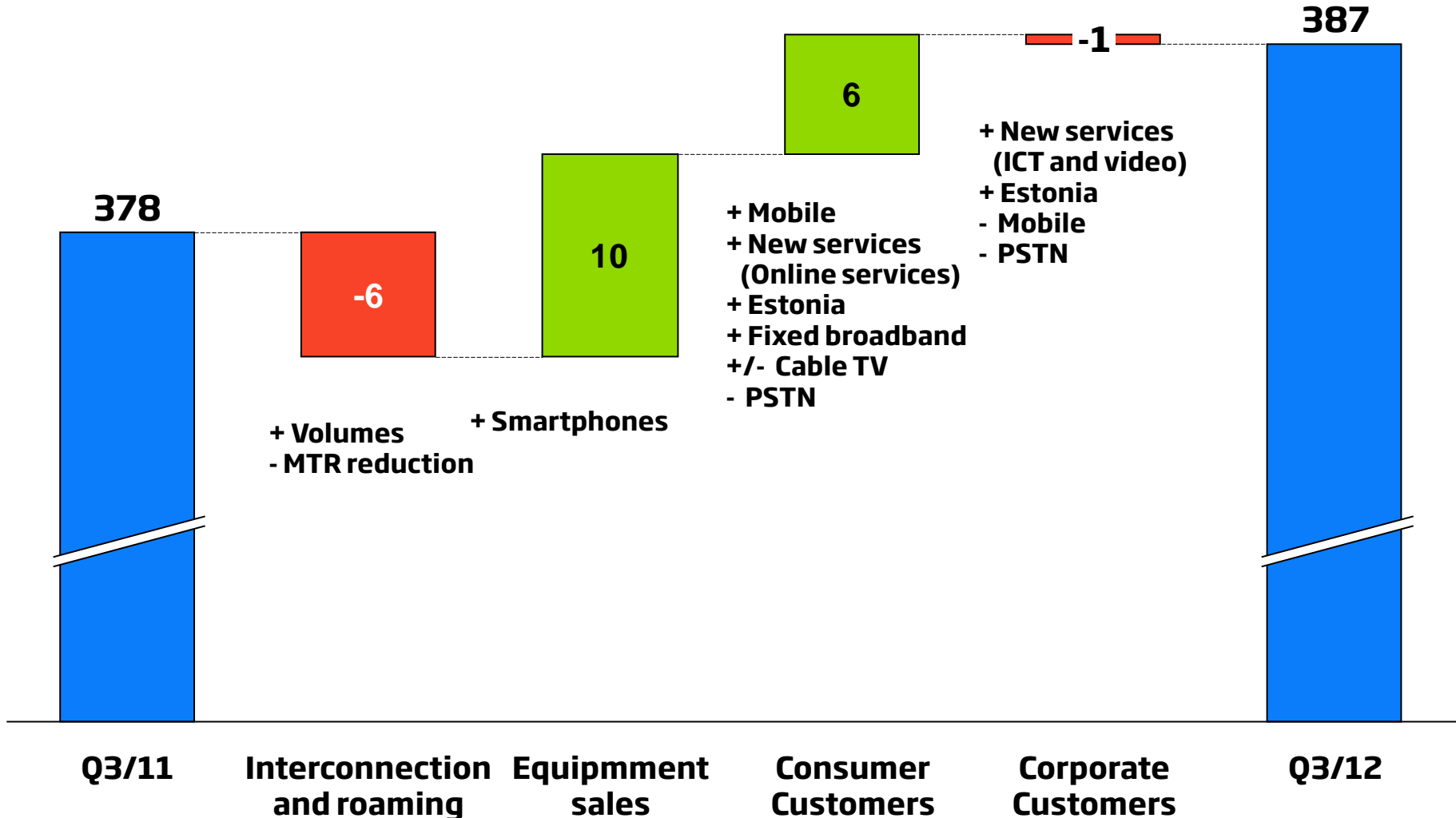
# Revenue and earnings growth continued

EUR million	Q3/12	Q3/11	$\Delta^2)$	$\Delta\%$	1-9/12	1-9/11	$\Delta^2)$	$\Delta\%$	2011
Revenue	387	378	9	2%	1 158	1 129	28	3%	1 530
Other operating income	2	1			4	4			6
Operating expenses	-254	-243			-784	-759			-1 030
EBITDA <sup>1)</sup>	134	135	-1	-0%	377	374	4	1%	506
<i>EBITDA-%</i>	35%	36 %			33%	33%			33%
Depreciation and amortisation	-49	-53			-152	-158			-211
EBIT	85	82	3	3%	225	216	9	4%	295
<i>EBIT-%</i>	22%	22 %			19 %	19 %			19%
Profit before tax	78	74	4	5%	205	193	12	6%	265
Income taxes	-18	-18			-46	-49			-64
Profit for the period	60	56	4	7%	158	145	14	10%	201
EPS, EUR/share	0.38	0.36	0.02	6%	1.02	0.93	0.09	9%	1.29

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

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

# Growth in services and equipment sales



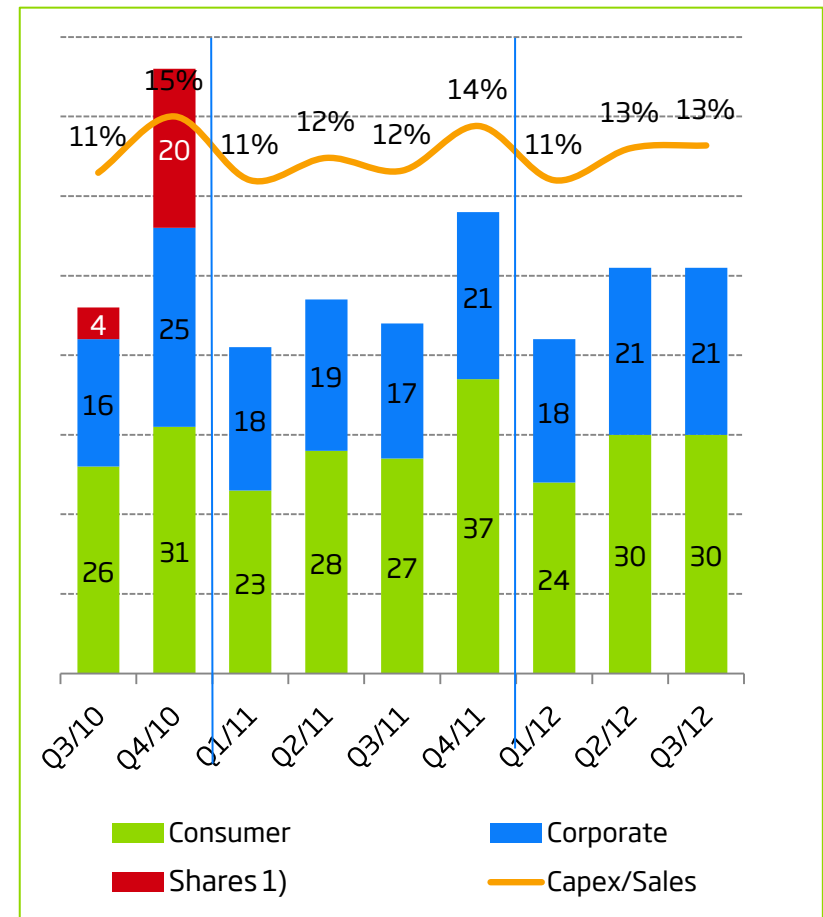
# Equipment sales increased OPEX

- OPEX decreases in Q3
  - Interconnection and roaming
  - Productivity improvements
    - e.g. IT, network management
- OPEX increases in Q3
  - Equipment sales
  - Personnel expenses
    - Increased personnel in customer contact centres and new services
    - Collective labour agreement salary increases
- Depreciation lower in 2012
  - Billing and CRM fully depreciated

MEUR	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12
Materials and services	156	170	158	164	163
Employee benefit expenses	49	59	61	61	53
Other operating expenses	38	41	42	44	39
Total expenses	243	270	261	269	254
Depreciation	53	54	53	50	49

# CAPEX/Sales in line with guidance

- Q3 CAPEX EUR 51m (45)
  - CAPEX/Sales 13% (12)
  - Consumer EUR 30m (27)
  - Corporate EUR 21m (17)
- 1-9 CAPEX EUR 143m (140)
  - CAPEX/Sales 12% (12)
- Major CAPEX areas
  - 3G and 4G coverage and upgrade
  - Fixed access and backbone networks
  - IT systems
  - Customer equipment



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

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

# Cash flow

EUR million	Q3/12	Q3/11	Δ <sup>1)</sup>	1-9/12	1-9/11	Δ <sup>1)</sup>	2011
EBITDA	134	135	-1	377	374	4	506
Change in receivables	-31	-21	-10	-8	-9	1	-19
Change in inventories	-7	-3	-5	-14	-6	-8	-1
Change in payables	15	13	2	-10	-20	10	-10
Change in NWC	-24	-10	-13	-32	-35	3	-31
Financials (net)	-2	-12	10	-23	-30	7	-31
Taxes for the year	-20	-13	-8	-47	-38	-9	-53
Taxes for the previous year				-10		-10	2
Taxes	-20	-13	-8	-57	-38	-19	-51
CAPEX	-49	-45	-5	-140	-130	-10	-188
Investments in shares	0	0	0	-1	-5	4	-5
Sale of assets and adjustments	-3	1	-3	-3	7	-10	8
<b>Cash flow after investments</b>	<b>37</b>	<b>56</b>	<b>-19</b>	<b>121</b>	<b>142</b>	<b>-21</b>	<b>207</b>

1) Difference is calculated using exact figures prior to rounding



# Strong growth in Estonia continued

- Revenue EUR 30m (27)

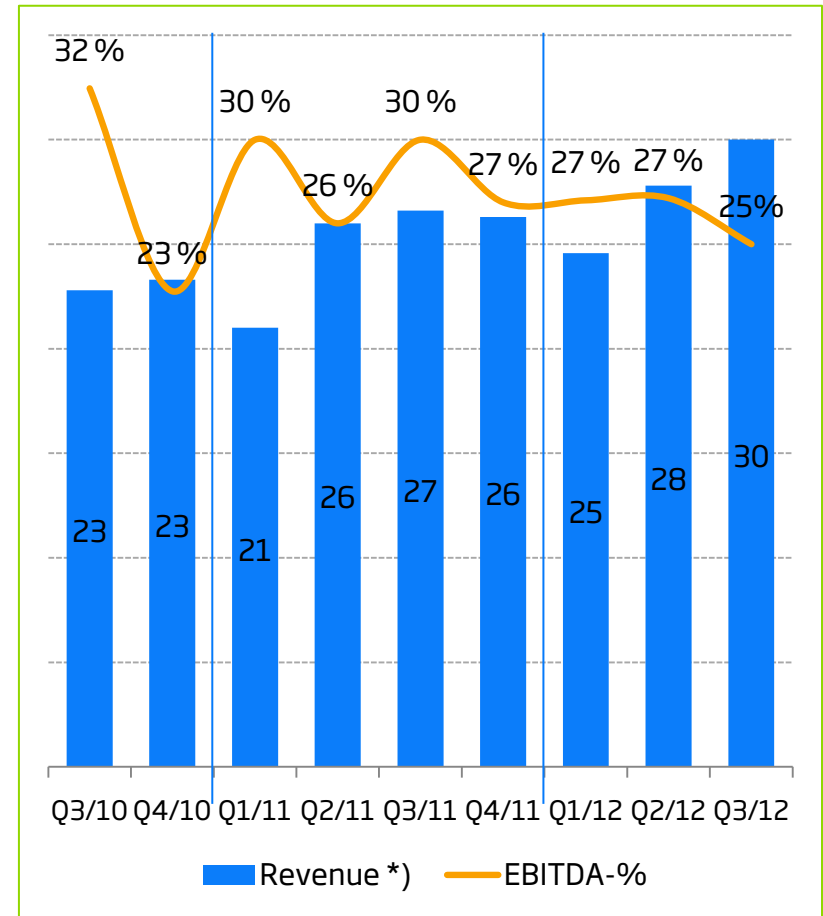
- Revenue growth 12%
- Strong growth in mobile subs
- +75.500 YOY, +17.000 QOQ
- Mobile broadband growing

- EBITDA EUR 7m (8)

- Revenue growth

- CAPEX EUR 2m (2)

- 3G Coverage

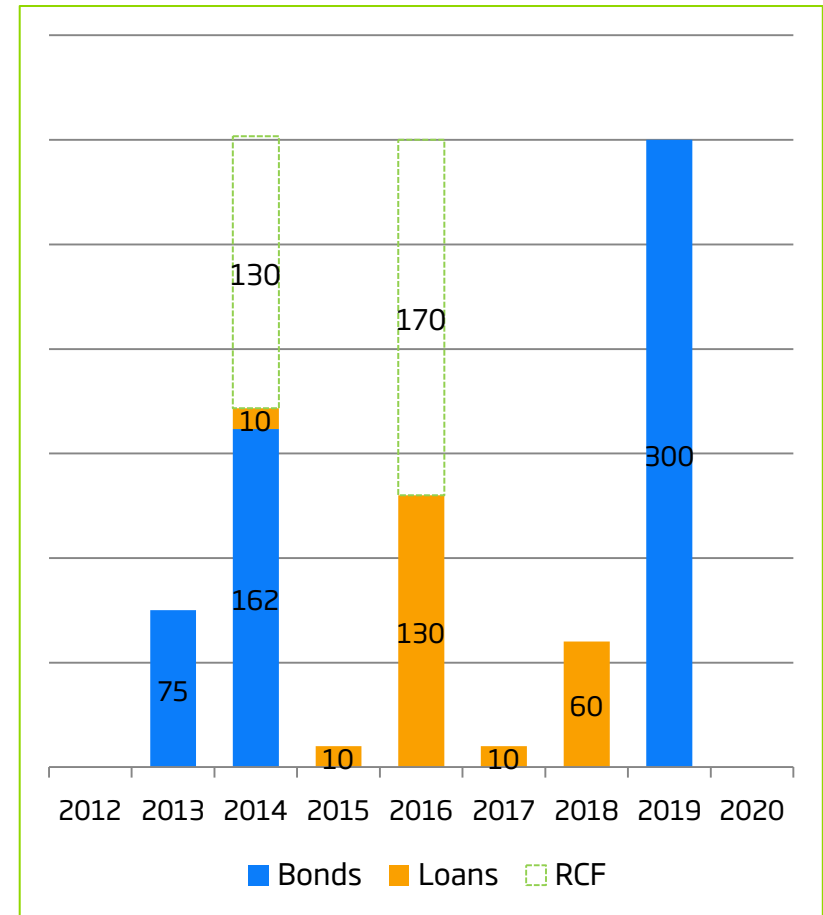


\* Elisa Eesti AS including group items

# Liquidity position remains good

- Cash and undrawn committed facilities EUR 229m (249)
- Revolving Credit Facilities EUR 300m
  - EUR 89m drawn 3Q/12
- Commercial Paper Program
  - EUR 170m in use
- Credit ratings constant since 2003
  - S&P                      BBB
  - Moody's                Baa2

Bond and bank loan maturities  
After bond issuance on 25 September 2012

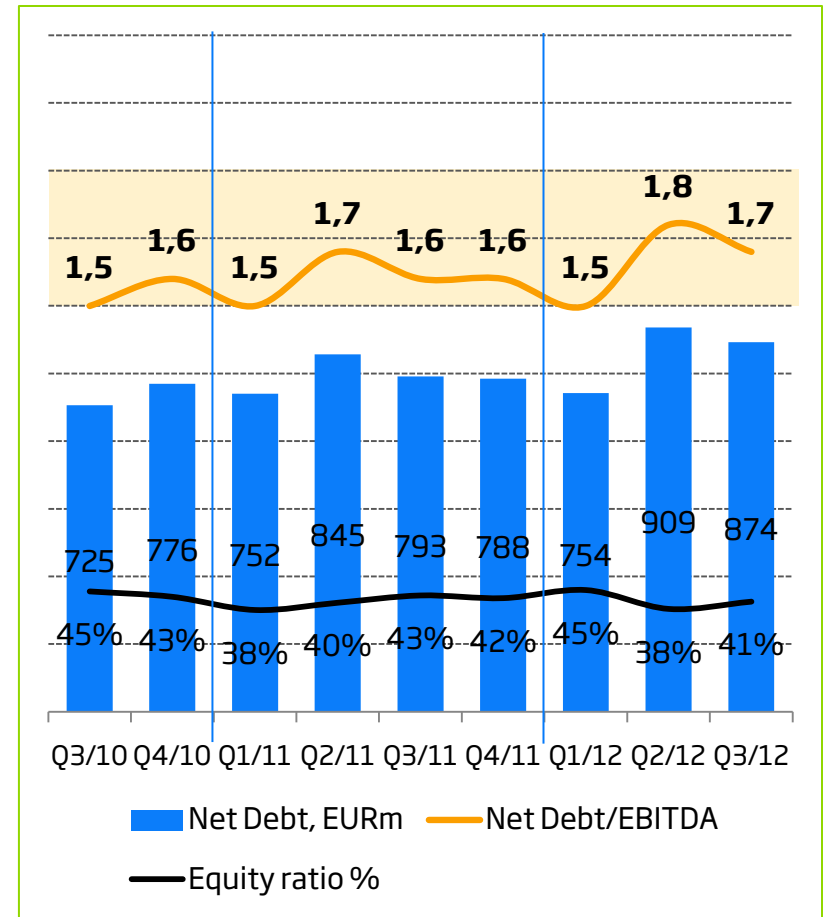


# Bond issue and tender in Q3

- Liability management
  - Proactive debt redemptions
  - Extension of the debt maturities
- Tender offer for 2014 EUR 300m 4.75% bonds
  - Purchase price 105.687
  - EUR 138.3m were tendered, 46% of the outstanding 2014 bonds
  - Accounting charge EUR 7.9m, amortised during the lifetime of the new bond
- EUR 300m seven-year bond issue
  - Interest coupon 2.25%
  - Seven-year midswap + 105 bps
  - Issue price 99.025

# Capital structure in line with targets

- Capital structure
  - Net debt / EBITDA 1.7
  - Gearing 110%, Equity ratio 41%
- Target setting
  - Net debt / EBITDA 1.5 - 2x
  - Equity ratio > 35%



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# Consolidated cash flow statement

EUR million	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
<b>Cash flow from operating activities</b>									
Profit before tax	78	66	61	72	74	61	58	66	68
Adjustments to profit before tax	54	55	59	58	61	61	59	56	60
Change in working capital	-24	6	-14	4	-10	-11	-13	18	-27
Cash flow from operating activities	108	126	106	134	125	111	103	140	101
Received dividends and interest and interest paid 1)	-2	-2	-19	-1	-12	-1	-17	-41	-11
Taxes paid	-20	-26	-11	-13	-13	-11	-15	-6	-16
Net cash flow from operating activities	86	98	77	120	100	99	71	92	74
<b>Cash flow in investments</b>									
Capital expenditure	-49	-51	-40	-58	-45	-45	-41	-55	-42
Investments in shares and other investments	0	-1	0	0	0	0	-5	-10	-4
Proceeds from asset disposal	0	2	0	3	0	5	2	1	0
Net cash used in investment	-49	-50	-40	-55	-44	-40	-44	-64	-45
<b>Cash flow after investments</b>	37	47	37	65	56	59	27	28	29
<b>Cash flow in financing</b>									
Share buybacks and sales (net)									
Change in interest-bearing receivables									
Change in long-term debt	0	0	0	50	-106	0	0	0	
Change in short-term debt	-54	129	-31	-15	30	80	-14	65	-42
Repayment of financing leases	-1	-2	-2	-1	-1	-2	-1	-1	-1
Increase in reserve for invested non-restricted equity		1	1	3					
Dividends paid	-1	-203	0	-62	-1	-140	0	-78	
Cash flow in financing	-56	-74	-32	-25	-78	-62	-15	-13	-43
<b>Change in cash and cash equivalents</b>	<b>-19</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>

# Financial situation

EUR Million	30 Sep 12	30 Jun 12	31 Mar 12	31 Dec 11	30 Sep 11	30 Jun 11	31 Mar 11	31 Dec 10	30 Sep 10
<b>Interest-bearing debt</b>									
Bonds and notes	375	375	375	375	375	600	600	599	598
Commercial papers	170	198	184	189	160	160	120	102	68
Loans from financial institutions	221	221	221	222	171	51	52	52	52
Financial leases	38	38	38	36	36	35	24	23	23
Committed credit lines 1)	89	115	0	25	70	40	0	32	0
<b>Interest-bearing debt, total</b>	<b>892</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>
Cash and cash equivalents	18	37	64	59	19	42	44	32	17
<b>Interest-bearing receivables</b>	<b>18</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>Net debt 2)</b>	<b>874</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>

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 at 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.