



Financial overview

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CFO

CMD2018

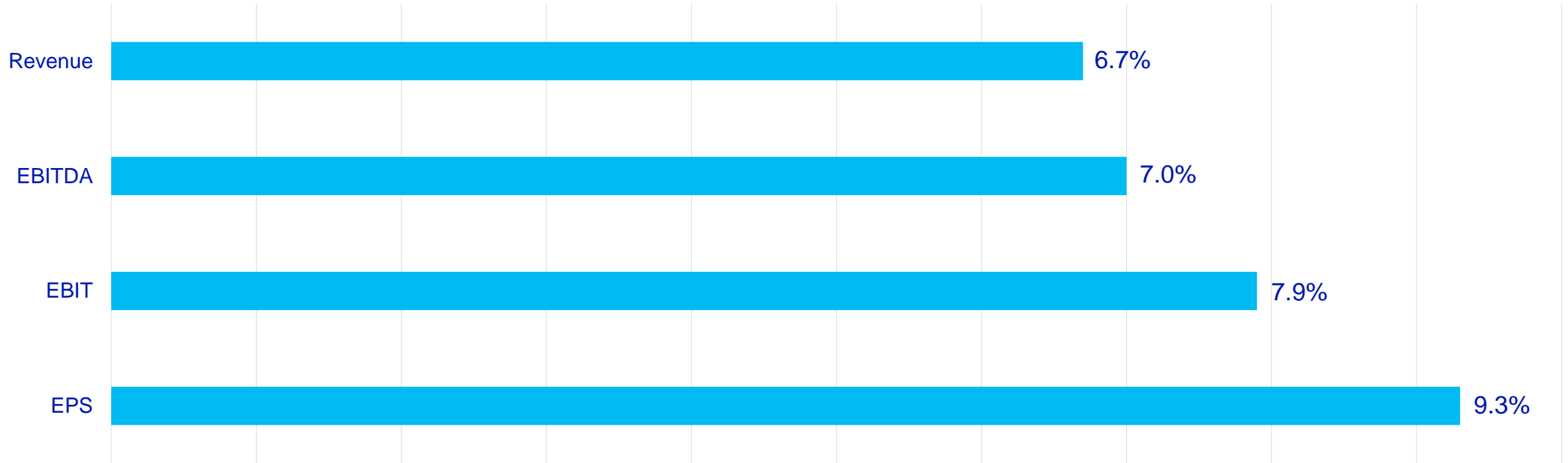
- 1 Performance update
- 2 Profit and growth generation
- 3 Capital allocation
- 4 CFO priorities

Elisa's unique strategy generates profit and growth

Performance update

Strong track record of high growth...

2016 – LTM¹⁾ CAGR

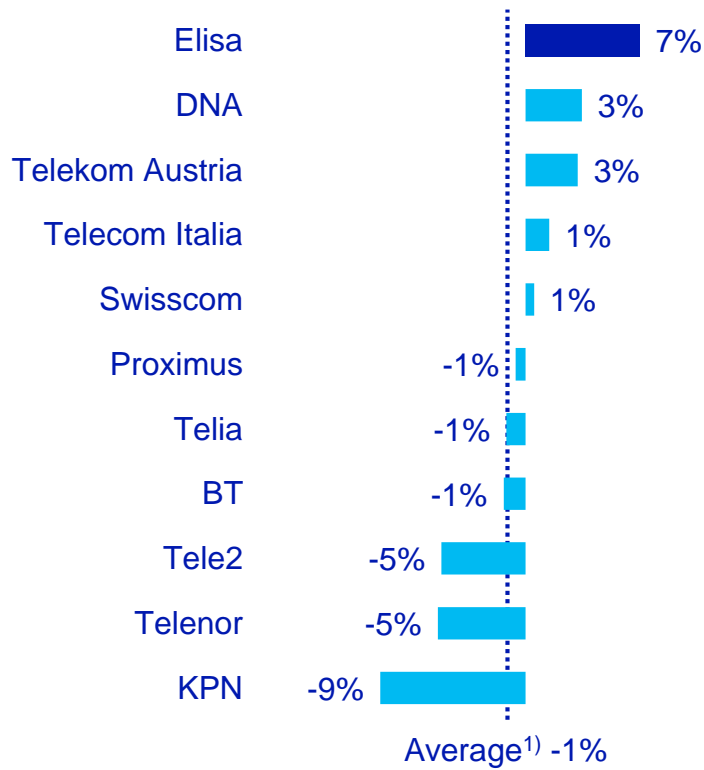


¹⁾ Last twelve months, comparable figures

Performance update

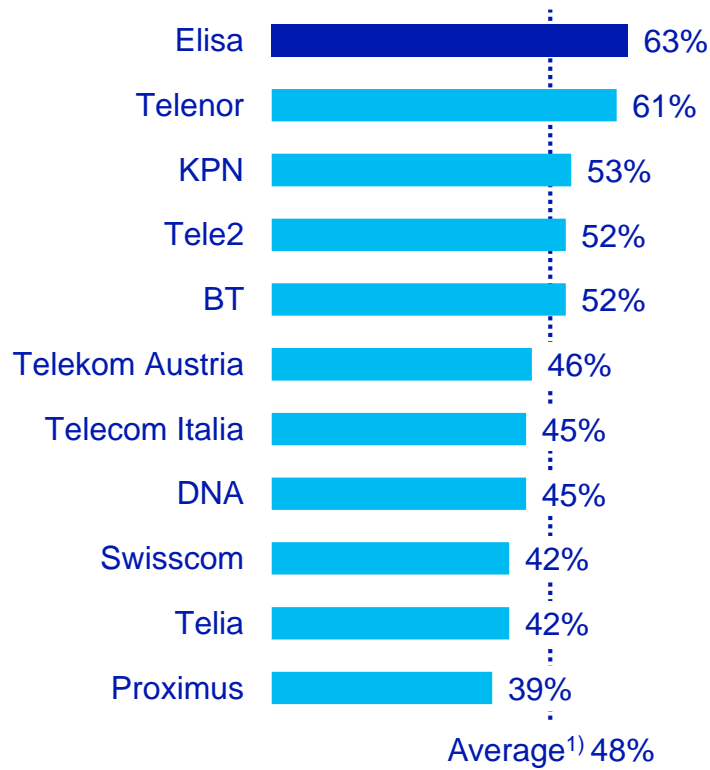
...industry-leading performance...

Revenue growth CAGR 2016 – LTM



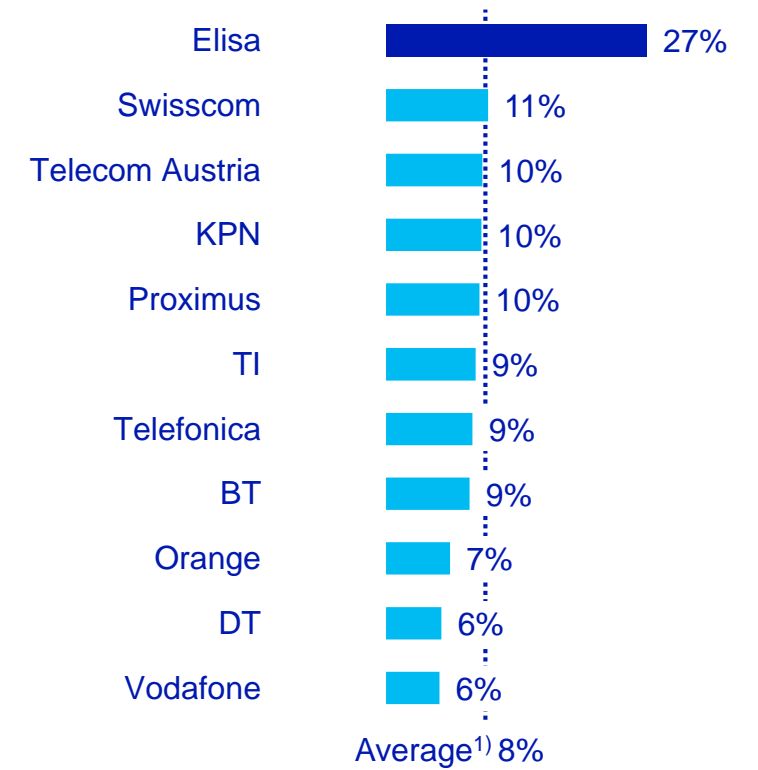
Source: Bloomberg
¹⁾ Peer group average

Operating cash flow conversion LTM



Source: Bloomberg
 (EBITDA - CAPEX) / EBITDA

ROCE 2018 estimate

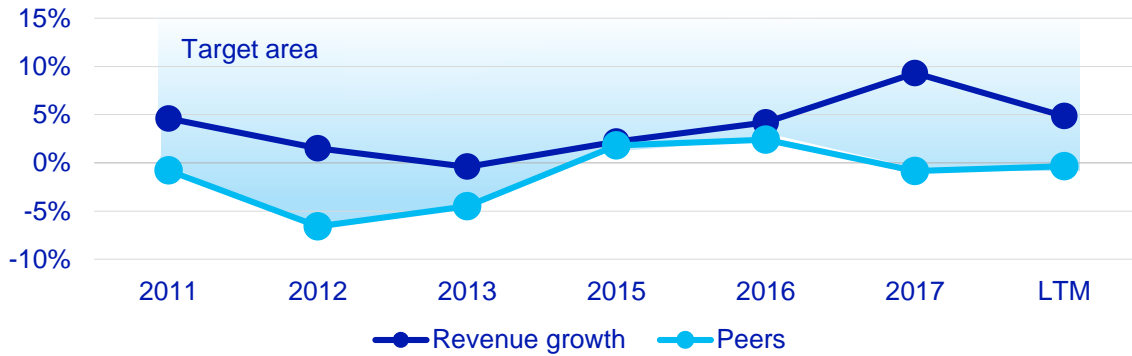


Source: Citi Research 2018 estimate

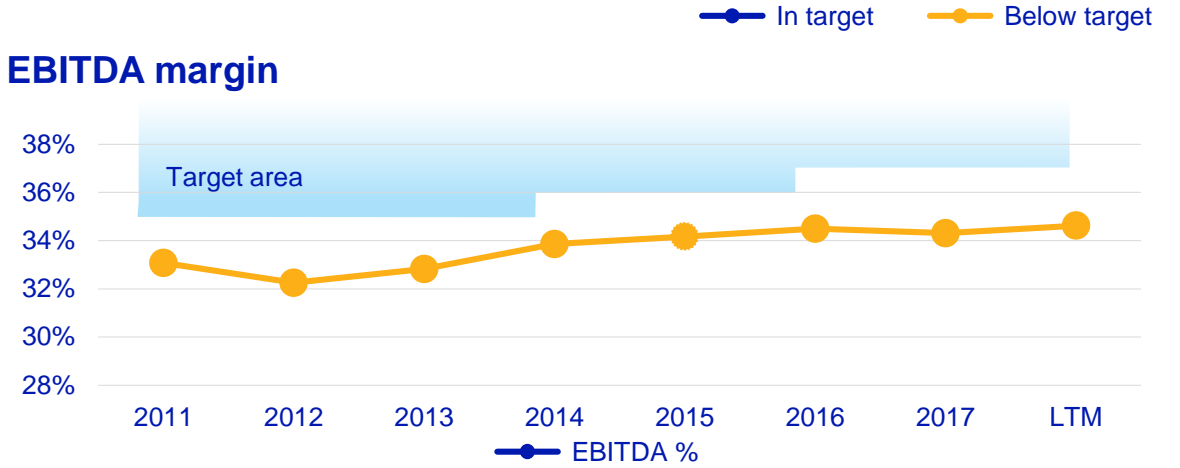
Performance update

...and long-term track record in medium-term financial targets

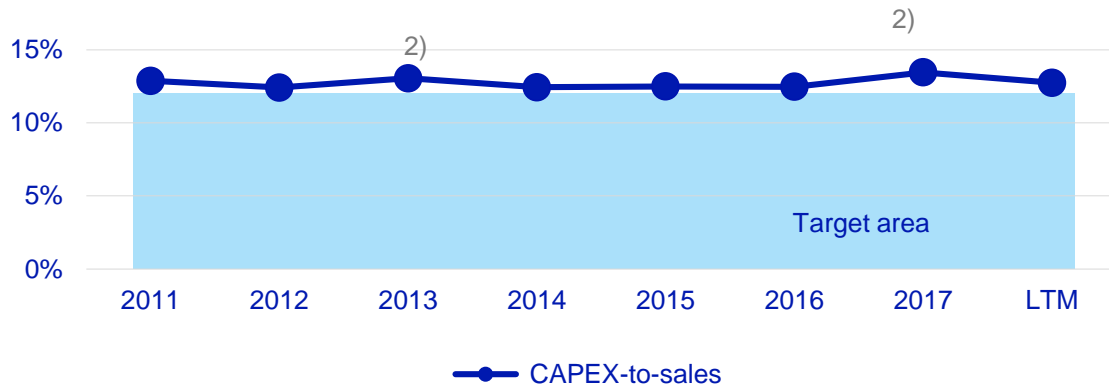
Revenue growth above industry¹⁾ average



EBITDA margin

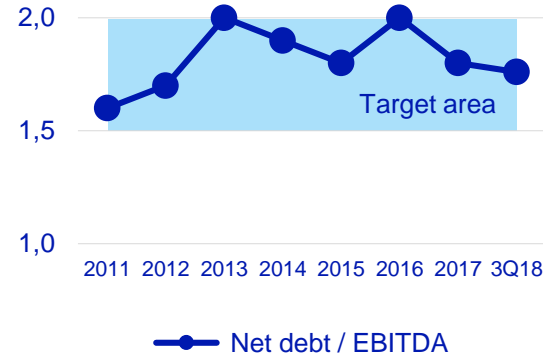


CAPEX-to-sales ratio ≤12%



Capital structure

Net debt / EBITDA 1.5-2x



Equity ratio >35%



¹⁾ European telecom operators
²⁾ Special guidance due to acquisitions

Profit and growth generation

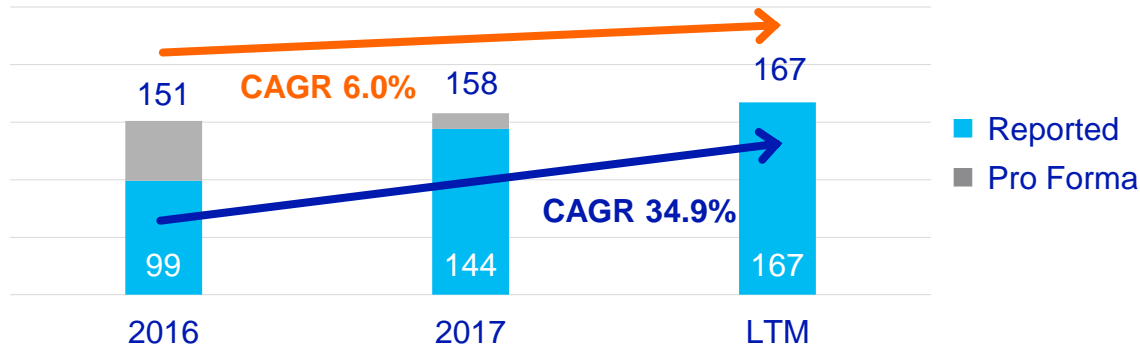
3/4 of revenue in growing digital and mobile services

	Share of revenue LTM	Organic CAGR 2016 – LTM
Mobile service revenue	44%	4%
Interconnection & roaming	4%	-2%
Equipment sales	12%	10%
Mobile revenue	60%	4%
Fixed revenue	24%	-5%
Domestic digital services	13%	8%
International digital services	2%	15%
Other digital services	1%	-24%
Digital services total	16%	6%
Total revenue	100%	2%

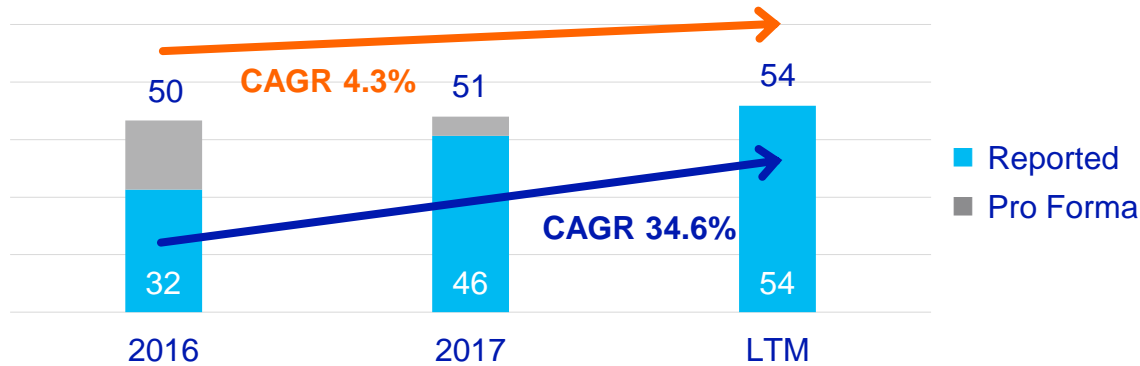
Profit and growth generation

Strong performance in Estonian business

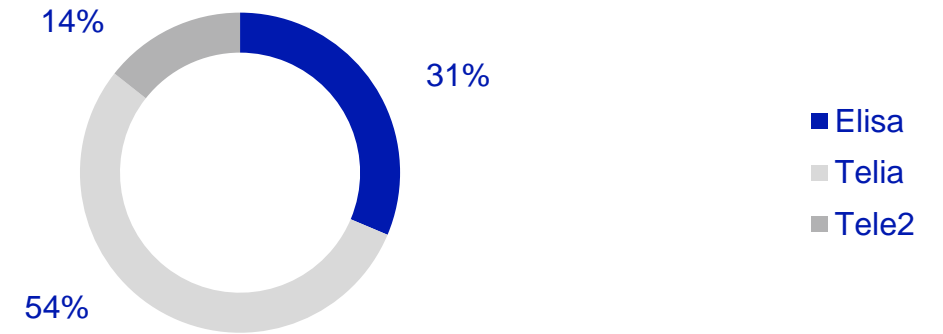
Solid revenue growth continues...



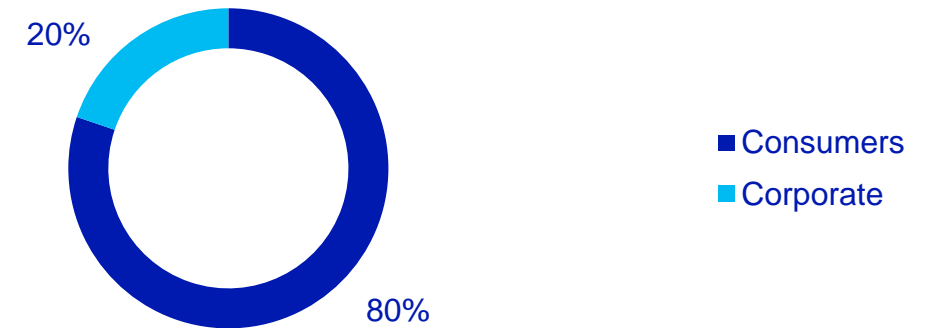
...with improving EBITDA



Total revenue market shares in Estonia¹⁾



Elisa revenue split €167m LTM



¹⁾ Reported total revenues in Estonia for Elisa, Telia and Tele2, €533m LTM

Profit and growth generation

Drivers to achieve medium-term EBITDA margin target

LTM 35%



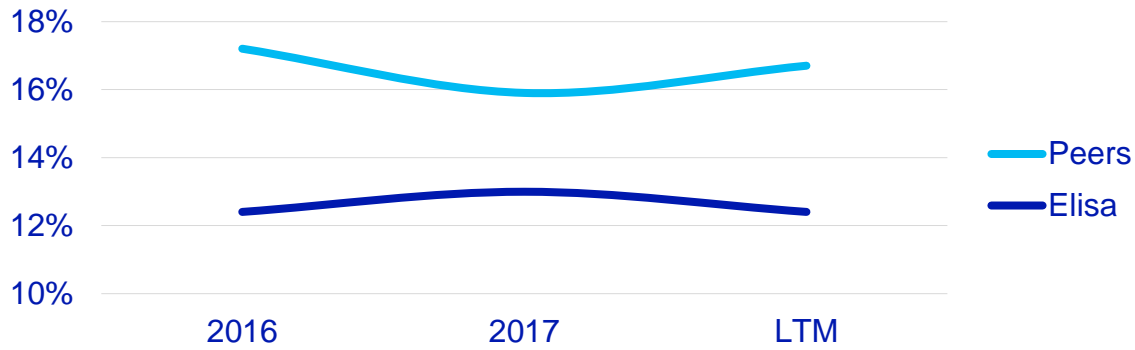
By end of 2021 >37%

- Upselling to higher speeds and monetising 5G
 - Add-on services
 - Product changes
- Growth in domestic and international markets
 - Improved portfolio management
- Systematic continuous productivity improvement
 - Digitalisation, RPA, machine learning, AI
 - Cost synergies in acquired companies

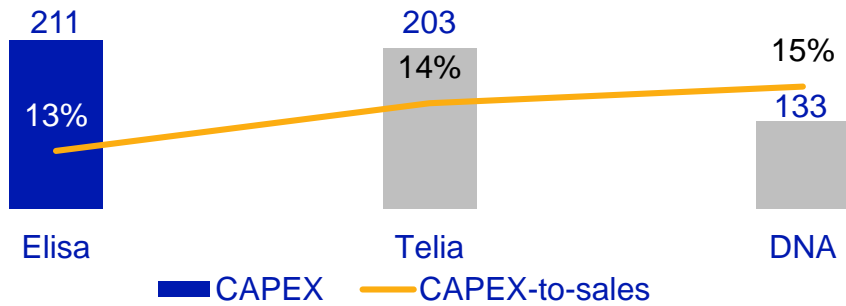
Capital allocation

Disciplined 12% CAPEX-to-sales policy continues...

CAPEX vs. peers¹⁾



2017 CAPEX in Finland²⁾, EURm



CAPEX allocated efficiently

- Mobile data usage LTM CAGR: 39%³⁾
- FTTx household coverage: 72%
- Mobile network peak hour utilisation: 27%
- 5G-ready connections to 4G base stations: 86%
- High network density, macro cell sites 3x international average

¹⁾ Peer group: BT, DNA, KPN, Proximus, Swisscom; Tele2, Telecom Italia, Telekom Austria; Telenor, Telia

²⁾ Company reports, reported revenue and CAPEX (Telia w/o rights for the ice hockey league) in Finland

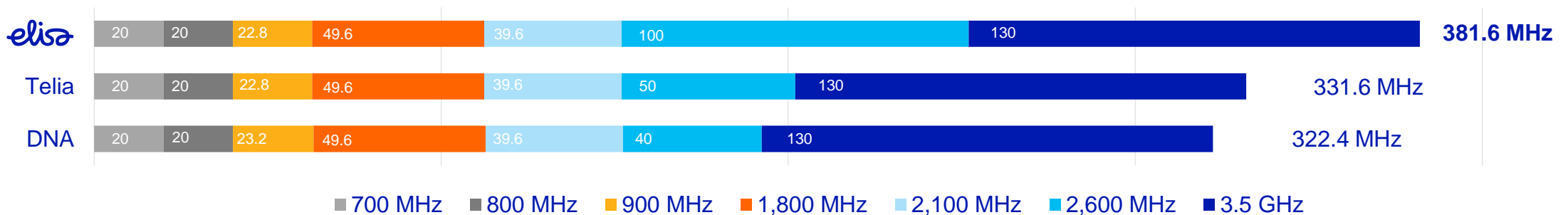
³⁾ Elisa's network in Finland

Capital allocation

...excellent frequency position in Finland, all main frequencies secured until the end of 2033

- Renewal of 900 MHz, 1,800 MHz and 2,100 MHz in 2019
 - Beauty contest renewal until end of 2033
- 3.5 GHz licence granted for 15 years - 5G network rollout starts in the beginning of 2019
 - Elisa's licence price EUR 26m, payable in 5 years
- Elisa acquired an additional 50 MHz of 2,600 MHz spectrum
 - Licence valid until end of 2029, 2,600 MHz frequencies to be used for 4G and 5G services

Elisa has biggest amount of spectrum in Finland



Capital allocation

Value-driving M&A continues...

Focus areas

- Domestic telecom services
- Domestic IT services
- International digital services

Value-creating acquisition criteria

- Supports strategy
- Financially accretive
- Distribution intact or improved
- Solid capital structure and balance sheet

M&A activities 2012–2017

Company	Year	Acquisition price, €m	Valuation EV/EBITDA
Santa Monica	2017	32	8.2
Starman	2017	151	8.8
Anvia	2016	107	7.2
PPO	2012	145	7.5
Other		5	
Total/median		440	8.0

Financial development in 2012–2017

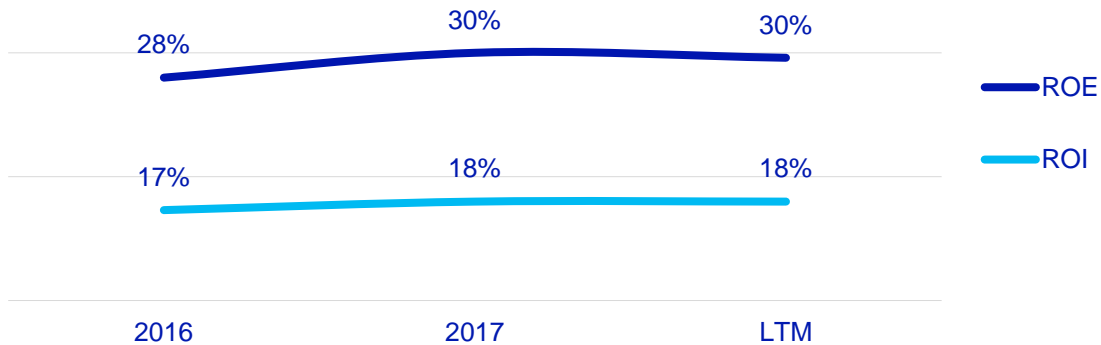
- EPS, EUR 1.35 → 1.86 +38%
- Dividend, EUR 1.30 → 1.65 +27%
- Net debt / EBITDA 1.7–2.1x

Capital allocation

...as well as solid capital structure and efficient funding

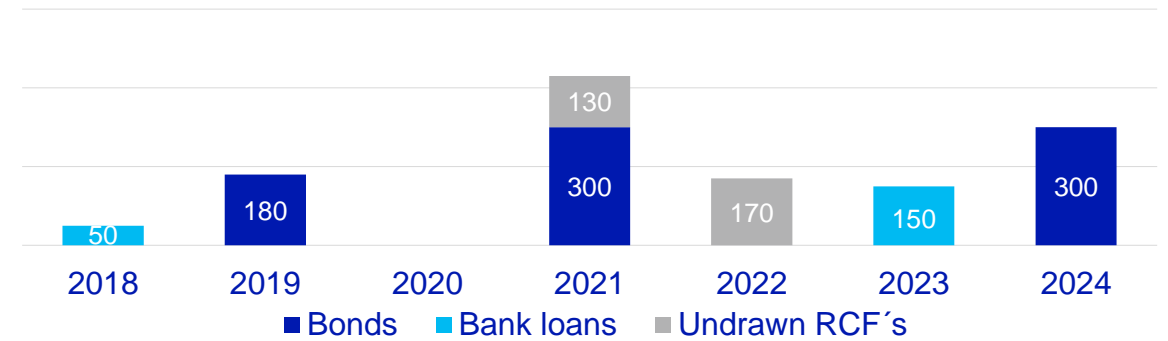
- Medium-term target reiterated
 - Net debt / EBITDA 1.5–2x
 - Equity ratio >35%
- Average interest rate 1.7%
 - Fixed/variable 80/20%

Return ratios¹⁾



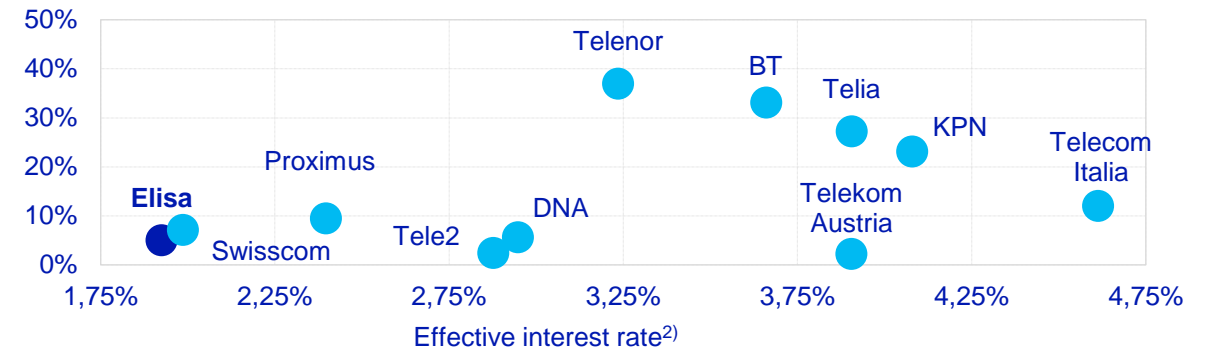
¹⁾ Comparable figures

Diversified maturity profile 30 Sep 2018, EURm



Cash, net debt and interest rate

Cash / net debt 30 Sep 2018¹⁾



¹⁾ Source: Bloomberg, At the end of quarter

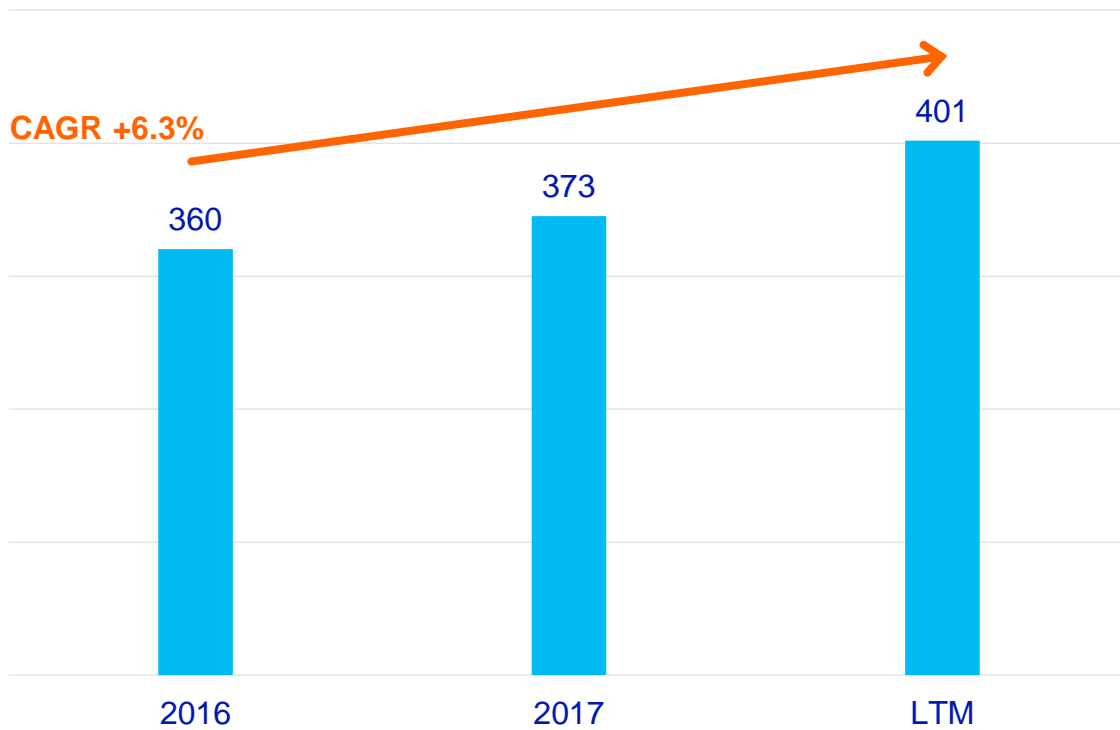
²⁾ Source: Bloomberg, FY2017 (Total Interest Incurred / average short and long term debt) * 100



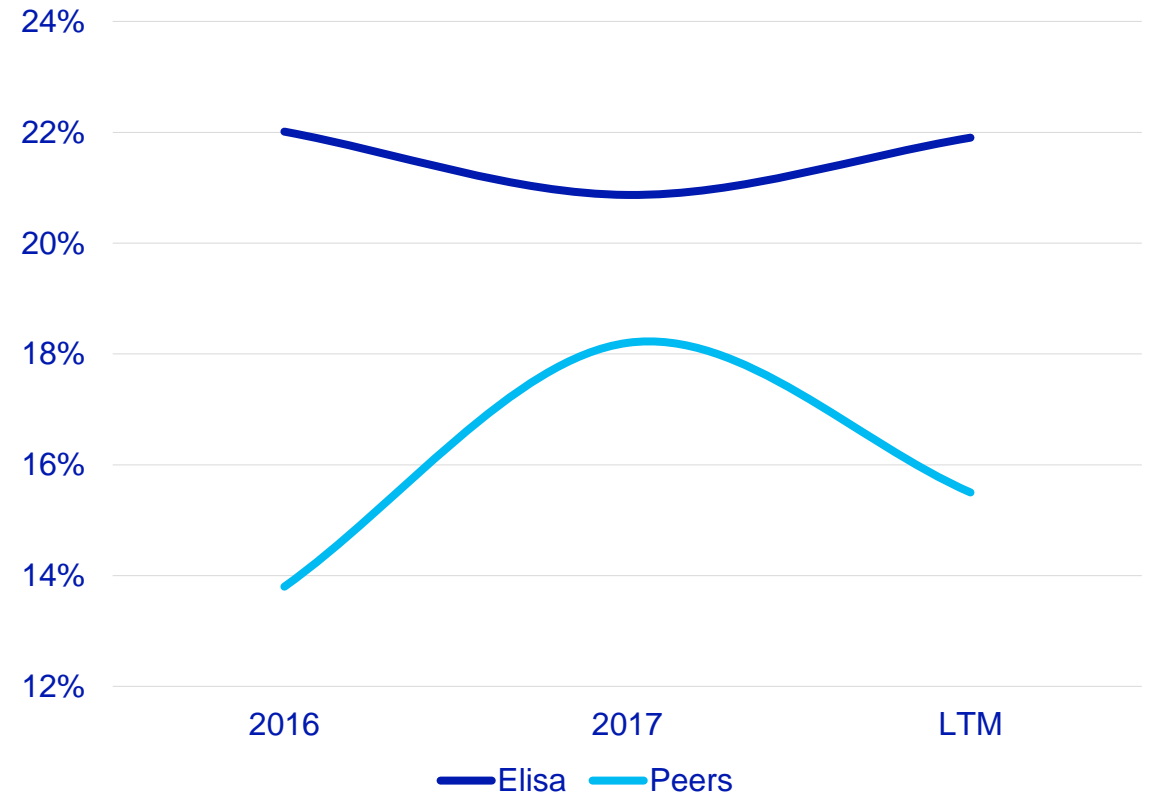
Capital allocation

Strong cash flow growth...

Operating cash flow, EURm



Operating cash flow margin¹⁾



¹⁾ (EBITDA-CAPEX) / sales
 Peer group: BT, DNA, KPN, Proximus, Swisscom; Tele2, Telecom Italia, Telekom Austria; Telenor, Telia
 Source: Bloomberg

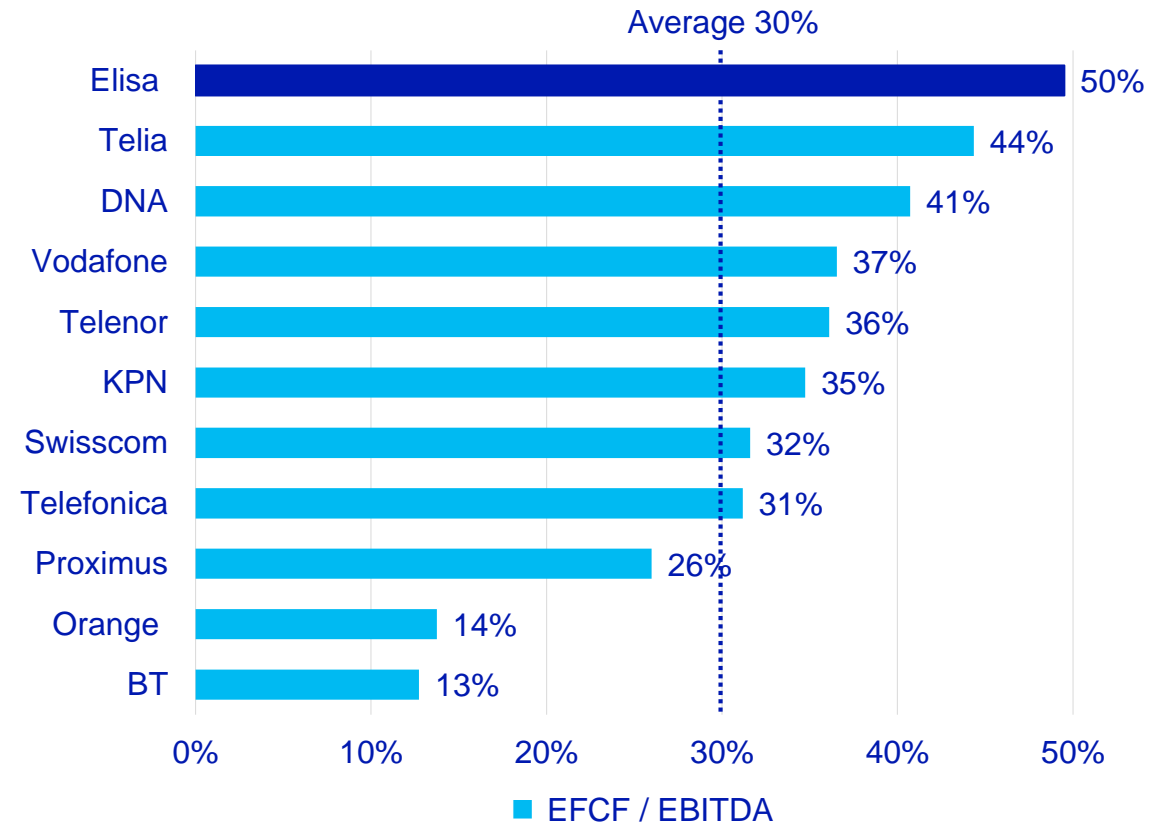


Capital allocation

...and high cash flow conversion...

- Focused business model
- Continuous earnings improvement
- Industry's lowest CAPEX-to-sales
- Disciplined M&A policy
- Low effective tax rate
- Low interest expenses

Industry's best equity-free cash flow conversion



Source: JP Morgan 2018 estimate



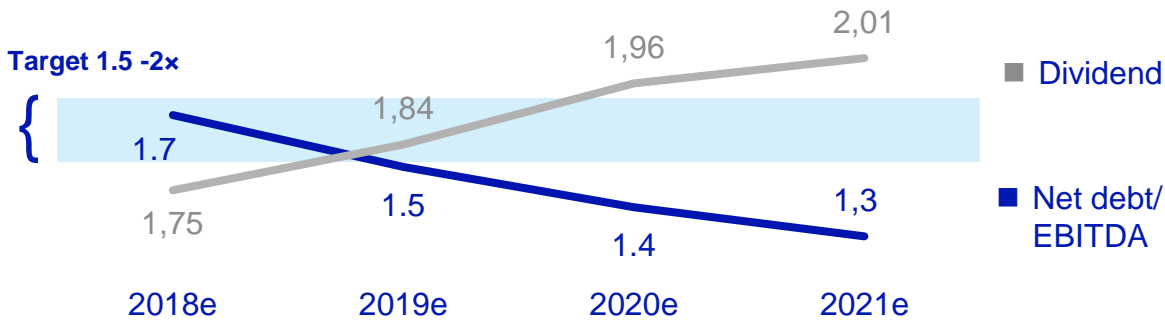
Capital allocation

...lead to reliable growing dividend

Distribution policy reiterated

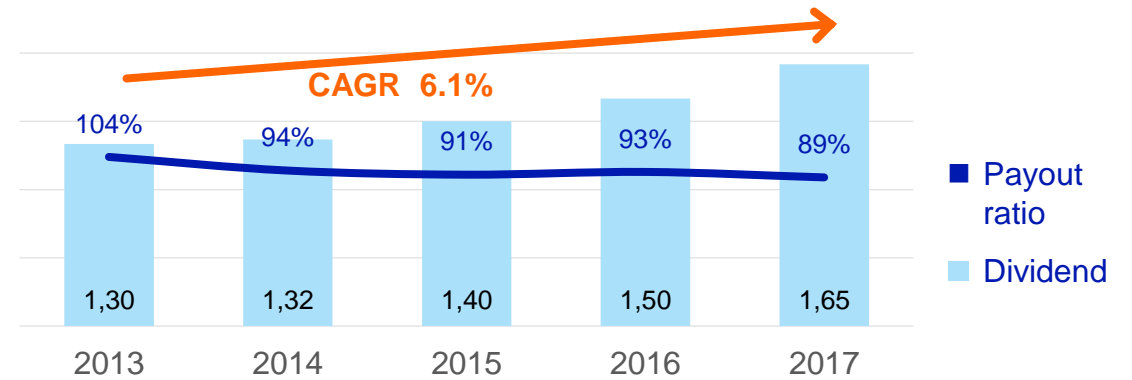
- Commitment to high profit distribution
 - Policy: payout ratio 80–100%
- LTM EPS EUR 1.94, 7.2% YoY growth
- Consensus estimates lead to under-leveraging

Consensus estimates

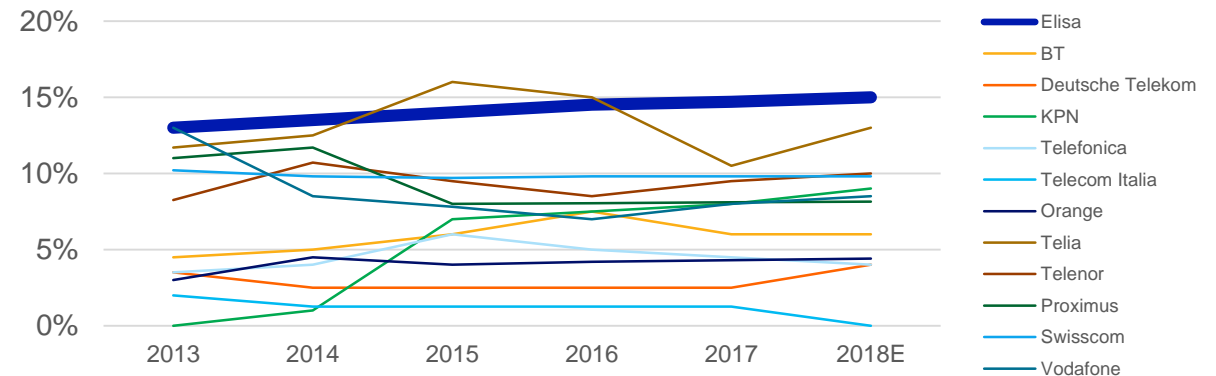


Source: Bloomberg

Dividend history



Dividend / sales



Source: Bank of America Merrill Lynch. See appendix for disclaimer.

IFRS 16 effects 2019 onwards – no effect on cash flow

- Mainly office premises, network-related real estate and cars
- Debt and fixed assets to increase by approx. EUR 60m
- EBITDA to improve by approx. EUR 13m
 - Increase in depreciation EUR 12m
 - Increase in interest EUR 1m
- EBITDA margin up by approx. 0.7%
- Net debt / EBITDA +0.06x
- CAPEX target excluding IFRS 16 change

P&L effects

Revenue		
Other operating income		
Materials and services	-13	}
Employee expenses		
Other operating expenses		
EBITDA	13	
Depreciation, amortisation and impairment	12	←
EBIT	1	
Financial income		
Financial expenses	1	←
Share of associated companies' profit		
Profit before tax	0	

CFO priorities

Elisa's unique strategy generates profit and growth

Elisa's strategy

Profit and growth generation

Increase mobile and fixed service revenues

- Improve operational leverage
- CAPEX efficiency

Grow digital service businesses

- Disciplined M&A
- Growth and profitability improvement

Improve efficiency and quality

- Productivity improvements
- Efficient capital structure

elisa

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THANK YOU.

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Appendix

Disclaimer

Slide 17: Dividend/sales

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