



1st QUARTER RESULTS

2014

elisa

siinä on ideaa.

# Agenda

**CEO's review**

**Veli-Matti Mattila, CEO**

**Financial review**

**Jari Kinnunen, CFO**

# CEO's review

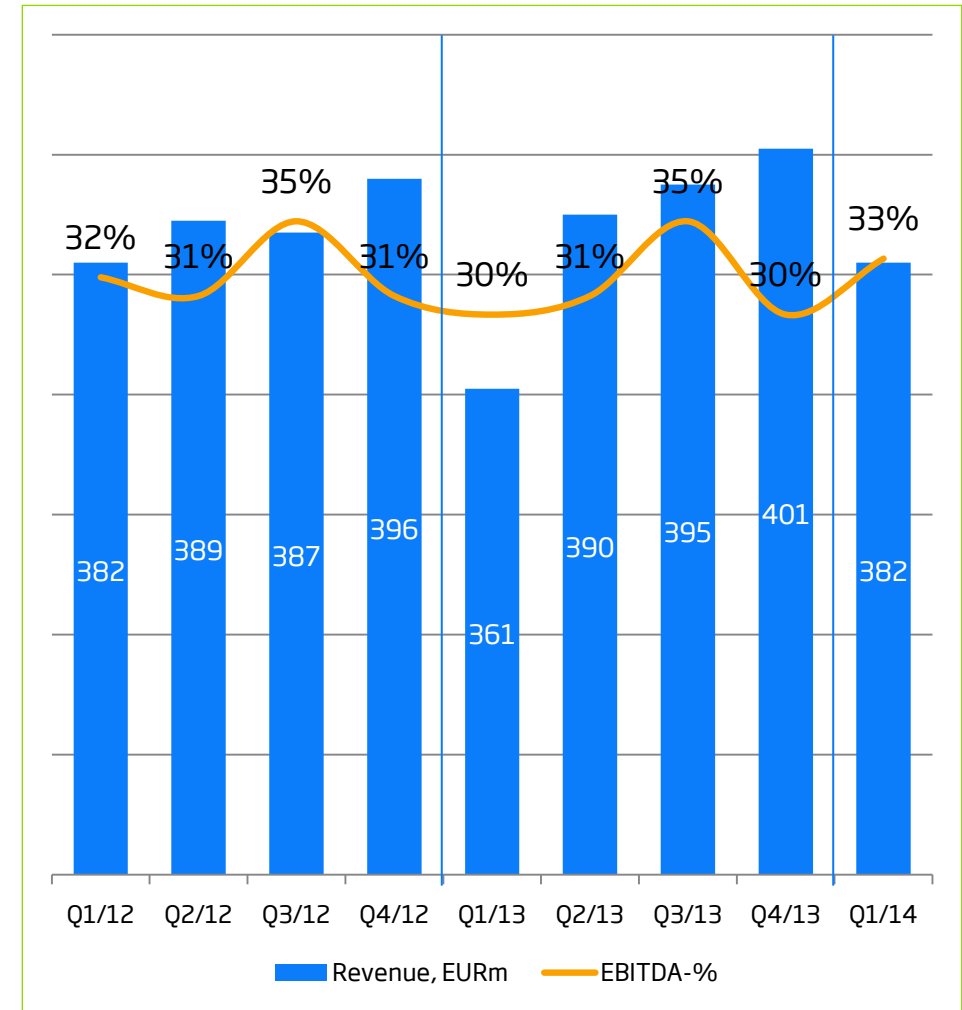
- Q1 2014 financial and operational highlights
- Segment review
- Strategy execution
- Outlook and guidance for 2014

# Q1 2014 highlights

- Growth in revenue and result
- Competition was keen
- Mobile subscription base continued to grow
- Strong mobile data growth, boosted by 4G services
- Smartphone penetration above 50%
- Building of the new 800 MHz LTE network started
- Success in New Services continued
- €1.30 dividend per share paid on 15 April

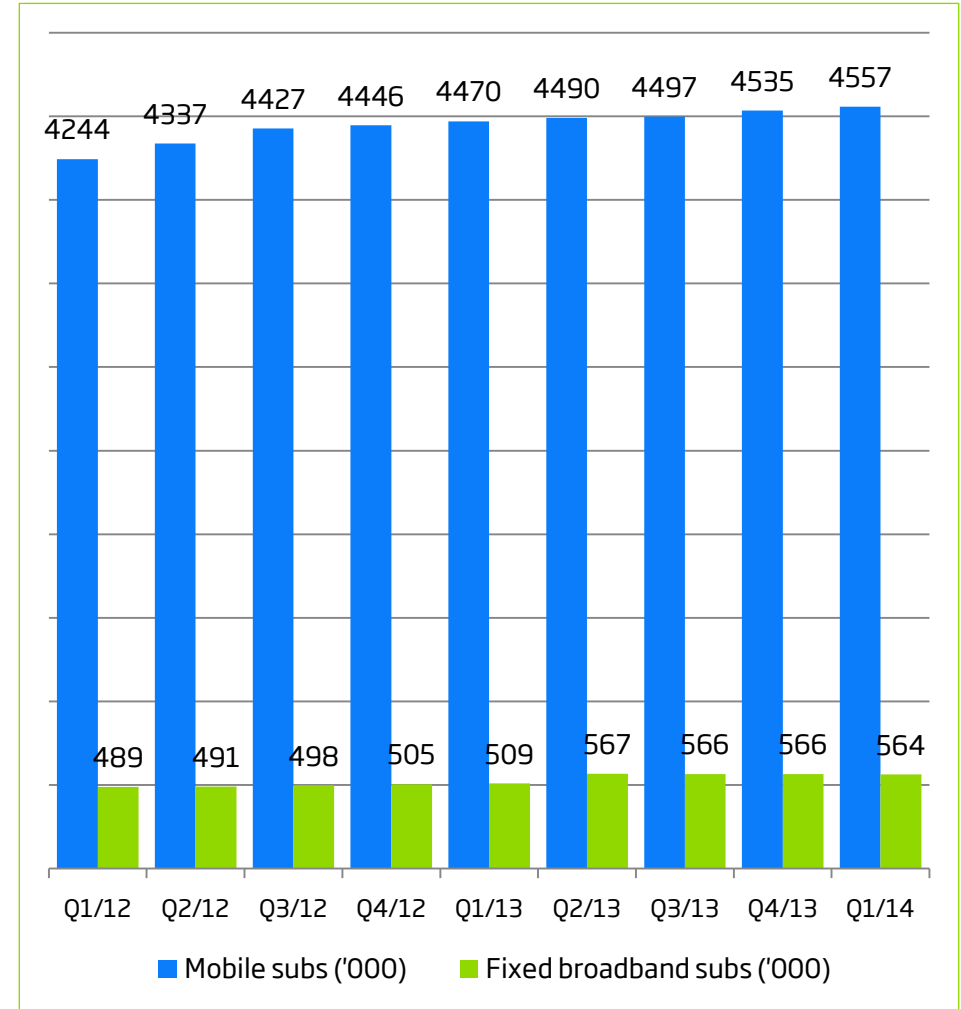
# Growth in revenue and profits

- Revenue €382m (361)
- EBITDA €126m (109), 33% of revenue (30)
- EPS €0.32 (0.26)
- CAPEX €48m (47), 13% of revenue
- Net debt €933m (807)
  - Cash flow €39m (37)
  - Net debt / EBITDA 1.8 (1.7)



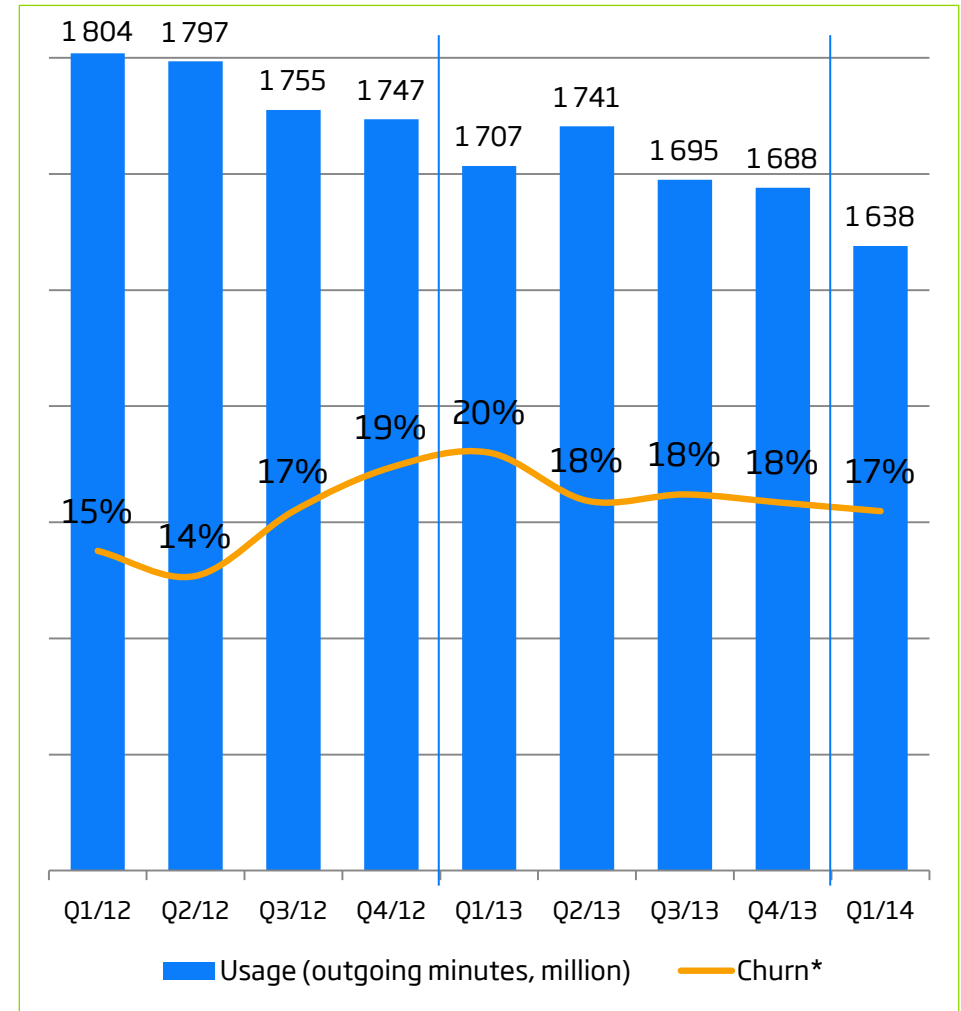
# Growth in mobile subscriptions

- 21,400 new subscriptions in Q1
  - Growth in corporate segment, decrease in consumer segment due to churn of non-active subscriptions
  - Estonia -1,200 subscriptions, decrease in prepaid
- Fixed broadband subscriptions slightly down
  - Seasonality
- Elisa Viihde IPTV customer base continued to grow



# Growth in data, churn came down

- Mobile data YoY growth +64%
  - 27.3bn megabytes (16.6)
- Outgoing minutes 1.6bn, slight decrease
- 539m SMS, YoY growth 9%
- Churn\* decreased to 17.2% (20.0)



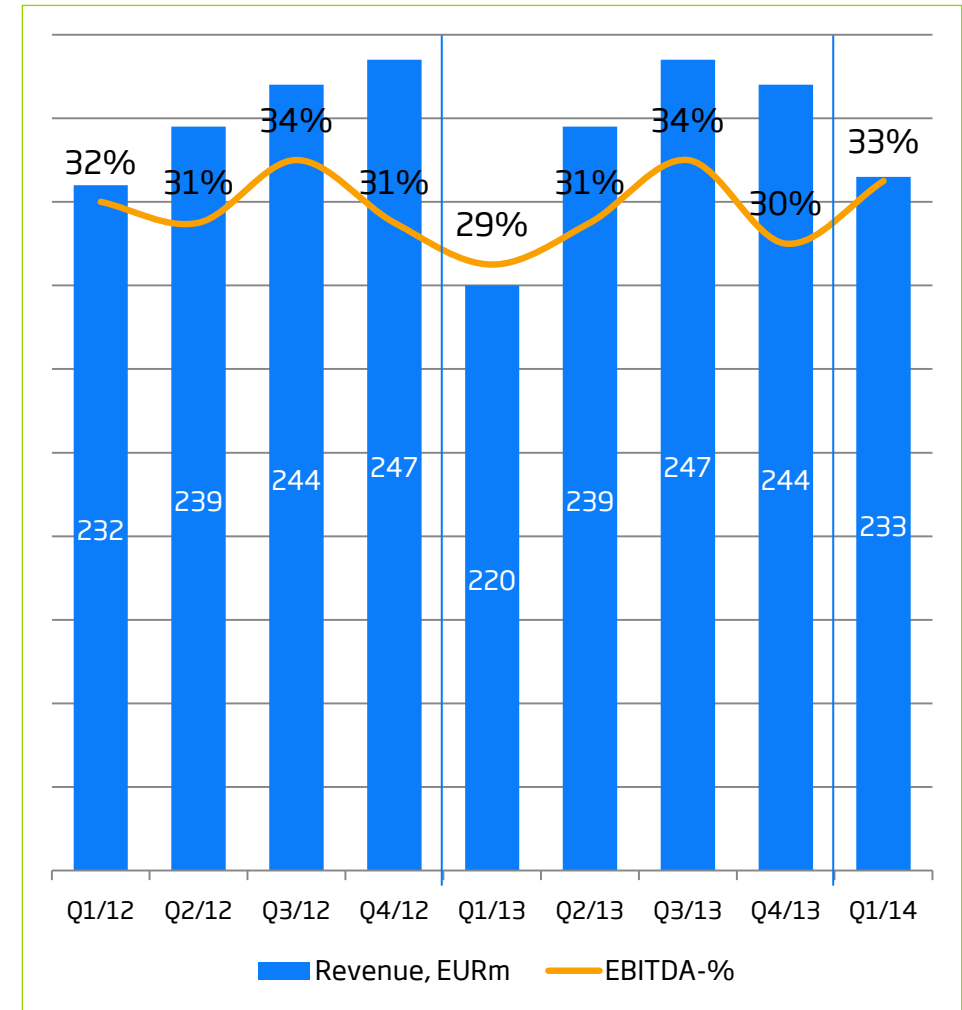
\* Annualised

# Business Segments



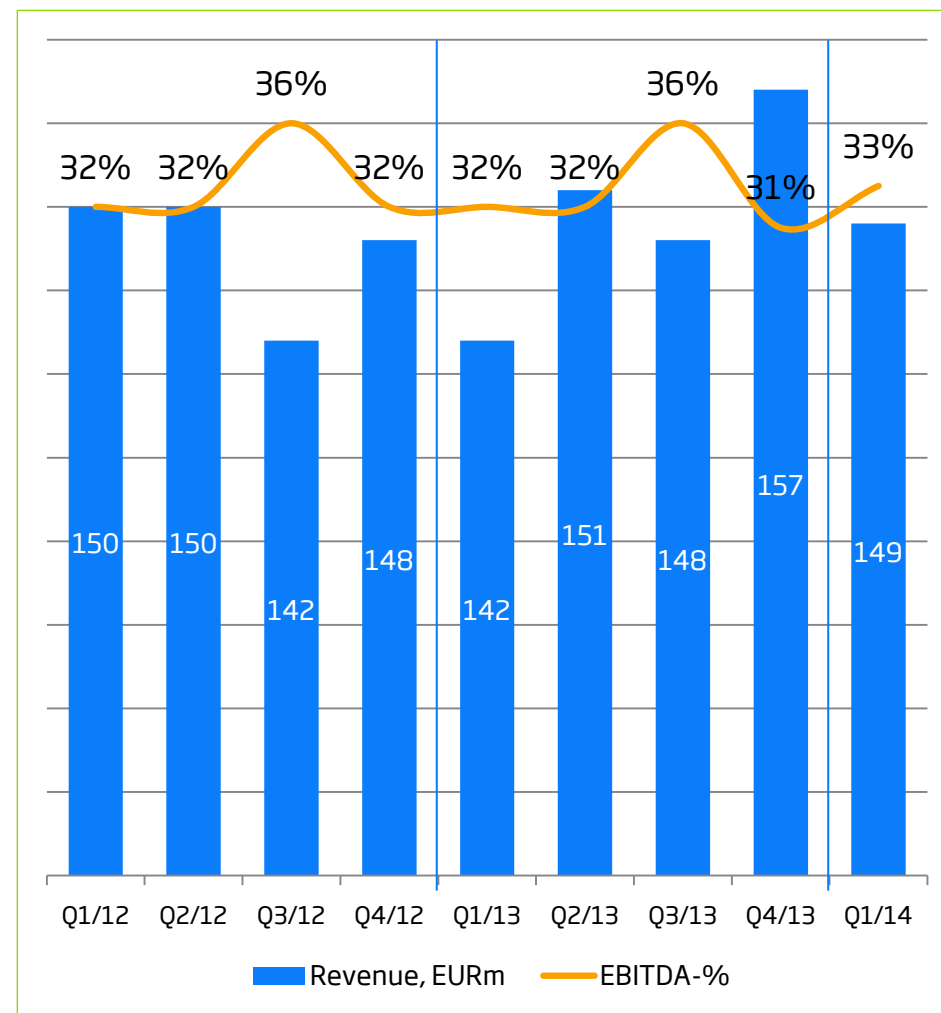
# Growth in revenue and profitability

- Revenue €233m (220)
  - Growth through new services, PPO acquisition and mobile services
  - Decrease in equipment sales and interconnection revenue
- EBITDA €76m (63), 33% of revenue (29)
  - Revenue growth and improved efficiency
- CAPEX €25m (27)



# Revenue and EBITDA growth

- Revenue €149m (142)
  - Growth through ICT services and PPO acquisition
  - Decrease in traditional fixed voice and roaming revenue
- EBITDA €50m (46), 33% of revenue (32)
  - Revenue growth and improved efficiency
- CAPEX €23m (20)



# Strategy execution

Build value on data

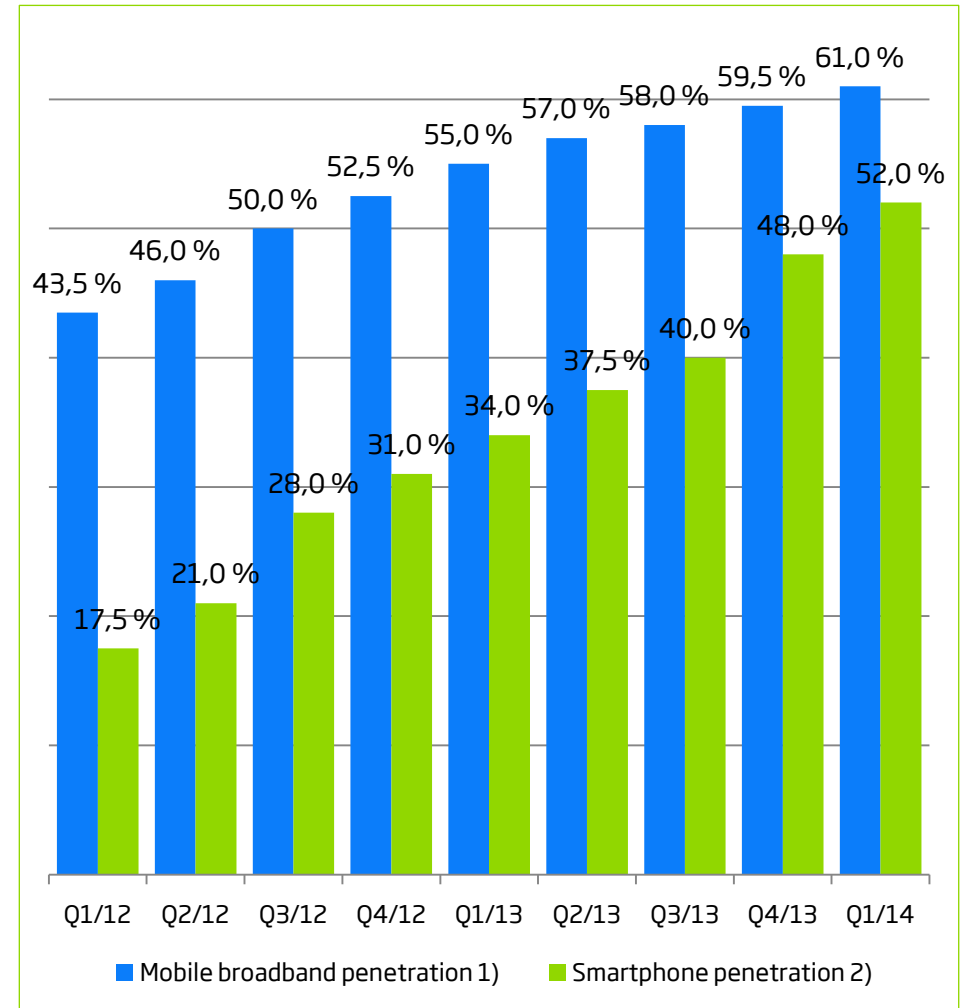
Accelerate new services businesses

Improve performance with  
customer intimacy and operational excellence

# Strong growth in smartphone base

- More than half of customers use smartphone
  - 11% of total phone base are LTE-capable
- 42% of voice subs are data bundles
- Most sold phones in March
  1. Apple iPhone 5s
  2. Samsung Galaxy Trend Plus
  3. Samsung Galaxy S4 Mini
  4. Nokia Lumia 520
  5. Samsung Galaxy S4
- Of all models sold in Q1
  - 86% were smartphones
  - 65% were LTE capable

Penetration in Elisa's network in Finland



- 1) 3G/4G dongles and mobile BB add-on services (min. 384 kb/s) 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 (no tablets)

# Cloud service 'Saunalahti Pilvilinna'

- Domestic cloud service for photos, videos and other files
- Supports all major operating systems
- Files are encrypted, virus scanned and backed up automatically
- Available from the beginning of April



# The use of Elisa Wallet expands

- Elisa Wallet can be used already in 3,000 payment locations
  - Available in major retail chains
  - Several new chains coming in the end of April
- Elisa Wallet is independent of bank or telecom operator



# Productivity for public administration

- Productivity survey with city of Turku
  - Possibility to save tens of millions of euros
  - Digitization of services, like online doctor's appointments and virtual meetings
- Interpreter service for disabled customers using video connection
  - Distance service to customer's home
  - Interpreter service also with sign language

VAMMAISTEN  
TULKKAUSPALVELUKESKUS / KELA



# Strong growth in demand and availability of 4G services

- Elisa first in Finland to open 4G LTE 800 MHz spectrum to its customers
  - Increasing coverage for high speed mobile broadband
  - Improved indoor coverage
- 4G population coverage 89% with DC and LTE technologies
- 4G is about one third of mobile broadband new sales





# Outlook and guidance for 2014

- Macroeconomic environment still weak in 2014
- Competition remains challenging
- Revenue at the previous year's level, or slightly above
- EBITDA excluding one-offs at the same level as last year, or slightly higher
- CAPEX maximum 12 per cent of revenue

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**CEO's review**

**Veli-Matti Mattila, CEO**

**Financial review**

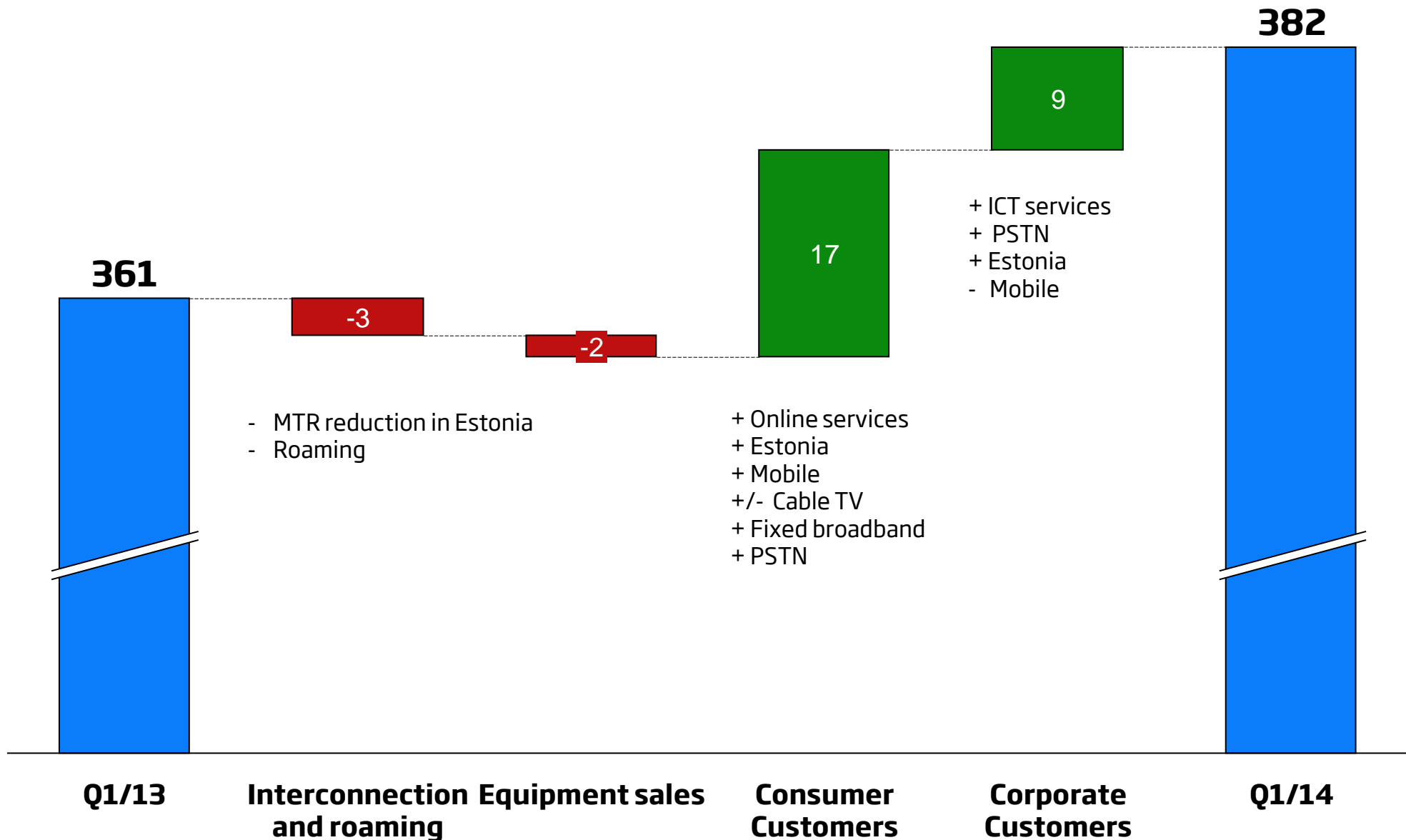
**Jari Kinnunen, CFO**

# Clear growth in revenue and earnings

EUR million	Q1/14	Q1/13	$\Delta$ <sup>1)</sup>	$\Delta\%$	2013
<b>Revenue</b>	<b>382</b>	<b>361</b>	<b>21</b>	<b>6</b>	<b>1,547</b>
Other operating income	1	0			4
Operating expenses	-257	-253			-1,061
<b>EBITDA</b>	<b>126</b>	<b>109</b>	<b>17</b>	<b>16</b>	<b>491</b>
<i>EBITDA-%</i>	<i>33</i>	<i>30</i>			<i>32</i>
<b>EBITDA excl. one-offs</b>	<b>126</b>	<b>111</b>	<b>16</b>	<b>14</b>	<b>508</b>
<i>EBITDA-% excl. one-offs</i>	<i>33</i>	<i>31</i>			<i>33</i>
Depreciation and amortisation	-54	-50			-210
<b>EBIT</b>	<b>72</b>	<b>59</b>	<b>13</b>	<b>22</b>	<b>281</b>
<b>EBIT excl. one-offs</b>	<b>72</b>	<b>61</b>	<b>11</b>	<b>18</b>	<b>298</b>
<i>EBIT-% excl. one-offs</i>	<i>19</i>	<i>17</i>			<i>19</i>
<b>Profit before tax</b>	<b>64</b>	<b>53</b>	<b>10</b>	<b>20</b>	<b>255</b>
Income taxes	-13	-13			-58
<b>Profit for the period</b>	<b>51</b>	<b>40</b>	<b>11</b>	<b>28</b>	<b>196</b>
EPS, EUR/share	0.32	0.26	0.07	27	1.25
<i>EPS, excl. one-offs</i>	0.32	0.26	0.06	23	1.33

<sup>1)</sup> Difference is calculated using exact figures prior to rounding

# Revenue change, €m



# Efficiency measures decreased OPEX

- OPEX decreases in Q1/14
  - Productivity improvements
  - Interconnection and roaming
  - Equipment purchase costs
- OPEX increases in Q1/14
  - Acquired companies
  - Salary increases (Collective labour agreement) November 2013 1.9%
- Growth in depreciation due to companies acquired

EURm	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14
Materials and services	146	155	157	161	150
Employee benefit expenses <sup>1)</sup>	64	66	62	78	65
Other operating expenses	43	48	38	42	42
Total expenses <sup>2)</sup>	253	269	257	282	257
Depreciation	50	53	55	53	54

1) Excluding one-offs Q3/13 € 58m and Q4/13 €66m

2) Excluding one-offs Q3 /13 € 254m and Q4/13 €270m

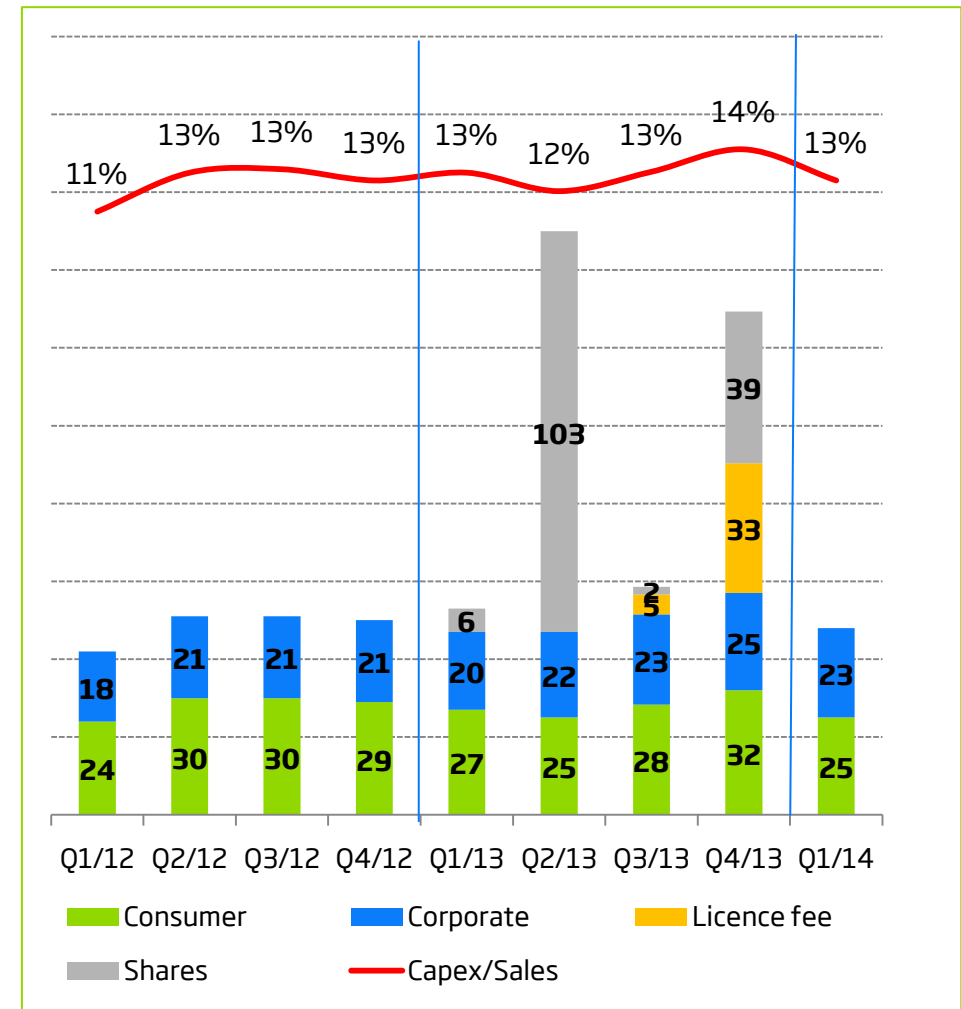
# CAPEX same level as previous year

- Q1 CAPEX €48m (47)

- Consumer €25m (27)
- Corporate €23m (20)

- Major CAPEX areas

- 4G/LTE and 3G coverage and upgrade
- Fixed access and backbone networks
- IT systems
- Customer equipment



CAPEX/sales excluding investments in shares and licence fees.  
 Q4/13 share issue of €39m for Telekarelia and Kymen Puhelin mergers.

# Cash flow

EUR million	Q1/14	Q1/13	$\Delta^1)$	2013
EBITDA	126	109	17	491
Change in receivables	0	8	-7	-13
Change in inventories	2	1	0	6
Change in payables	-8	0	-8	2
Change in NWC	-6	9	-15	-5
Financials (net)	-12	-11	-0	-25
Taxes	-13	-15	2	-65
CAPEX	-50	-49	-1	-201
800 MHz licences <sup>2)</sup>				-12
Investments in shares <sup>3)</sup>	-1	-6	5	-93
Sale of assets and adjustments	-6	0	-6	-6
Cash flow after investments	39	37	2	84
Cash flow after investments excl. acquisitions <sup>4)</sup>	39	43	-4	177

1) Difference is calculated using exact figures prior to rounding

2) LTE 800 MHz licence in Finland Q4 €7m, Estonia Q3 €5m

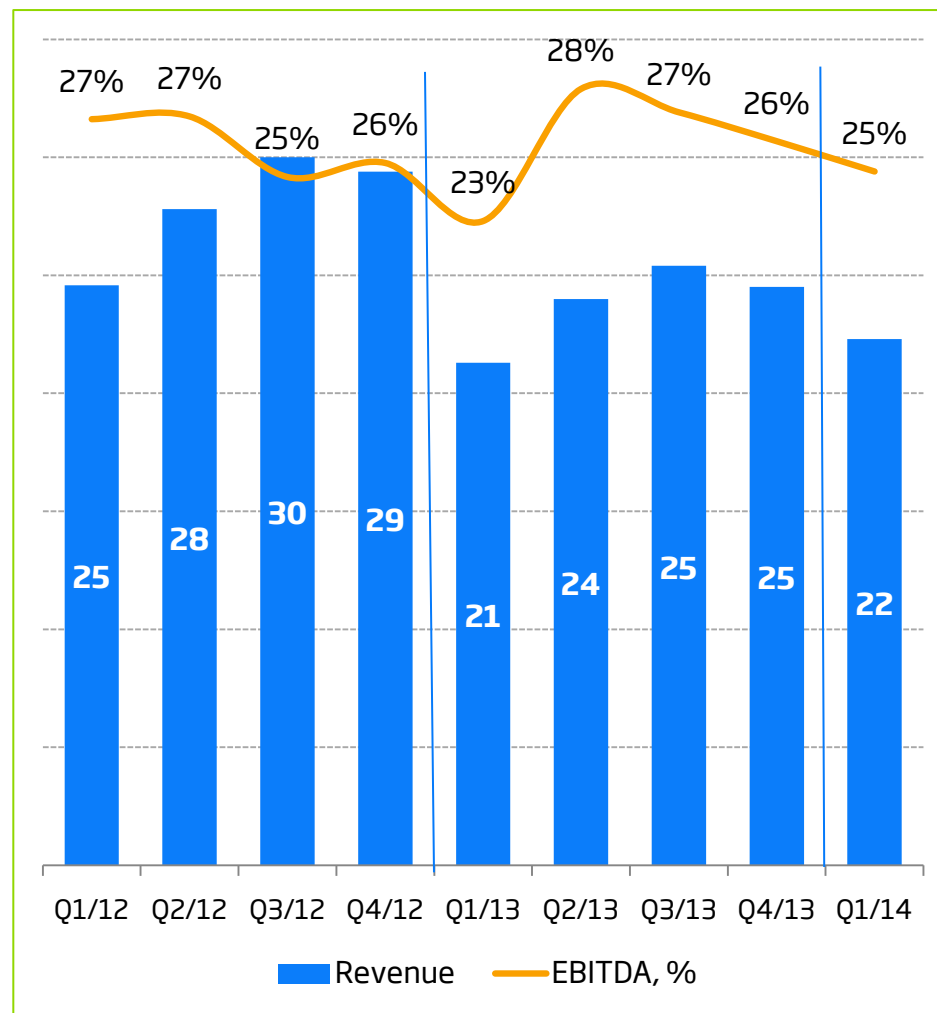
3) Investment in Sulake and PPO companies.

4) Without Sulake and PPO Acquisitions

# Growth in Estonian revenue and EBITDA

- Revenue €22m (21)
  - Decrease in MTRs
  - Growth in mobile data
- EBITDA €6m (5)
- CAPEX €2m (3)
  - 4G/LTE, 3G Coverage
- Change in mobile subs: -1,200 QoQ
  - Decrease in prepaid subs

Estonian MTRs	Q1	Q1
	2013	2014
All operators, euro cents	1.47	1.29
MTR change, YoY		-12%

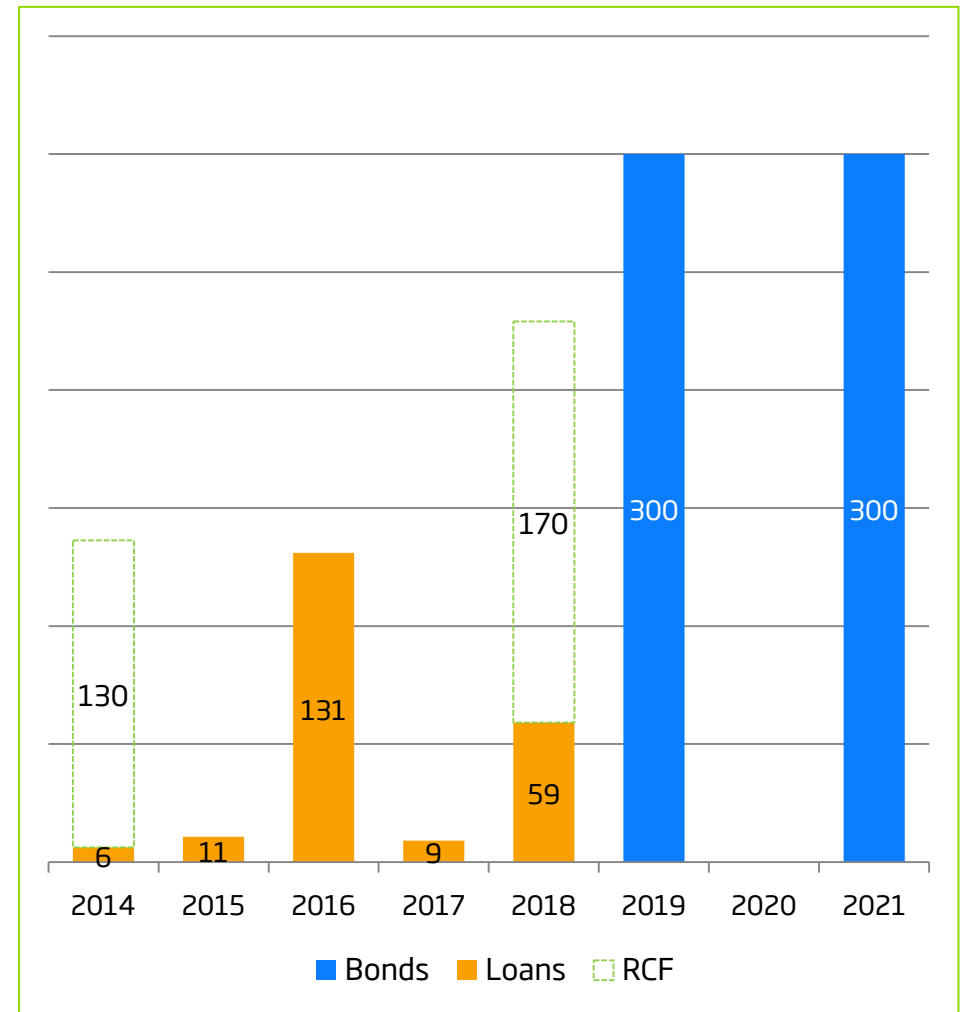




# Solid liquidity position

- Cash and undrawn committed facilities €359m (383)
  - Revolving Credit Facilities €300m fully undrawn
- Commercial paper programme
  - €152m in use as of 31 March 2014
- Solid credit ratings since 2003
  - S&P revised outlook from stable to positive in March
  - S&P                      BBB                      Positive outlook
  - Moody's                Baa2                      Stable outlook

Bond and bank loan maturities 31.3.2014



# Capital structure at target level

- Target setting

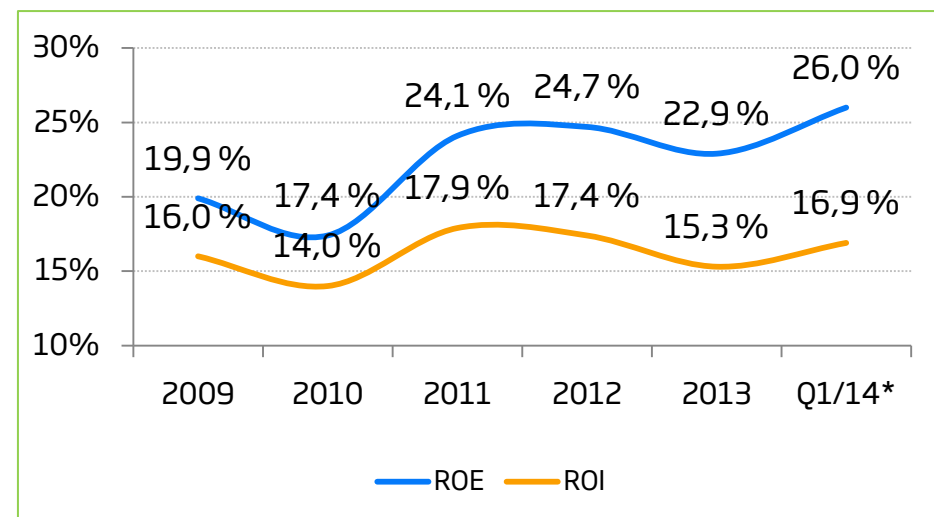
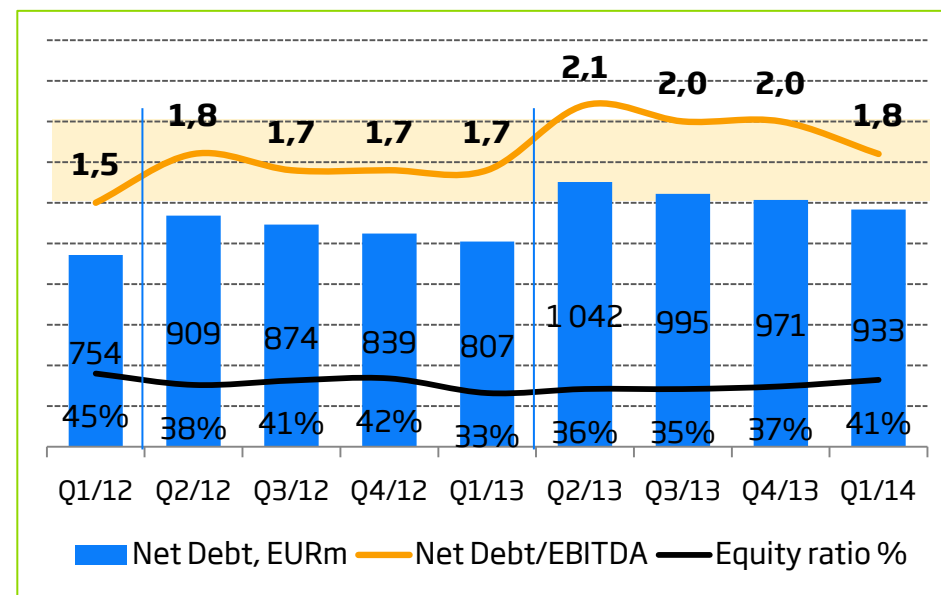
- Net debt / EBITDA 1.5-2x
- Equity ratio > 35%

- Capital structure

- Net debt / EBITDA 1.8x
- Gearing 102%
- Equity ratio 41.1%

- Return ratios

- ROE 26.0%
- ROI 16.9%

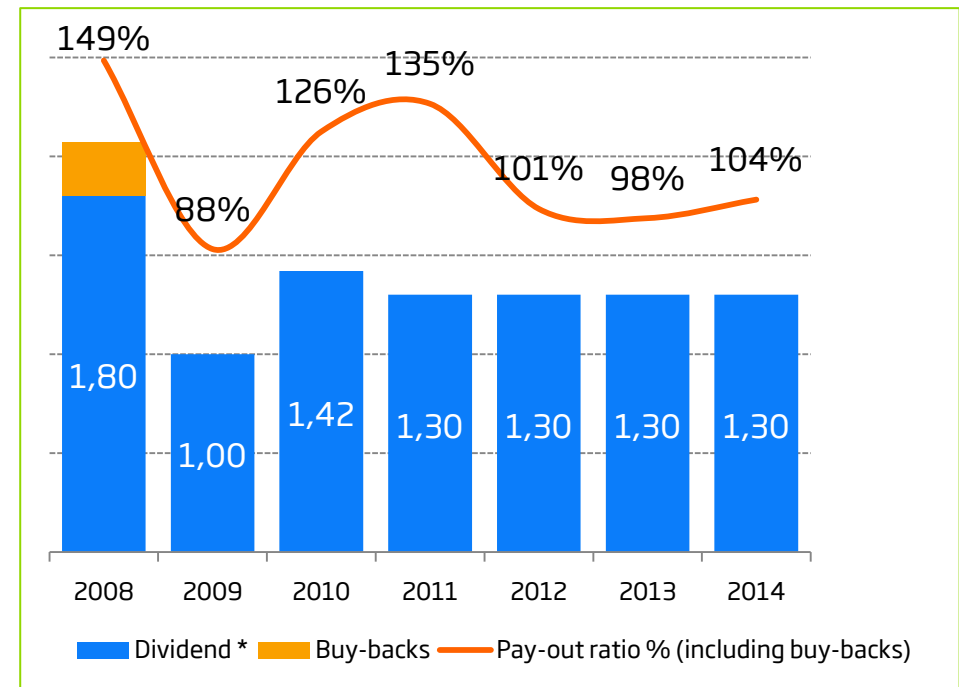


\* Rolling 12-month profit preceding the reporting date

# Competitive remuneration continues

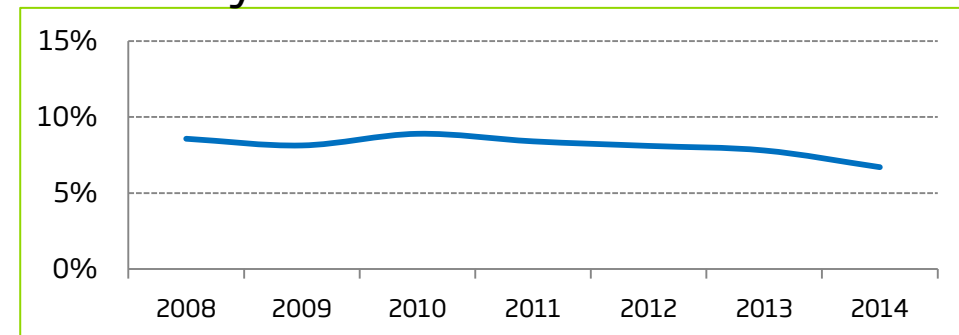
- EUR €1.30 per share paid in April
- Dividend yield 6.7% <sup>1)</sup>
- Payout ratio 104%
- Strong commitment to competitive shareholder remuneration
  - Distribution policy 80-100% of net profit
  - Long-term high dividend yield

<sup>1)</sup> as per share price of 30.12.2013 (€19.26)



\* Includes capital repayment.

## Dividend yield





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Investor contacts: Mr. Vesa Sahivirta  
vesa.sahivirta@elisa.fi  
+358 102 623 036

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# Consolidated cash flow statement

EUR million	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
<b>Cash flow from operating activities</b>									
Profit before tax	64	60	78	63	53	64	78	66	61
Adjustments to profit before tax	56	59	60	54	55	58	54	55	59
Change in working capital	-6	-4	-9	0	9	-17	-24	6	-14
Cash flow from operating activities	114	114	128	117	118	104	108	126	106
Received dividends and interests and interest paid 1)	-12	-9	-3	-2	-11	-7	-2	-2	-19
Taxes paid	-13	-17	-17	-17	-15	-15	-20	-26	-11
Net cash flow from operating activities	89	89	109	98	92	82	86	98	77
<b>Cash flow in investments</b>									
Capital expenditure	-50	-61	-57	-47	-49	-49	-49	-51	-40
Investments in shares and other investments	-1	-4	-1	-82	-6	0	0	-1	0
Proceeds from asset disposal	1	2	0	0	0	0	0	2	0
Net cash used in investment	-50	-63	-58	-128	-55	-49	-49	-50	-40
<b>Cash flow after investments</b>	39	26	51	-30	37	34	37	47	37
<b>Cash flow in financing</b>									
Share buybacks and sales (net)		0	0	5					
Change in long-term debt	-167	-2	296	0	-75	151	0	0	0
Change in short-term debt	50	-90	-184	192	83	-163	-54	129	-31
Repayment of financing leases	-1	-1	-1	-1	-1	-2	-1	-2	-2
Increase in reserve for invested non-restricted equity		0	0	3	0	2		1	1
Acquisition of non-controlling interests w/o a change in control		0	-4						
Dividends paid		0	0	-203	0	0	-1	-203	0
Cash flow in financing	-118	-94	107	-5	7	-11	-56	-74	-32
<b>Change in cash and cash equivalents</b>	<b>-79</b>	<b>-68</b>	<b>158</b>	<b>-35</b>	<b>44</b>	<b>22</b>	<b>-19</b>	<b>-27</b>	<b>5</b>

# Financial situation

EUR million	31 Mar 14	31 Dec 13	30 Sep 13	30 Jun 13	31 Mar 13	31 Dec 12	30 Sep 12	30 Jun 12	31 Mar 12
<b>Interest-bearing debt</b>									
Bonds and notes	589	750	750	451	450	525	375	375	375
Commercial Papers	152	101	192	204	179	96	170	198	184
Loans from financial institutions	216	223	224	229	225	221	221	221	221
Financial leases	34	35	36	36	37	37	38	38	38
Committed credit lines 1)	0	0	0	171	0	0	89	115	0
<b>Interest-bearing debt, total</b>	992	1 109	1 201	1 090	891	878	892	946	818
<b>Cash and cash equivalents</b>	59	138	206	48	83	40	18	37	64
<b>Net debt 2)</b>	933	971	995	1 042	807	839	874	909	754

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 21 November 2014 and 3 June 2018.

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