



*elisa*

# Interim Report Q2 2020

15 JULY 2020

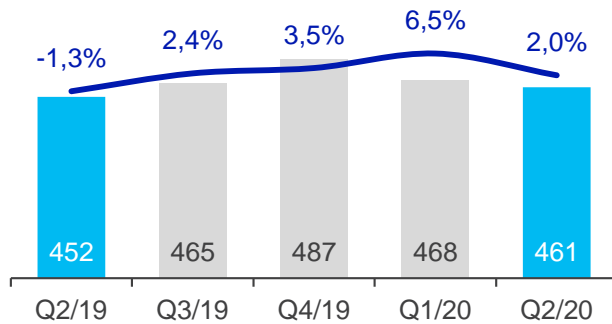
## Q2 2020 highlights

- Steady development continued
- Revenue grew by 2%
- Comparable EBITDA up by 3%
- Mobile service revenue at the same level
  - Substantial decrease in roaming revenue due to COVID-19
- Post-paid churn decreased to 16.4% (18.9% in Q1)
- Post-paid mobile subscription base increased by 26,200
- Fixed broadband subscription base increased by 1,000
- 5G services rollout continues, networks in more than 30 cities

# Steady performance in COVID-19 circumstances

## Revenue

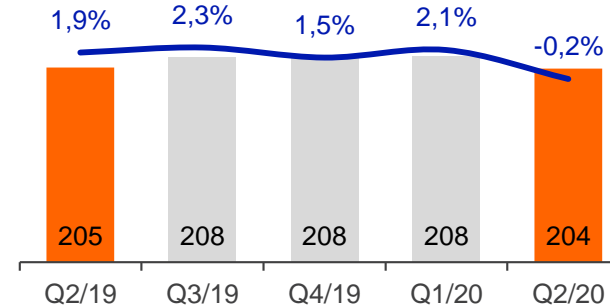
● Revenue, €m — YoY change.%



- Increase
- Polystar
  - Equipment sales
  - Estonia

## Mobile service revenue

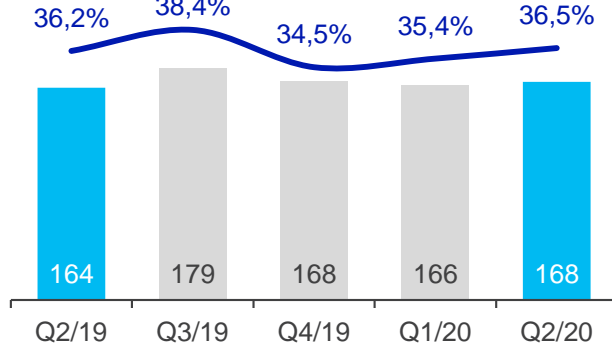
● MSR, €m — YoY change.%



- Roaming impact
- 4G and 5G up-selling continues
- Product changes

## EBITDA<sup>1)</sup>

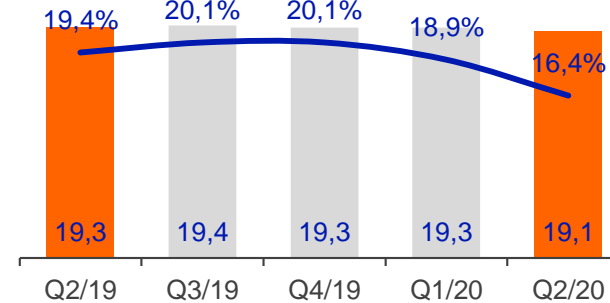
● EBITDA, €m — EBITDA-%



- Revenue growth
- Efficiency improvements

## ARPU and churn<sup>2)</sup>

● Post-paid ARPU, € — Post-paid churn,%



- Covid-19 impact on churn
- Campaigning continues
- Competition remained keen

1) Comparable

2) Finland, churn annualised

# Revenue growth in both segments

## Consumer Customers

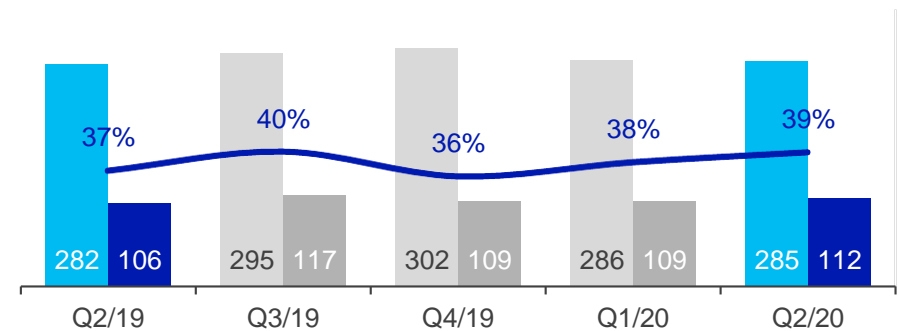
Revenue +1%

- + Mobile services
- + Equipment sales, Estonian business
- Domestic digital services
- Fixed-line services

EBITDA +6%<sup>1)</sup>

## Revenue and EBITDA<sup>1)</sup>

● Revenue, €m ● EBITDA, €m — EBITDA-%



## Corporate Customers

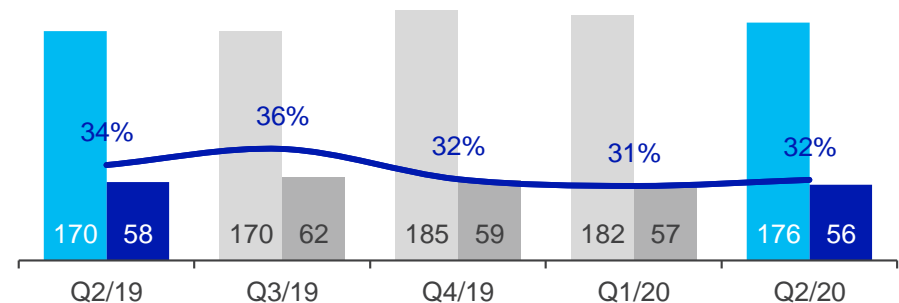
Revenue +3%

- + Polystar acquisition
- + Equipment sales
- Mobile services

EBITDA -3%<sup>1)</sup>

## Revenue and EBITDA<sup>1)</sup>

● Revenue, €m ● EBITDA, €m — EBITDA-%



1) Comparable

# Strategy execution

Increase mobile and fixed service revenues

Grow digital service businesses

Improve efficiency and quality

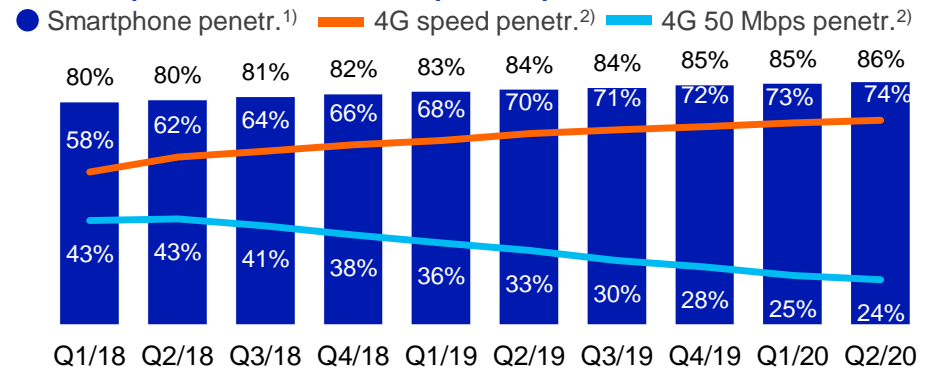


# Up-selling of mobile subs continues, 5G proceeds

## Growth in 4G smartphone penetration

- 86% of customers use a smartphone
  - 98% (97%) 4G- and 5G-capable
- 74% (70%) of voice subs at 4G speeds
  - 3G-to-4G and 4G-to-5G up-selling continues
  - Up-selling from 4G 50 Mbps to higher speeds continues

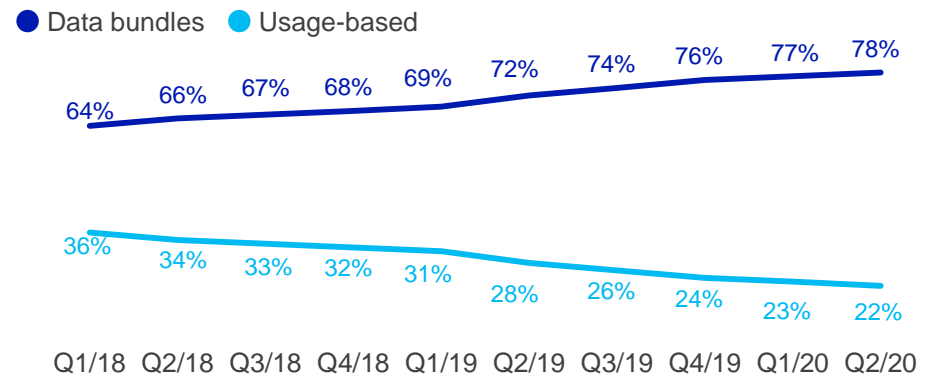
## Smartphone and 4G speed penetration, %



## Proportion of data bundles continues to grow

- 78% of subscriptions<sup>2)</sup> fixed-monthly-fee, “all-you-can-eat” bundles
  - Old subs migrating to new unlimited ones
- Strong demand for unlimited data bundles, Elisa customers are able to roam at domestic prices in EU and EEA countries

## Subscription<sup>2)</sup> split



1) iOS (iPhone), Android and Windows smartphones of the total phone base

2) Post-paid voice subscriptions in Finland (unlimited usage)



# Elisa leading in 5G

- 5G network launched in 31 cities, over million people coverage, capital area coverage expanded to tens of new locations
- The widest selection of 5G devices: Samsung Galaxy A51 5G, Motorola Edge and Motorola Moto G 5G
- Data usage YoY growth over 40 per cent in Q2, capacity has met well the growing data usage in Finland and Estonia
- Driving sustainability with innovations, e.g. the first liquid cooling 5G base station in the world
  - Elisa has set a clear target to be carbon neutral at the end of 2020



# Expansion of digital service businesses continued

## Domestic digital services

- Elisa Viihde Aitio and Viaplay Films & Series combine in Finland
  - Bundle available from 30 June, new Elisa Viihde Viaplay streaming video service in Q4.
  - Elisa Viihde Viaplay will offer the widest selection of domestic and Nordic original content, international movies, classic series and kids content in Finland.
- Elisa was the first telco in Nordics to bring Amazon Prime Video with wide selection of 4K content in the Elisa Viihde Premium service.
- Elisa provided solutions for coronavirus infection prediction and tracking
  - e.g. HUS Helsinki University Hospital with near real-time COVID-19 situation awareness view and people's movement data to track and predict the spread of coronavirus
- Elisa launched Natural Finnish language Automatic recognition for digital customer service solutions

## International digital services

- Again solid quarter for Polystar with double-digit YoY growth driven by increased demand for analytics solutions, especially video analytics
- Elisa Videra has provided Microsoft Teams gateway services to several customers



# Outlook and guidance for 2020

The current COVID-19 situation will slow down economic growth and create uncertainty in macroeconomic development. Competition in the Finnish telecommunications market remains keen.

- Guidance for 2020 is unchanged
- Revenue at same level or slightly higher than in 2019
- Comparable EBITDA at same level or slightly higher than in 2019
- CAPEX\* maximum 12% of revenue

\* Excluding IFRS 16, and investments in shares and licences



# Financial review

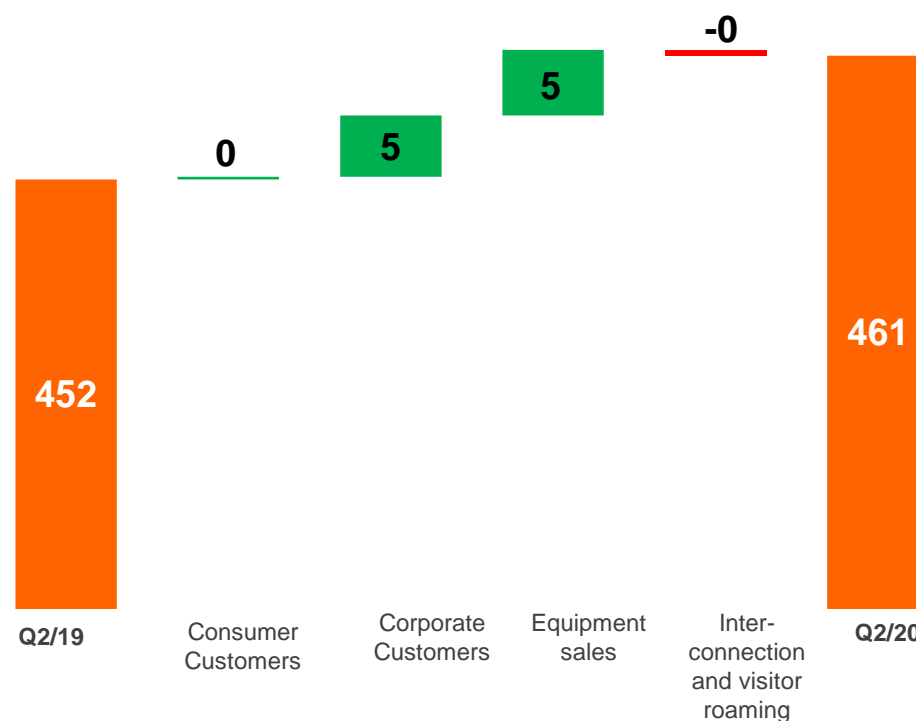
INTERIM REPORT Q2 2020

# Growth in revenue and earnings

€ million <sup>1)</sup>	Q2/20	Q2/19	Change	%
<b>Revenue</b>	<b>461</b>	<b>452</b>	9.2	2.0 %
Other operating income	1	1	-0.4	-40.2 %
Materials and services	-167	-169	2.0	-1.2 %
Employee expenses	-82	-82	0.1	-0.2 %
Other operating expenses	-45	-43	-1.8	4.3 %
<b>EBITDA</b>	<b>168</b>	<b>164</b>	4.7	2.9 %
<i>EBITDA %</i>	36.5 %	36.2 %		
Depreciation	-67	-67	-0.6	1.0 %
<b>EBIT</b>	<b>101</b>	<b>97</b>	4.0	4.2 %
<i>EBIT %</i>	21.9 %	21.4 %		
Financial expenses net	-4	-5	1.2	-22.2 %
<b>Profit before tax</b>	<b>97</b>	<b>91</b>	5.2	5.7 %
<b>Net profit</b>	<b>79</b>	<b>75</b>	4.2	5.6 %
<b>EPS</b>	<b>0.49</b>	<b>0.47</b>	0.02	5.6 %

<sup>1)</sup> With comparable figures. Growth is calculated using exact figures prior to rounding.

Q2 2020 revenue change YoY. €9m

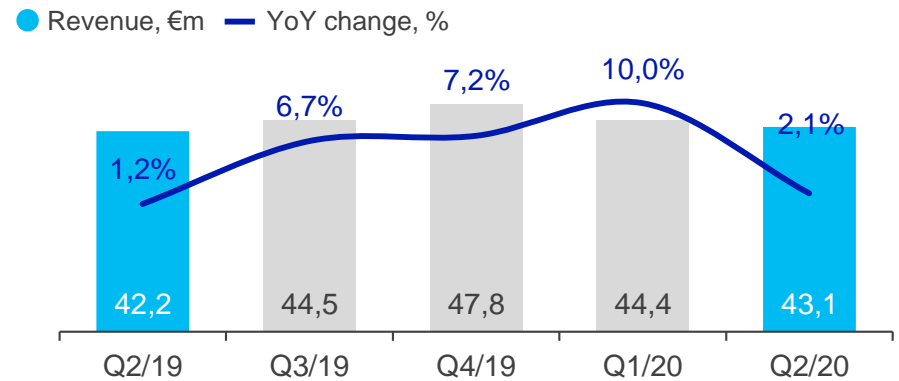


# Growth continues in Estonia

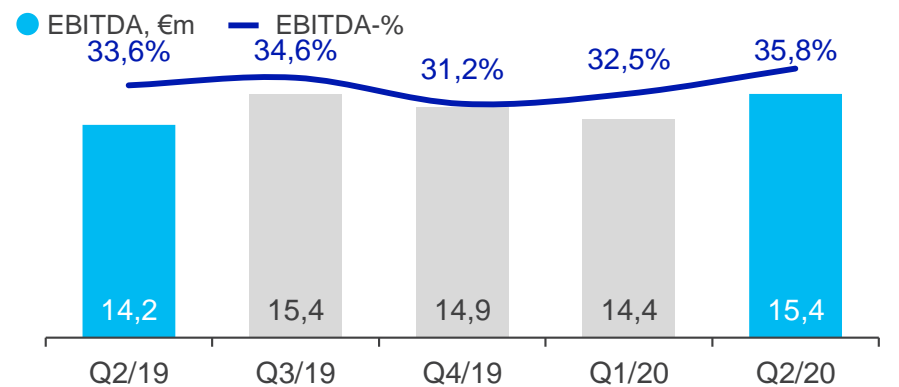
- Revenue and EBITDA improved

- Revenue growth +2%
  - Equipment sales
  - Fixed and mobile services
- EBITDA growth +8%
- Mobile and fixed services growing
- Mobile post-paid base +3,100, pre-paid -8,900
- Churn 8.8% (9.9 in Q1)

## Revenue



## EBITDA

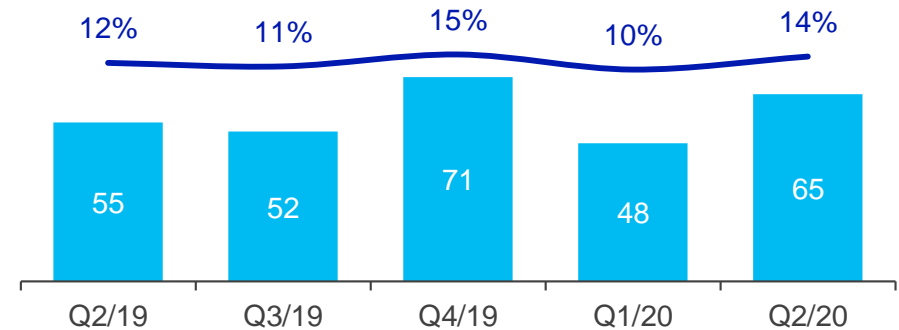


# Full year CAPEX guidance intact

- CAPEX €75m (61), excl. IFRS 16 and licence €65m (55)
  - Consumer €49m (41)
  - Corporate €26m (20)
- Main CAPEX areas
  - 5G and 4G capacity and coverage increases
  - Other network and IT investments
  - 26 GHz licence

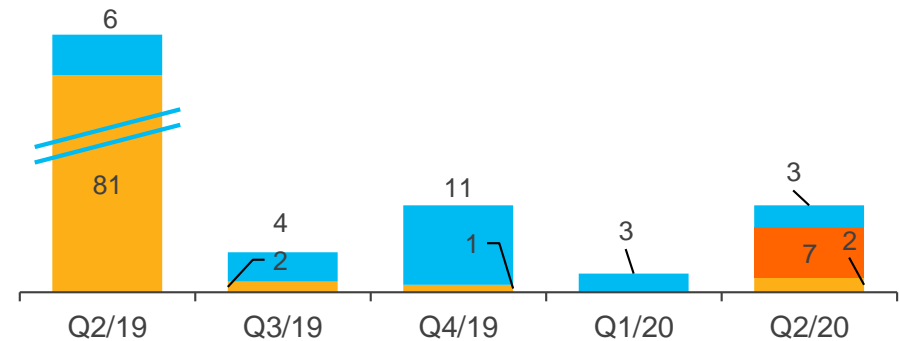
## CAPEX<sup>1)</sup>

— CAPEX / sales<sup>1)</sup> %



## Shares, licences and rental agreements (IFRS 16)

● Shares, €m ● Licences, €m ● IFRS 16, €m

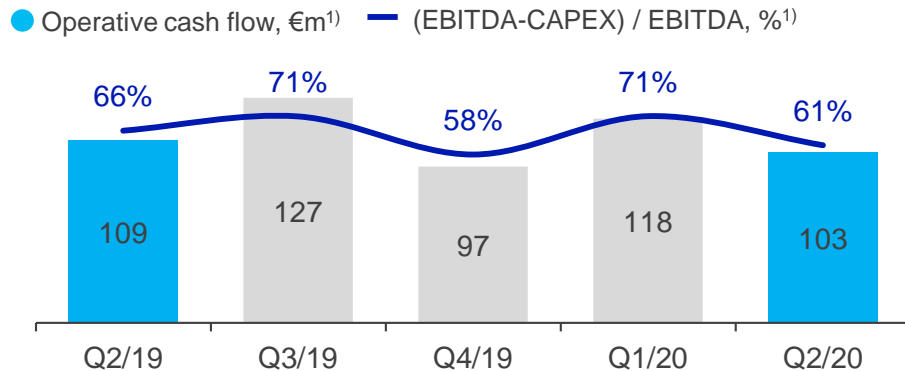


<sup>1)</sup> Investments excluding shares, licenses and rental agreements (IFRS 16)

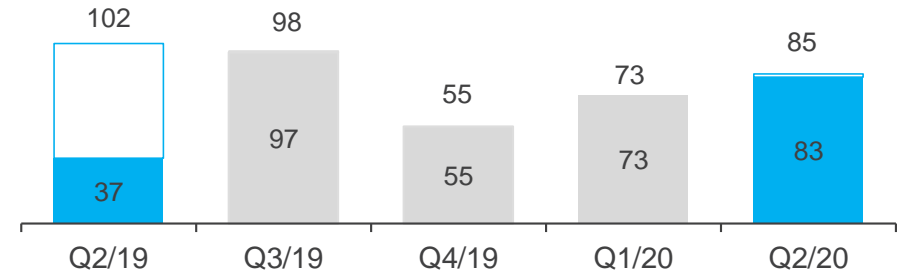
# Cash flow impacted by NWC and higher CAPEX

- Q2 Cash flow €83m (37)
- Q2 comparable cash flow €85m (102)
  - Higher EBITDA affected positively
  - Less positive NWC change and higher CAPEX affected negatively
    - Inventories higher, preparedness for COVID-19
    - Timing of network investments

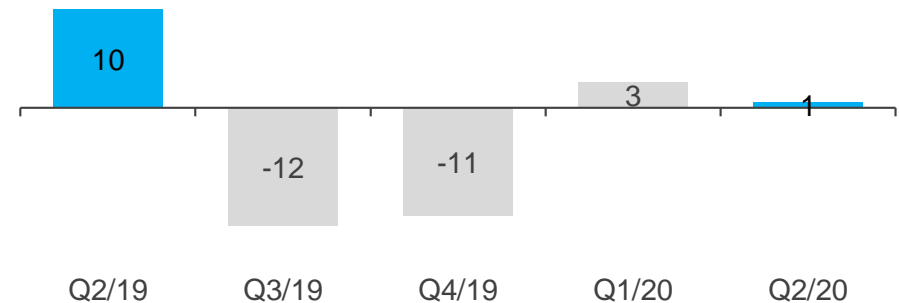
## Cash conversion



## Cash flow and comparable cash flow, €m



## Change in net working capital, €m

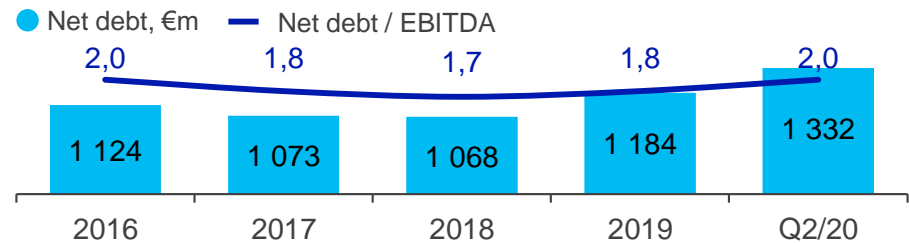


<sup>1)</sup> Comparable EBITDA – CAPEX excluding investments in shares, licences and finance leases (IFRS 16)

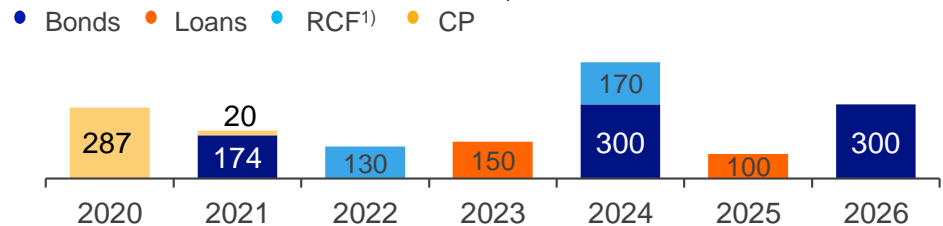
# Efficient capital structure and good returns

- Capital structure according to target
  - Net debt / EBITDA 2.0x (target 1.5–2x)
  - Equity ratio 35.9% (target >35%)
- Return ratios at good level
  - Efficient capital structure
- €130m Revolving Credit Facility
  - Extended from June 2021 to June 2022
- Ca. 69% of interest bearing debt in fixed rate

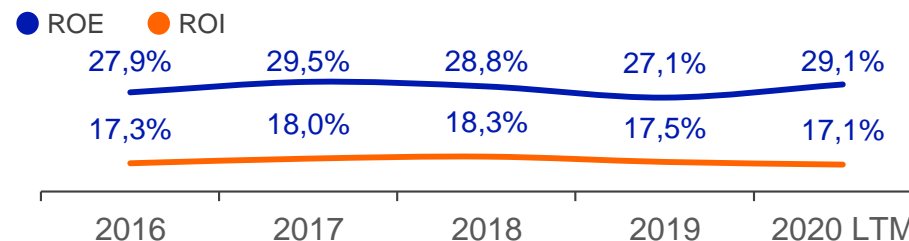
## Net debt



## Maturities as 30 Jun 2020, €m



## Return ratios<sup>2)</sup>



<sup>1)</sup> RCFs are fully undrawn

<sup>2)</sup> Comparable, 2017 excluding sale of Comptel shares



Q&A



## APPENDIX

## P&amp;L by quarter

EUR million	Q2/20	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18	Q3/18
<b>Revenue</b>	<b>460.8</b>	<b>468.1</b>	<b>487.3</b>	<b>464.9</b>	<b>451.6</b>	<b>439.7</b>	<b>470.6</b>	<b>453.9</b>
<i>YoY growth</i>	2.0 %	6.5 %	3.5 %	2.4 %	-1.3 %	-2.2 %	-0.4 %	0.0 %
Other operating income	0.6	0.6	3.0	0.9	1.1	0.7	0.9	1.8
Materials and services	-166.8	-171.6	-191.7	-172.1	-168.8	-160.5	-185.1	-172.9
Employee expenses	-81.8	-87.1	-80.9	-74.0	-82.0	-83.5	-80.3	-69.8
Other operating expenses	-44.6	-44.3	-49.6	-41.3	-42.8	-41.4	-47.9	-44.2
<b>EBITDA</b>	<b>168.3</b>	<b>165.7</b>	<b>168.1</b>	<b>178.5</b>	<b>159.2</b>	<b>155.1</b>	<b>158.1</b>	<b>168.7</b>
<i>EBITDA %</i>	36.5 %	35.4 %	34.5 %	38.4 %	35.2 %	35.3 %	33.6 %	37.2 %
<i>YoY Growth</i>	5.7 %	6.9 %	6.3 %	5.8 %	-0.4 %	1.1 %	4.6 %	2.1 %
<b>Comparable EBITDA</b>	<b>168.3</b>	<b>165.7</b>	<b>168.1</b>	<b>178.5</b>	<b>163.6</b>	<b>157.5</b>	<b>158.1</b>	<b>168.7</b>
<i>YoY Growth</i>	2.9 %	5.2 %	6.3 %	5.8 %	4.4 %	1.2 %	3.0 %	2.1 %
<i>Comparable EBITDA %</i>	36.5 %	35.4 %	34.5 %	38.4 %	36.2 %	35.8 %	33.6 %	37.2 %
Depreciation, amortisation and impairment	-67.4	-66.8	-67.9	-66.0	-66.8	-65.1	-59.7	-59.0
<b>EBIT</b>	<b>100.9</b>	<b>99.0</b>	<b>100.1</b>	<b>112.5</b>	<b>92.4</b>	<b>90.0</b>	<b>98.4</b>	<b>109.8</b>
<b>Comparable EBIT</b>	<b>100.9</b>	<b>99.0</b>	<b>100.1</b>	<b>112.5</b>	<b>96.8</b>	<b>92.4</b>	<b>98.4</b>	<b>109.8</b>
Financial income	-0.2	1.4	0.4	0.5	1.6	3.6	0.6	0.6
Financial expense	-4.7	-5.7	-4.6	-6.6	-6.9	-10.8	-6.3	-6.3
Share of associated companies' profit	0.7	0.2	-0.3	0.2	0.0	-0.1	-0.2	-0.1
<b>Profit before tax</b>	<b>96.6</b>	<b>94.9</b>	<b>95.6</b>	<b>106.6</b>	<b>87.0</b>	<b>82.7</b>	<b>92.6</b>	<b>104.0</b>
<b>Comparable profit before tax</b>	<b>96.6</b>	<b>94.9</b>	<b>95.6</b>	<b>106.6</b>	<b>91.4</b>	<b>85.1</b>	<b>92.6</b>	<b>104.0</b>
Income taxes	-17.5	-17.0	-16.6	-22.3	-15.8	-14.0	-13.4	-19.1
<b>Profit for the period</b>	<b>79.1</b>	<b>77.9</b>	<b>79.0</b>	<b>84.3</b>	<b>71.2</b>	<b>68.7</b>	<b>79.2</b>	<b>84.8</b>
<b>Comparable Profit</b>	<b>79.1</b>	<b>77.9</b>	<b>79.0</b>	<b>84.3</b>	<b>74.9</b>	<b>70.6</b>	<b>75.9</b>	<b>84.8</b>
<b>Earnings per share (EUR)</b>	<b>0.49</b>	<b>0.49</b>	<b>0.49</b>	<b>0.53</b>	<b>0.45</b>	<b>0.43</b>	<b>0.49</b>	<b>0.53</b>
<b>Comparable EPS</b>	<b>0.49</b>	<b>0.49</b>	<b>0.49</b>	<b>0.53</b>	<b>0.47</b>	<b>0.44</b>	<b>0.47</b>	<b>0.53</b>
<i>YoY Growth</i>	5.6 %	10.1 %	4.0 %	-0.6 %	0.2 %	-7.4 %	3.0 %	0.1 %

# Cash flow YoY comparison

	Q2/20	Q2/19	Change <sup>1)</sup>	%	1H/20	1H/19	Change <sup>1)</sup>	%
EBITDA	168	159	9	6 %	334	314	20	6 %
Change in receivables	8	5	3	65 %	31	14	17	120 %
Change in inventories	-10	-1	-9	1367 %	-8	5	-13	-259 %
Change in payables	2	5	-3	-61 %	-20	-2	-18	924 %
Change in NWC	1	10	-9	-94 %	3	17	-14	-82 %
Financials (net)	-1	0	-1		-13	-16	3	-21 %
Taxes for the year	-16	-17	1	-5 %	-30	-33	2	-7 %
Taxes for the previous year	0	4	-4	-100 %	0	2	-2	-100 %
Taxes	-16	-13	-3	23 %	-30	-31	0	-1 %
CAPEX	-65	-55	-10	18 %	-113	-106	-8	7 %
Licence fees <sup>2)</sup>	-1	0	-1		-11	-4	-7	152 %
Investments in shares <sup>3)</sup>	-2	-65	63	-97 %	-3	-65	63	-96 %
Sale of shares	0		1		1	1	0	
Sale of assets and adjustments	-1	1	-2		-12	-5	-7	
Cash flow after investments	83	37	46	123 %	156	105	51	48 %
Cash flow after investments excl. acquisitions <sup>4)</sup>	85	102	-17	-17 %	158	170	-12	-7 %

1) Difference is calculated using exact figures prior to rounding

2) €4m 700 MHz in Q1/19 and Q1/20, €5m 3.5 GHz Q1/20, €1.4m 26 GHz Q2/20 in Finland.

3) Polystar and Lounea 2019.

4) Excluding share purchases and sale of shares.

# Cash flow by quarter

EUR million	Q2/20	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18	Q3/18
EBITDA	168	166	168	179	159	155	158	169
Change in receivables	8	23	-32	-2	5	9	4	-23
Change in inventories	-10	2	-6	-1	-1	6	-7	2
Change in payables	2	-22	27	-9	5	-7	-1	2
Change in NWC	1	3	-11	-12	10	8	-4	-20
Financials (net)	-1	-11	-4	-1	0	-16	-5	0
Taxes for the year	-16	-15	-21	-17	-17	-16	-21	-17
Taxes for the previous year	0		0	0	4	-2	0	
Taxes	-16	-15	-21	-17	-13	-18	-21	-17
CAPEX	-65	-48	-71	-51	-55	-50	-65	-45
Licence fees	-1	-10	0	0		-4	-5	
Investments in shares	-2	0	0	-2	-65	0	-6	0
Sale of shares	0	1	0					
Sale of assets and adjustments	-1	-11	-4	0	1	-6	-1	0
Cash flow after investments	83	73.2	55	97	37	68	52	87
Cash flow after investments excl. acquisitions	85	73.2	55	98	102	68	58	85

# Debt structure

EUR million at the end of the quarter	Q2/20	Q1/20	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18	Q3/18
Bonds and notes	759	758	757	943	941	939	767	766
Commercial papers	307	176	133	65	80	10	107	179
Loans from financial institutions	250	250	250	290	290	250	250	200
Financial leases <sup>1)</sup>	90	93	96	92	93	90	25	25
Committed credit lines <sup>2)</sup>	0	0	0	0	0	0	0	0
<b>Interest-bearing debt. total</b>	<b>1 406</b>	<b>1 277</b>	<b>1 236</b>	<b>1 389</b>	<b>1 404</b>	<b>1 290</b>	<b>1 149</b>	<b>1 170</b>
Cash and cash equivalents	74	161	52	154	85	215	81	52
<b>Net debt <sup>3)</sup></b>	<b>1 332</b>	<b>1 117</b>	<b>1 184</b>	<b>1 235</b>	<b>1 319</b>	<b>1 075</b>	<b>1 068</b>	<b>1 118</b>

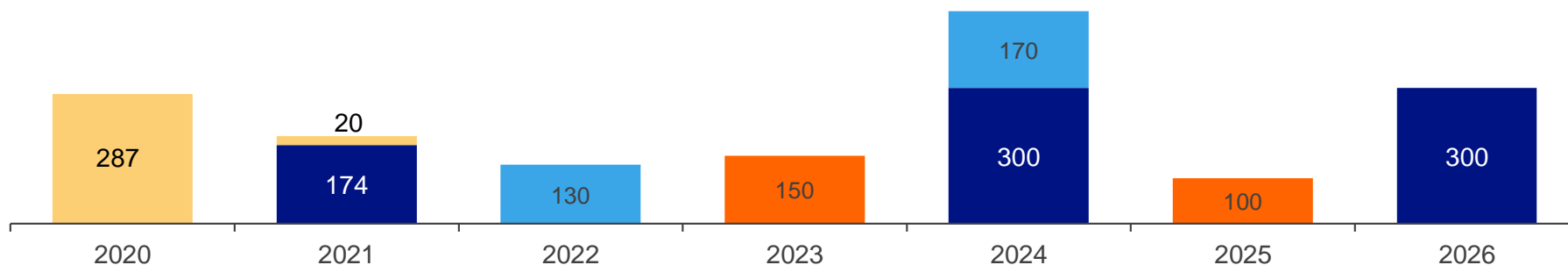
1) Financial leases classified as interest bearing debt according IFRS 16 from Q1/19 onwards

2) The committed credit lines are €130m and €170m facilities which Elisa may use flexibly on agreed upon pricing

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

Nominal values of bond, bank loan and CP maturities, 30 June 2020

● Bonds ● Loans ● RCF<sup>1)</sup> ● CP



<sup>1)</sup> RCFs are fully undrawn



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# Forward-looking statements

Statements made in this document relating to the future, including future performance and other trend projections, are forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. There can be no assurance that actual results will not differ materially from those expressed or implied by these forward-looking statements, due to many factors, many of which are outside of Elisa's control.