# Interim Report January–June 2017

14 July 2017

# Elisa's Interim Report January–June 2017

## Second quarter 2017

- Revenue amounted to EUR 445 million (393)
- EBITDA was EUR 148 million (134) and EBIT was EUR 88 million (81)
- Comparable EBITDA was EUR 151 million (134) and EBIT EUR 92 million (81)
- Profit before tax was EUR 129 million (75) and comparable profit before tax excluding sale of Comptel shares was EUR 87 million (75)
- Earnings per share were EUR 0.70 (0.38) and comparable EPS EUR 0.44 (0.38)
- Cash flow after investments was EUR 76 million (69)

- Mobile ARPU grew to EUR 17.7 (17.2 in previous quarter)
- Mobile churn decreased to 18.2 per cent (18.5 in previous quarter)
- Mobile service revenue increased by 5.6 per cent to EUR 200 million (190)
- The number of Elisa's mobile subscriptions increased by 29,000 during the quarter
- Fixed broadband base increased during the quarter by 97,800, of which 900 in Finland
- Net debt / EBITDA was 2.1 (2.0 end 2016) and gearing 140 per cent (116 end 2016)

## January–June 2017

- Revenue was EUR 861 million (783)
- EBITDA was EUR 291 million (270), EBIT EUR 177 million (165)
- Comparable EBITDA was EUR 294 million (270) and EBIT EUR 180 million (165)
- Profit before tax: EUR 213 million (153) and comparable profit before tax EUR 171 million
- Earnings per share grew to EUR 1.13 (0.77) and comparable EPS to EUR 0.87
- Cash flow after investments was EUR 139 million (133)
- Acquisitions of Starman and Santa Monica Networks were completed in April 2017

**Key indicators**

| EUR million | 4-6/2017 | 4-6/2016 | Δ % | 1-6/2017 | 1-6/2016 | Δ % |
|---|---|---|---|---|---|---|
| Revenue | 445 | 393 | 13.3 | 861 | 783 | 10.0 |
| EBITDA | 148 | 134 | 10.4 | 291 | 270 | 7.8 |
| Comparable EBITDA | 151 | 134 | 12.7 | 294 | 270 | 8.9 |
| EBIT [1] | 88 | 81 | 9.2 | 177 | 165 | 7.3 |
| Profit before tax [1] | 129 | 75 | 70.9 | 213 | 153 | 39.4 |
| EPS, EUR[1] | 0.70 | 0.38 | 86.2 | 1.13 | 0.77 | 46.6 |
| Capital expenditure | 64[2] | 56 | 14.9 | 117[2] | 100 | 17.0 |

[1] Comparable 4-6/2017: EBIT EUR 92m, profit before tax EUR 87m and EPS EUR 0.44. Comparable 1-6/2017: EBIT EUR 180m, profit before tax EUR 171m and EPS EUR 0.87. [2] Includes 2600 MHz license fee of EUR 4m.

**Financial position and cash flow**

| EUR million | 30 Jun 2017 | 30 Jun 2016 | End 2016 |
|---|---|---|---|
| Net debt | 1,231 | 1,054 | 1,124 |
| Net debt / EBITDA[1] | 2.1 | 1.9 | 2.0 |
| Gearing ratio, % | 140.0 | 127,5 | 115.7 |
| Equity ratio, % | 34.3 | 36.8 | 38.5 |

| EUR million | 4-6/2017 | 4-6/2016 | Δ % | 1-6/2017 | 1-6/2016 | Δ % |
|---|---|---|---|---|---|---|
| Cash flow after investments [2] | 76 | 69 | 10.5 | 139 | 133 | 4.6 |

[1] (interest-bearing debt – financial assets) / (four previous quarters' EBITDA exclusive of non-recurring items)
[2] Excluding share investments of EUR 33m and sale of Comptel shares of EUR 44m 4-6/17 EUR 65m, 4-6/16 EUR 83m, 1-6/17 EUR 131m and 1-6/16 EUR 156m.
Additional key performance Indicators are available at elisa.com/investors (Elisa Operational Data.xlsx)

## CEO Veli-Matti Mattila:

**Strong result again and excellent increase in revenue**

In the second quarter of the year, our revenue and earnings grew again year-on-year. The earnings growth was due to an increase in mobile revenue, the improvement of Elisa's operations, and to recent acquisitions. The strengthening of Elisa’s competitiveness continued through the continuous improvement of quality and operations.

The popularity of fast mobile broadband subscriptions among consumers, corporate customers and organisations is growing as smartphones are becoming increasingly integrated in people’s everyday lives. The mobile subscription base increased by 29,900 subscriptions during the quarter, while the fixed network broadband subscription base increased by 97,800. The base increased mainly due to the Starman acquisition and to growth in Finland. The usage of the unlimited mobile data subscriptions provided by Elisa will continue thanks to the wise Finnish implementation of new roaming regulation. Using mobile phones within the EU has now become considerably cheaper. The new subscription types offer unlimited data usage in the Nordic and Baltic countries and ample data usage in the other EU and EEA countries as well. The new subscription types have been well received, and data usage abroad has increased considerably.

Consumers have access to a more extensive offering of Elisa Viihde services. We recently announced the production of *Arctic Circle*, to date the largest original series by Elisa Viihde. This international production will be available on Elisa Viihde at the end of 2018. In addition, a novelty on Elisa Viihde is the original series *Pää edellä*. We also introduced the new Elisa Ohjaaja service, which enables consumers to use one number on several phones.

We are pursuing even better customer experience and testing new technologies in both our mobile and fixed networks. With Nokia, we were the first in Europe to test 5G technology on the 3.5 GHz bandwidth. The data speeds achieved in the tests were multiple times faster than those of the current commercial 4G networks. We were also the first in Finland to test a fibre optic network for households, which enables broadband speeds of up to 10 Gbps.

Elisa’s open development and service platform Elisa IoT intelligent factory solution was chosen for the European 4.0 Transformation Center project in Germany. The solution is used for developing production at the e.GO electric car factory by means of artificial intelligence and 3D visualisation.

Elisa was the only Finnish company to rank among the top ten companies in a recent survey conducted by Equileap to assess equality in the workplace. The survey covered management, career advancement, work-life balance and family leave, among other areas. Moreover, Elisa established a foundation with the goal of supporting music theatre activities that highlight diversity among children and youth.

We will continue our determined work to improve both customer satisfaction and our operational productivity. Improving our productivity, developing new services for our customers, and maintaining our strong investment ability will create a solid foundation for competitive operations in the future as well.

## INTERIM REPORT JANUARY–JUNE 2017

The interim report has been prepared in accordance with the IAS 34 standard. The information presented in this interim report is unaudited.

## Market situation

The competitive environment has been intense and active during the second quarter 2017, characterised by some campaigning and investments in customer acquisition. The smartphone market grew, and the usage of data services continued to evolve favourably. Approximately 92 per cent of the mobile handsets sold in the second quarter 2017 were smartphones. Another factor contributing to mobile market growth has been the increased network coverage and capacity of new 4G speeds. The competition in the fixed broadband market has continued to be intense in multi-dwelling units. The number and usage of traditional fixed network subscriptions is decreasing.

The markets for IT and IPTV entertainment services have continued to develop favourably. The demand for other digital services is also growing.

## Revenue, earnings and financial position

**Revenue and earnings:**

| EUR million | 4-6/2017 | 4-6/2016 | Δ % | 1-6/2017 | 1-6/2016 | Δ % |
|---|---|---|---|---|---|---|
| Revenue | 445 | 393 | 13.3 | 861 | 783 | 10.0 |
| EBITDA | 148 | 134 | 10.4 | 291 | 270 | 7.8 |
| Comparable EBITDA[1)] | 151 | 134 | 12.7 | 294 | 270 | 8.9 |
| *Comparable EBITDA-%* | *33.8* | *34.0* | | *34.2* | *34.5* | |
| EBIT | 88 | 81 | 9.2 | 177 | 165 | 7.3 |
| Comparable EBIT | 92 | 81 | 13.0 | 180 | 165 | 9.2 |
| *Comparable EBIT-%* | *20.6* | *20.6* | | *20.9* | *21.1* | |
| Return on equity, %[2)] | 33.0 | 29.3 | | 33.0 | 29.3 | |

1) EUR 3m one-off transaction costs relating to the Starman and Santa Monica Networks acquisitions
2) Last four quarters' profit per average of last four quarters' equity

*Second quarter 2017*
Revenue increased by 13 per cent on the previous year. Recent acquisitions, growth in mobile services and digital services in both customer segments, as well as Estonian business and equipment sales affected revenue positively. Decrease in usage and subscriptions of traditional fixed telecom services in both segments and lower interconnection revenue in Finland affected revenue negatively.

Comparable EBITDA increased by 13 per cent, mainly due to revenue growth and efficiency improvements.

Net financial income and expenses totalled EUR +40 million (-5) due to sale of Comptel shares of EUR 44 million. Income taxes in the income statement were EUR -17 million (-15). Elisa's net profit was EUR 112 million (60). Earnings per share (EPS) were EUR 0.70 (0.38). Comparable net profit was EUR 70 million (60) and earnings per share EUR 0.44 (0.38).

*January–June 2017*
Revenue increased by 10 per cent on the previous year. Recent acquisitions, growth in mobile services and digital services in both customer segments, equipment sales, as well as Estonian business, affected revenue positively. Decrease in usage and subscriptions of traditional fixed telecom services in both segments as well as lower roaming and interconnection revenue in Finland affected revenue negatively.

Comparable EBITDA increased by 9 per cent, mainly due to efficiency improvements and revenue growth.

Net financial income and expenses were EUR +36 million (-11) due to sale of Comptel shares of EUR 44 million. Income taxes in the income statement were EUR -32 million (-30). Elisa's net profit was EUR 181 million (123). Earnings per share (EPS) amounted to EUR 1.13 (0.77). Comparable net profit was EUR 139 million (123) and earnings per share EUR 0.87 (0.77).

**Financial position**

| EUR million | 30 Jun 2017 | 30 Jun 2016 | End 2016 |
|---|---|---|---|
| Net debt | 1,231 | 1,054 | 1,124 |
| Net debt / EBITDA[1)] | 2.1 | 1.9 | 2.0 |
| Gearing ratio, % | 140.0 | 127.5 | 115.7 |
| Equity ratio, % | 34.3 | 36.8 | 38.5 |

| EUR million | 4-6/2017 | 4-6/2016 | Δ % | 1-6/2017 | 1-6/2016 | Δ % |
|---|---|---|---|---|---|---|
| Cash flow after investments[2)] | 76 | 69 | 10.5 | 139 | 133 | 4.6 |

[1)] (interest-bearing debt – financial assets) / (four previous quarters' EBITDA exclusive of non-recurring items)
[2)] Excluding share investments and sale of Comptel shares 4-6/17 EUR 65m, 4-6/16 EUR 83m, 1-6/17 EUR 131m and 1-6/16 EUR 156m. Change is calculated using exact figures prior to rounding.

*Second quarter*
Cash flow after investments increased by 10 per cent to EUR 76 million. Sale of Comptel shares, higher EBITDA and lower paid taxes affected cash flow positively. Negative change in Net Working Capital, higher investments and licence fees affected cash flow negatively.

*January–June 2017*
Cash flow after investments increased by 5 per cent to EUR 139 million. Sale of Comptel shares, higher EBITDA and lower paid taxes affected cash flow positively. Negative change in Net Working Capital, higher investments and licence fees affected cash flow negatively.

The financial position and liquidity are good. Net debt was EUR 1,231 million. Cash and undrawn committed credit lines totalled EUR 335 million at the end of the quarter.

## Changes in corporate structure

Elisa's AS Starman, Santa Monica Networks AS and Santa Monica Networks Oy acquisitions were closed on 20 April 2017 and the acquired companies were consolidated into Elisa's financial statements starting from 1 April 2017.

On 30 June 2017 Elisa acquired 35.1 per cent share of cable-TV company Tampereen Tietoverkko Oy. Elisa's current shareholding is now 98.6 per cent of shares.

On 31 May 2017 the following companies have merged into Elisa: Fiaset, Fonetic, JMS Group, Helsingin Netti Media, Kymtel, Kympnet, Planetmedia, Kotkan Tietoruutu, Telcont and Gisforest.

## Consumer Customers business

| EUR million | 4-6/2017 | 4-6/2016 | Δ % | 1-6/2017 | 1-6/2016 | Δ % |
|---|---|---|---|---|---|---|
| Revenue | 278 | 246 | 13.0 | 539 | 489 | 10.1 |
| EBITDA | 97 | 84 | 15.1 | 189 | 170 | 11.1 |
| Comparable EBITDA | 99 | 84 | 17.8 | 191 | 170 | 12.5 |
| *Comparable EBITDA-%* | *35.8* | 34.3 | | *35.5* | 34.7 | |
| EBIT | 61 | 51 | 19.0 | 119 | 104 | 14.7 |
| Comparable EBIT | 64 | 51 | 23.4 | 122 | 104 | 16.9 |
| CAPEX | 43 | 35 | 23.9 | 78 | 62 | 25.5 |

Change is calculated using exact figures prior to rounding

*Second quarter*

Revenue increased by 13 per cent. Recent acquisitions, growth in mobile services and digital services and equipment sales affected revenue positively. Lower interconnection revenue in Finland, decrease in traditional fixed network usage and subscriptions affected revenue negatively. Comparable EBITDA increased by 18 per cent, mainly due to revenue growth and productivity improvements.

*January–June 2017*

Revenue increased by 10 per cent, mainly due to recent acquisitions, growth in mobile services, equipment sales and digital services. Lower roaming and interconnection revenue in Finland, decrease in traditional fixed network usage and subscriptions affected revenue negatively. Comparable EBITDA increased by 12 per cent, mainly due to revenue growth and productivity improvements.

## Corporate Customers business

| EUR million | 4-6/2017 | 4-6/2016 | Δ % | 1-6/2017 | 1-6/2016 | Δ % |
|---|---|---|---|---|---|---|
| Revenue | 167 | 147 | 13.7 | 322 | 294 | 9.7 |
| EBITDA | 50 | 49 | 2.3 | 102 | 100 | 2.0 |
| Comparable EBITDA | 51 | 49 | 4.0 | 103 | 100 | 2.9 |
| *Comparable EBITDA-%* | *30.6* | 33.4 | | *32.1* | 34.2 | |
| EBIT | 27 | 30 | -7.9 | 58 | 61 | -5.4 |
| Comparable EBIT | 28 | 30 | -5.1 | 59 | 61 | -4.1 |
| CAPEX | 21 | 21 | -0.2 | 39 | 38 | 3.3 |

Change is calculated using exact figures prior to rounding

*Second quarter*

Revenue increased by 14 per cent. Recent acquisitions, growth in mobile and digital services, as well as equipment sales affected revenue positively. Decrease in traditional fixed network usage and subscriptions as well as lower interconnection revenue in Finland affected revenue negatively. Comparable EBITDA grew by 4 per cent mainly due to growth in revenue and productivity improvements. Comparable EBIT decreased by EUR 1.5 million due to increased depreciations relating to Anvia and Santa Monica Networks consolidation as well as write downs relating to asset sales.

*January–June 2017*

Revenue increased by 10 per cent. Recent acquisitions, growth in mobile and digital services, as well as equipment sales affected revenue positively. Decrease in traditional fixed network usage and subscriptions as well as lower interconnection and roaming revenue in Finland affected revenue negatively. Comparable EBITDA increased by 3 per cent mainly due to growth in revenue and productivity improvements. Comparable EBIT decreased by EUR 2.5 million due to increased depreciations relating to Anvia and Santa Monica Networks consolidation as well as write downs relating to asset sales.

## Personnel

In January–June, the average number of personnel at Elisa was 4,521 (4,139). Employee expenses totalled EUR 153 million (138). In the second quarter, employee expenses were EUR 79 million (71). Personnel by segment at the end of the period:

| | 30 Jun 2017 | 30 Jun 2016 | End 2016 |
|---|---|---|---|
| Consumer Customers | 2,806 | 2,398 | 2,424 |
| Corporate Customers | 1,918 | 1,801 | 1,877 |
| Total | 4,724 | 4,199 | 4,301 |

Increase in number of personnel is due to recent acquisitions of Anvia, Starman and Santa Monica Networks.

## Investments

| EUR million | 4-6/2017 | 4-6/2016 | 1-6/2017 | 1-6/2016 |
|---|---|---|---|---|
| Capital expenditures, of which | 64 | 56 | 117 | 100 |
| - Consumer Customers | 43 | 35 | 78 | 62 |
| - Corporate Customers | 21 | 21 | 39 | 38 |
| Shares | 102 | 15 | 102 | 23 |
| Total | 166 | 71 | 219 | 124 |

First half year and second quarter 2017 capital expenditure includes a licence fee of EUR 4 million relating to Estonian 2600 MHz auction.

The main capital expenditures related to the capacity and coverage increases in the 4G networks, as well as to other network and IT investments. Investments in shares in 2017 relate mainly to Starman and Santa Monica Networks and in 2016 to the ownership increase in Anvia.

## Financing arrangements and ratings

**Valid financing arrangements**

| EUR million | Maximum amount | In use on 30 Jun 2017 |
|---|---|---|
| Committed credit limits | 300 | 23 |
| Commercial paper programme[1)] | 350 | 258 |
| EMTN programme[2)] | 1,000 | 780 |

[1)] The programme is not committed
[2)] European Medium Term Note programme, not committed

In April Elisa agreed to increase its domestic Commercial Paper Programme to EUR 350 million.

**Long-term credit ratings**

| Credit rating agency | Rating | Outlook |
|---|---|---|
| Moody’s Investor Services | Baa2 | Stable |
| Standard & Poor’s | BBB+ | Stable |

## Share

Share trading volumes are based on trades made on the Nasdaq Helsinki and alternative marketplaces. Closing prices are based on the Nasdaq Helsinki.

| **Trading of shares** | 4-6/2017 | 4-6/2016 | 1-6/2017 | 1-6/2016 |
|---|---|---|---|---|
| Nasdaq Helsinki, millions | 29,6 | 24.6 | 56,3 | 50.1 |
| Other marketplaces, millions[1)] | 58,1 | 55.1 | 94,2 | 104.9 |
| Total volume, millions | 87,7 | 79.7 | 150,5 | 155.0 |
| Value, EUR million | 2,925.7 | 2,498.1 | 4,927.6 | 5,140.1 |
| % of shares | 52 | 48 | 90 | 93 |

| **Shares and market values** | 30 Jun 2017 | 30 Jun 2016 | End 2016 |
|---|---|---|---|
| Total number of shares | 167,335,073 | 167,335,073 | 167,335,073 |
| Treasury shares | 7,796,803 | 7,716,969 | 7,715,129 |
| Outstanding shares | 159,538,270 | 159,618,104 | 159,619,944 |
| Closing price, EUR | 33.15 | 34.40 | 30.93 |
| Market capitalisation, EUR million | 5,547 | 5,756 | 5,176 |
| Treasury shares, % | 4.66 | 4.61 | 4.61 |

[1)] Other marketplaces based on the Fidessa Fragmentation Index.

| **Number of shares** | Total number of shares | Treasury shares | Outstanding shares |
|---|---|---|---|
| Shares at 31 Dec 2016 | 167,335,073 | 7,715,129 | 159,619,944 |
| Performance Share Plan [1)] | | -133,326 | 133,326 |
| Transfer to Treasury shares [2)] | | 215,000 | -215,000 |
| Shares at 30 June 2017 | 167,335,073 | 7,796,803 | 159,538,270 |

[1)] Stock exchange bulletin 1 February 2017
[2)] Stock exchange bulletin 16 May 2017

Elisa´s Annual General Meeting held on 6 April 2017 decided that Yomi Plc owners' right to have Elisa Corporation's shares as merger consideration and rights based on the shares forfeit on 6 April 2017. On the basis of this, a total of 215,000 Elisa shares have been transferred from the common account to Elisa´s treasury shares. After the transfer Elisa has 7,796,803 treasury shares. Elisa´s total number of shares is 167,335,073.

## Significant legal and regulatory issues

New EU "roam-like-at-home" regulation came into force on 15 June 2017. National authorities in Finland and Estonia have granted Elisa and Elisa Eesti AS an authorisation to apply surcharges to their customers' roaming consumption in the EU and EEA countries. These decisions are valid until 14 June 2018.

Elisa's GSM licence (900 and 1800 MHz) will expire in November 2017. The new proposed licence conditions have been under national consultation and on 12 June 2017 the Finnish Government published an application notice for the licences. Elisa has applied for the renewal of the GSM licence. The licences are to be granted using a comparative procedure and are to be in force until 31 December 2019.

The Estonian 2600 MHz spectrum auction took place in the second quarter 2017. Elisa bought 20 MHz of FDD spectrum and 40 MHz of TDD spectrum at the price of EUR 5.8 million, of which EUR 4.2 million is booked as investment in the second quarter. These spectrums can be used for 4G capacity upgrades and later for 5G services. There is no expiration date for the spectrum licences.

Tele2 Eesti AS had challenged the decision of the Estonian Competition Authority to approve the transaction in which Elisa acquired 100 per cent of AS Starman's share capital from Polaris Invest and Com Holding. The Estonian Competition Authority has in May rejected this request for rectification made by Tele2 Eesti AS.

On 5 July 2017, Helsinki Court of Appeal Court dismissed Visual Data Oy's claim demanding EUR 3.5 million damages from Elisa and several other telecommunication companies under the Competition Act (relates to publishing of subscribers' contact information). The process started in September 2004.

## Elisa's Shareholders' Nomination Board

In the composition of Elisa's Shareholders' Nomination Board there was the following change in May 2017: Mr Kari Järvinen was replaced by Mr Antti Mäkinen as the chair of the Nomination Board.

## Substantial risks and uncertainties associated with Elisa's operations

Risk management is part of Elisa's internal control system. It aims to ensure that risks affecting the company's business are identified, influenced and monitored. The company classifies risks into strategic, operational, hazard and financial risks.

*Strategic and operational risks:*
The telecommunications industry is under intense competition in Elisa's main market areas, which may have an impact on Elisa's business. The telecommunications industry is subject to heavy regulation. Elisa and its businesses are monitored and regulated by several public authorities. This regulation also affects the price level of some products and services offered by Elisa. Regulation may also require investments that have long payback times.

The rapid developments in telecommunications technology may have a significant impact on Elisa's business.

Elisa's main market is Finland, where the number of mobile phones per inhabitant is among the highest in the world, and growth in subscriptions is thus limited. Furthermore, the volume of phone traffic on fixed network has decreased during the last few years. These factors may limit opportunities for growth.

*Hazard risks:*
The company's core operations are covered by insurance against damage and interruptions caused by accidents and disasters. Accident risks also include litigation and claims.

*Financial risks:*
In order to manage the interest rate risk, the Group's loans and investments are diversified into fixed- and variable-rate instruments. Interest rate swaps can be used to manage the interest rate risk.

As most of Elisa's operations and cash flow are denominated in euros, the exchange rate risk is minor.

The objective of liquidity risk management is to ensure the Group's financing in all circumstances. Elisa has cash reserves, committed credit facilities and a sustainable cash flow to cover its foreseeable financing needs.

Liquid assets are invested within confirmed limits in financially solid banks, domestic companies and institutions. Credit risk concentrations in accounts receivable are minor as the customer base is broad.

A detailed description of financial risk management can be found in Note 34 to the Annual Report 2016.

## Events after the financial period

On 1 July 2017 Anvia TV and Anvia Hosting were merged into Elisa, and Anvia IT-Palvelut into Elisa Appelsiini.

On 7 July 2017 Elisa signed a EUR 170 million five-year Syndicated Revolving Credit Facility, which has an option to be extended by two years and replaced the facility with the same size that was signed in 2011 and agreed to mature in June 2018.

## Outlook and guidance for 2017

The macroeconomic environment in Finland is improving but is still expected to stay behind the historical average. Competition in the Finnish telecommunications market also remains challenging.

Revenue is estimated to be higher than in 2016. Recent acquisitions, mobile data and digital services are expected to increase revenue. Comparable EBITDA is anticipated to be higher than in 2016. Capital expenditure is expected to be a maximum of 13 per cent of revenue while the mid-term target of a maximum of 12 per cent is still valid. Elisa’s financial position and liquidity are good.

Elisa is continuing its productivity improvement development, for example by increasing automation in different processes, such as network operations and delivery. Additionally, Elisa’s continuous quality improvement measures will increase customer satisfaction and efficiency, and reduce costs.

Elisa's transformation into a provider of exciting, new and relevant services for its customers is continuing. Long-term growth and profitability improvement will derive from mobile data market growth, as well as digital online and ICT services.

BOARD OF DIRECTORS

*Unaudited*

## Consolidated Income Statement

| EUR million | Note | 4-6 2017 | 4-6 2016 | 1-6 2017 | 1-6 2016 | 1-12 2016 |
|---|---|---|---|---|---|---|
| **Revenue** | 1 | **445,1** | 393,0 | **861,0** | 783,0 | 1 635,7 |
| Other operating income | | **0,8** | 0,6 | **1,5** | 1,1 | 4,4 |
| Materials and services | | **-170,0** | -146,5 | **-326,8** | -291,2 | -626,4 |
| Employee expenses | | **-79,4** | -70,9 | **-153,4** | -137,5 | -274,8 |
| Other operating expenses | | **-49,1** | -42,5 | **-91,0** | -85,1 | -175,9 |
| **EBITDA** | 1 | **147,5** | 133,6 | **291,3** | 270,3 | 563,0 |
| Depreciation, amortisation and impairment | | **-59,1** | -52,7 | **-114,3** | -105,3 | -223,8 |
| **EBIT** | 1 | **88,4** | 81,0 | **177,0** | 165,0 | 339,3 |
| Financial income | | **46,3** | 1,2 | **47,5** | 1,9 | 6,8 |
| Financial expense | | **-6,0** | -6,4 | **-11,6** | -12,7 | -24,6 |
| Share of associated companies' profit | | **0,0** | -0,5 | **0,0** | -1,4 | -1,4 |
| **Profit before tax** | | **128,6** | 75,3 | **213,0** | 152,7 | 320,0 |
| Income taxes | | **-16,6** | -15,1 | **-32,3** | -29,5 | -62,6 |
| **Profit for the period** | | **112,0** | 60,2 | **180,6** | 123,2 | 257,4 |
| **Attributable to:** | | | | | | |
| Equity holders of the parent | | **112,0** | 60,1 | **180,5** | 123,1 | 257,1 |
| Non-controlling interests | | **0,1** | 0,1 | **0,1** | 0,2 | 0,3 |
| | | **112,0** | 60,2 | **180,6** | 123,2 | 257,4 |
| **Earnings per share (EUR)** | | | | | | |
| Basic | | **0,70** | 0,38 | **1,13** | 0,77 | 1,61 |
| Diluted | | **0,70** | 0,38 | **1,13** | 0,77 | 1,61 |
| **Average number of outstanding shares (1000 shares)** | | | | | | |
| Basic | | **159 647** | 159 618 | **159 692** | 159 597 | 159 608 |
| Diluted | | **159 647** | 159 618 | **159 692** | 159 597 | 159 608 |

## Consolidated Statement of Comprehensive Income

| | 4-6 2017 | 4-6 2016 | 1-6 2017 | 1-6 2016 | 1-12 2016 |
|---|---|---|---|---|---|
| **Profit for the period** | **112,0** | 60,2 | **180,6** | 123,2 | 257,4 |
| **Other comprehensive income, net of tax** | | | | | |
| **Items which may be reclassified subsequently to profit or loss:** | | | | | |
| Financial assets available-for-sale | **-44,3** | 3,6 | **-34,7** | -0,6 | 7,7 |
| Cash flow hedge | **0,2** | 0,4 | **-0,1** | -0,1 | 0,5 |
| Translation difference | **-0,1** | 0,1 | **0,0** | 0,0 | 0,0 |
| | **-44,2** | 4,1 | **-34,8** | -0,6 | 8,3 |
| **Items which are not reclassified subsequently to profit or loss:** | | | | | |
| Remeasurements of the net defined benefit liability | | | | | -0,3 |
| **Total comprehensive income** | **67,9** | 64,3 | **145,8** | 122,6 | 265,4 |
| **Total comprehensive income attributable to:** | | | | | |
| Equity holders of the parent | **67,8** | 64,3 | **145,7** | 122,4 | 265,1 |
| Non-controlling interest | **0,1** | 0,1 | **0,1** | 0,2 | 0,3 |
| | **67,9** | 64,3 | **145,8** | 122,6 | 265,4 |

## Consolidated Statement of Financial Position

| EUR million | 30.6. 2017 | 31.12. 2016 |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | **746,6** | 713,9 |
| Goodwill | **1 013,5** | 879,8 |
| Other intangible assets | **176,1** | 160,0 |
| Investments in associated companies | **1,9** | 2,2 |
| Financial assets available-for-sale | **5,9** | 38,9 |
| Deferred tax assets | **24,8** | 24,6 |
| Trade and other receivables | **75,5** | 74,8 |
| | **2 044,3** | 1 894,3 |
| **Current assets** | | |
| Inventories | **63,8** | 55,0 |
| Trade and other receivables | **405,7** | 537,0 |
| Tax receivables | **0,4** | 2,2 |
| Cash and cash equivalents | **57,8** | 44,5 |
| | **527,7** | 638,7 |
| **Total assets** | **2 571,9** | 2 533,0 |

| | | |
|---|---|---|
| **Equity attributable to equity holders of the parent** | **879,1** | 970,8 |
| **Non-controlling interests** | **0,1** | 0,5 |
| **Total shareholders' equity** | **879,2** | 971,3 |
| **Non-current liabilities** | | |
| Deferred tax liabilities | **27,9** | 28,5 |
| Pension obligations | **16,6** | 16,6 |
| Provisions | **3,3** | 3,5 |
| Financial liabilities | **994,6** | 827,3 |
| Trade payables and other liabilities | **30,4** | 34,0 |
| | **1 072,9** | 909,8 |
| **Current liabilities** | | |
| Trade and other payables | **315,7** | 307,7 |
| Tax liabilities | **5,6** | 0,0 |
| Provisions | **4,5** | 2,9 |
| Financial liabilities | **293,9** | 341,2 |
| | **619,8** | 651,9 |
| **Total equity and liabilities** | **2 571,9** | 2 533,0 |

## Condensed Consolidated Statement of Cash Flows

| EUR million | 1-6 2017 | 1-6 2016 | 1-12 2016 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit before tax | **213,0** | 152,7 | 320,0 |
| Adjustments | | | |
| Depreciation, amortisation and impairment | **114,3** | 105,3 | 223,8 |
| Other adjustments | **-37,3** | 9,9 | 14,7 |
| | **77,0** | 115,2 | 238,5 |
| Change in working capital | | | |
| Increase (-) / decrease (+) in trade and other receivables | **-11,4** | 21,1 | -3,0 |
| Increase (-) / decrease (+) in inventories | **-5,6** | 9,8 | 0,6 |
| Increase (+) / decrease (-) in trade and other payables | **13,0** | -7,4 | 11,9 |
| | **-4,1** | 23,5 | 9,4 |
| Financial items, net | **-9,6** | -8,0 | -16,3 |
| Taxes paid | **-26,2** | -28,0 | -65,1 |
| **Net cash flow from operating activities** | **250,1** | 255,4 | 486,5 |
| **Cash flow from investing activities** | | | |
| Capital expenditure | **-119,4** | -99,8 | -208,9 |
| Investments in shares and business combinations | **-36,5** | -23,5 | -49,1 |
| Loans granted | | | -167,0 |
| Proceeds from asset disposal | **44,7** | 0,5 | 3,8 |
| **Net cash used in investing activities** | **-111,3** | -122,7 | -421,3 |
| **Cash flow before financing activities** | **138,8** | 132,6 | 65,2 |
| **Cash flow from financing activities** | | | |
| Proceeds from long-term borrowings | **169,7** | | 150,0 |
| Repayment of long-term borrowings | **-4,6** | -5,4 | -130,8 |
| Increase (+) / decrease (-) in short-term borrowings | **-48,0** | 124,0 | 158,5 |
| Repayment of finance lease liabilities | **-1,8** | -2,4 | -4,4 |
| Acquisition of non-controlling interests | **-1,2** | | |
| Dividends paid | **-239,5** | -222,5 | -223,2 |
| **Net cash used in financing activities** | **-125,4** | -106,3 | -49,9 |
| **Change in cash and cash equivalents** | **13,4** | 26,3 | 15,3 |
| Cash and cash equivalents at the beginning of period | **44,5** | 29,1 | 29,1 |
| **Cash and cash equivalents at the end of period** | **57,8** | 55,4 | 44,5 |

# Statement of Changes in Equity

| EUR million | Share capital | Treasury shares | Reserve for invested non-restricted equity | Other reserves | Retained earnings | Non-controlling interests | **Total equity** |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2016** | 83,0 | -145,5 | 90,9 | 397,7 | 499,3 | 0,5 | **925,9** |
| Profit for the period | | | | | 123,1 | 0,2 | **123,2** |
| Translation differences | | | | | 0,0 | | **0,0** |
| Financial assets available-for-sale | | | | -0,6 | | | **-0,6** |
| Cash flow hedge | | | | -0,1 | | | **-0,1** |
| Total comprehensive income | | | | -0,7 | 123,1 | 0,2 | **122,6** |
| Dividend distribution | | | | | -223,5 | -0,4 | **-223,9** |
| Share-based compensation | | 2,6 | | | 1,7 | | **4,4** |
| Other changes | | | | | -2,6 | | **-2,6** |
| **Balance at 30 June 2016** | 83,0 | -142,9 | 90,9 | 397,1 | 398,0 | 0,3 | **826,3** |

| EUR million | Share capital | Treasury shares | Reserve for invested non-restricted equity | Other reserves | Retained earnings | Non-controlling interests | **Total equity** |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2017** | 83,0 | -142,9 | 90,9 | 405,7 | 534,1 | 0,5 | **971,3** |
| Profit for the period | | | | | 180,5 | 0,1 | **180,6** |
| Translation differences | | | | | 0,0 | | **0,0** |
| Financial assets available-for-sale | | | | -34,7 | | | **-34,7** |
| Cash flow hedge | | | | -0,1 | | | **-0,1** |
| Total comprehensive income | | | | -34,8 | 180,5 | 0,1 | **145,8** |
| Dividend distribution | | | | | -239,6 | -0,3 | **-240,0** |
| Share-based compensation | | 2,6 | | | 3,3 | | **5,9** |
| Acquisition of non-controlling interests without a change in control | | | | | -1,1 | -0,1 | **-1,2** |
| Other changes | | | | | -2,6 | 0,0 | **-2,6** |
| **Balance at 30 June 2017** | 83,0 | -140,2 | 90,9 | 370,9 | 474,5 | 0,1 | **879,2** |

# Notes

**ACCOUNTING PRINCIPLES**

The Interim consolidated financial statements are in compliance with IAS 34 Interim Financial Reporting. The information has been prepared in accordance with International Financial Reporting Standards (IFRS) effective at the time of preparation and adopted for use by the European Union. Apart from the changes in accounting principles stated below, the accounting principles applied in the interim report are the same as in the financial statements at 31 December 2016.

**Changes in the accounting principles**

The Group adopted the following standards, amendments to standards and interpretations as from 1 January 2017 onward:
- Annual improvements of IFRS-standards

**APPLICATION OF NEW AND REVISED ACCOUNTING PRONOUNCEMENTS UNDER IFRS**

On 1 January 2018, the Group will adopt IFRS 15 and IFRS 9 and on 1 January 2019, the Group will adopt IFRS 16, providing these are approved by the EU by the planned date of adoption.

• **IFRS 15 Revenue from Contracts with Customers.** The new standard includes a single, principles-based, five-step model for the recognition of revenue from agreements with customers. According to IFRS 15, sales revenue must be allocated to performance obligations based on relative transaction prices. A performance obligation is defined as a promise to transfer to the customer goods and/or services. The recognition takes place over time or at a specific point in time, and a key criterion is the passing of control.

Elisa started preparations for the implementation of the standard in 2015 by preparing a top-level analysis of the key change areas. It has been assessed that the implementation of the standard will have a major impact on data systems and the reporting processes. No major changes in Elisa's financial reporting are to be expected, nor will the implementation of the standard influence the cash flow. Elisa has launched a separate project to manage the planning and implementation of the process changes required due to the standard and the change management.

Elisa has made a decision to choose a modified retrospective approach, which means that the contracts that are not completed by January 1, 2018, will be accounted as if they had been recognized in accordance with IFRS 15 from the very beginning. Under this approach, rather than restating the comparative year, the cumulative effect arising from the transition will be recognized as an adjustment to the opening balance of equity in the year of initial application.

No major changes to the current concepts of "goods" and "services" will occur in Elisa due to the identification of the performance obligations. Fixed-term service agreements and service agreements valid until further notice are performance obligations that are recognised over time, and goods are performance obligations that are recognised at a specific point in time.

According to the IFRS 15 standard and current recognition principles, service agreements valid until further notice are recognised over time, and sales revenue is recognised less any granted discounts. The opening fees of service agreements and related expenses are recognised at the time when the service is connected.

Fixed-term service agreements are recognised during the agreement period, and as an exception from the current recognition principles, the opening fees of fixed-term service agreements and related expenses are, in most cases, allocated for the entire agreement period. Discounts on fixed-term service agreements are usually allocated for the entire agreement period.

Service agreements with corporate customers usually meet the IFRS 15 criteria laid down for an agreement negotiated as a single package, in which case the service agreement will be processed as a single agreement, and the transaction price will be allocated to the performance obligations based on the prices agreed with each customer. Agreements with consumer customers are usually standard agreements that are not agreements negotiated as a single package in the manner laid down in IFRS 15; instead, they are processed as separate performance obligations.

• **IFRS 9 Financial Instruments**. In accordance with the standard, financial assets are measured at fair value unless certain conditions require measurement at amortised cost. The measurement models have also been simplified. The standard will change hedge accounting and offer a new way of assessing impairments. The recognition of expected impairments happens at the beginning of the contract. The change does not have a significant impact on the Group's financial statements.

• **IFRS 16 Leases**. In respect of the lessor, the situation will remain largely unchanged. In respect of the lessee, all leases except short-term (less than a 12-month) contracts and contracts with low value will be recognised as a right to use on the balance sheet. The change will move off-balance sheet liabilities to the balance sheet and thus increase the amount of lease property and debt. The amount of off-balance sheet liabilities on 30 June 2017 was EUR 91.9 million. The concepts of agreements processed as off-balance sheet liabilities and the concepts used in IFRS 16 are somewhat different from each other, which is why the number of agreements recognised on the balance sheet may differ from the number of off-balance sheet liabilities. The lease contracts recognised on the balance sheet are mainly from business premises and telecom facilities. The change does have a material impact on the Group's financial statements. The change will also affect the key indicators based on the balance sheet, such as gearing.

## 1. Segment Information

| **4-6/2017**<br>EUR million | Consumer Customers | Corporate Customers | Unallocated Items | Group Total |
|---|---|---|---|---|
| Revenue | 277,7 | 167,5 | | 445,1 |
| EBITDA | 97,1 | 50,4 | | 147,5 |
| Depreciation, amortisation and impairment | -35,9 | -23,2 | | -59,1 |
| EBIT | 61,2 | 27,2 | | 88,4 |
| Financial income | | | 46,3 | 46,3 |
| Financial expense | | | -6,0 | -6,0 |
| Share of associated companies' profit | | | 0,0 | 0,0 |
| Profit before tax | | | | 128,6 |
| | | | | |
| Investments | 43,1 | 20,9 | | 64,1 |

| **4-6/2016**<br>EUR million | Consumer Customers | Corporate Customers | Unallocated Items | Group Total |
|---|---|---|---|---|
| Revenue | 245,7 | 147,3 | | 393,0 |
| EBITDA *1) | 84,4 | 49,2 | | 133,6 |
| Depreciation, amortisation and impairment *1) | -32,9 | -19,7 | | -52,7 |
| EBIT *1) | 51,5 | 29,5 | | 81,0 |
| Financial income | | | 1,2 | 1,2 |
| Financial expense | | | -6,4 | -6,4 |
| Share of associated companies' profit | | | -0,5 | -0,5 |
| Profit before tax | | | | 75,3 |
| | | | | |
| Investments *1) | 34,8 | 21,0 | | 55,8 |

1) Allocation rules of the costs and investments allocated to the segments have been specified in 2017 and the comparable figures have been updated to reflect the advanced allocations. In comparison period 4-6/2016 Consumer Customers EBITDA was EUR 88.2 million, depreciation, amortisation and impairment EUR -29.2 million, EBIT EUR 59.0 million and investments EUR 30.8 million. Corporate Customers EBITDA was EUR 45.4 million, depreciation, amortisation and impairment EUR -23.5 million, EBIT EUR 22.0 million and investments EUR 25.0 million.

| **1-6/2017**<br>EUR million | Consumer Customers | Corporate Customers | Unallocated Items | Group Total |
|---|---|---|---|---|
| Revenue | 538,9 | 322,1 | | 861,0 |
| EBITDA | 188,8 | 102,5 | | 291,3 |
| Depreciation, amortisation and impairment | -69,4 | -44,8 | | -114,3 |
| EBIT | 119,3 | 57,7 | | 177,0 |
| Financial income | | | 47,5 | 47,5 |
| Financial expense | | | -11,6 | -11,6 |
| Share of associated companies' profit | | | 0,0 | 0,0 |
| Profit before tax | | | | 213,0 |
| | | | | |
| Investments | 77,9 | 39,3 | | 117,3 |

| **Liikevaihto**<br>EUR million | Consumer Customers | Corporate Customers | Unallocated Items | Group Total |
|---|---|---|---|---|
| Revenue | 489,4 | 293,6 | | 783,0 |
| EBITDA *1) | 169,9 | 100,4 | | 270,3 |
| Depreciation, amortisation and impairment *1) | -65,8 | -39,5 | | -105,3 |
| EBIT *1) | 104,0 | 61,0 | | 165,0 |
| Financial income | | | 1,9 | 1,9 |
| Financial expense | | | -12,7 | -12,7 |
| Share of associated companies' profit | | | -1,4 | -1,4 |
| Profit before tax | | | | 152,7 |
| | | | | |
| Investments *1) | 62,1 | 38,1 | | 100,2 |

1) Allocation rules of the costs and investments allocated to the segments have been specified in 2017 and the comparable figures have been updated to reflect the advanced allocations. In comparison period 1-6/2016 Consumer Customers EBITDA was Eur 177.2 million, depreciation, amortisation and impairment EUR -58.4 million, EBIT EUR 118.9 million and investments EUR 55.5 million. Corporate Customers EBITDA was EUR 93.1 million, depreciation, amortisation and impairment EUR -46.9 million, EBIT EUR 46.1 million and investments EUR 44.7 million.

| **1-12/2016**<br>EUR million | Consumer Customers | Corporate Customers | Unallocated Items | Group Total |
|---|---|---|---|---|
| Revenue | 1 029,3 | 606,4 | | 1 635,7 |
| EBITDA *1) | 353,9 | 209,1 | | 563,0 |
| Depreciation, amortisation and impairment *1) | -143,2 | -80,6 | | -223,8 |
| EBIT *1) | 210,7 | 128,5 | | 339,3 |
| Financial income | | | 6,8 | 6,8 |
| Financial expense | | | -24,6 | -24,6 |
| Share of associated companies' profit | | | -1,4 | -1,4 |
| Profit before tax | | | | 320,0 |
| | | | | |
| Investments *1) | 143,0 | 82,9 | | 226,0 |
| Total assets | 1 365,9 | 886,0 | 281,1 | 2 533,0 |

1) Allocation rules of the costs and investments allocated to the segments have been specified in 2017 and the comparable figures have been updated to reflect the advanced allocations. In comparison period 1-12/2016 Consumer Customers EBITDA was Eur 369.4 million, depreciation, amortisation and impairment EUR -128.7 million, EBIT EUR 240.7 million and investments EUR 125.7 million. Corporate Customers EBITDA in comparison period 1-12/2016 was EUR 193.6 million, depreciation, amortisation and impairment EUR -95.1 million, EBIT EUR 98.6 million and investments EUR 100.2 million.

## 2. Acquisitions and disposals

### Acquisition of AS Starman

Elisa acquired all shares of AS Starman on 20 April 2017. The acquisition price was EUR 151.8 million including EUR 84.1 million loan given to AS Starman at the time of the acquisition. The share acquisition price was EUR 67.7. million, of which Elisa paid EUR 7.1 million in cash. Elisa had a loan receivable from the seller at the time of the acquisition. EUR 60.6 million of the share acquisition price was paid by settling the receivable.

Through the acquisition, Elisa strengthens its market position by enabling to expand the service offering in Estonia.

According to the preliminary purchase price allocation EUR 6.8 million of the purchase price is allocated to customer base, which is amortised in five years. The acquisition results in EUR 110.3 million goodwill relating to expected synergy benefits. Goodwill is not tax deductible. Purchase price allocation is preliminary as the verification of net assets acquired is not yet fully finalized.

The acquired company has been consolidated from 1 April 2017 onwards. Revenue after the acquisition was EUR 10.4 million and the impact on Group profit for the period of 04-06/2017 was EUR 1.2 million. Had the acquisition been made as of beginning of the year 2017, the impact on Group revenue and profit for the period would have been EUR 20.7 million and EUR 2.9 million respectively.

**Consideration transferred**

| EUR million | Preliminary |
|---|---|
| Settlement of pre-existing relationship | 60,6 |
| Cash paid | 7,1 |
| Total cost of acquisition | 67,7 |

**Analysis of net assets acquired**

| EUR million | Preliminary |
|---|---|
| Customer base | 6,8 |
| Other intangible assets | 4,5 |
| Tangible assets | 28,9 |
| Equity investments and funds | 0,0 |
| Inventories | 2,3 |
| Trade and other receivables | 3,3 |
| Cash and cash equivalents | 0,6 |
| Financial liabilities | -84,1 |
| Trade payables and other liabilities | -4,8 |
| | -42,5 |

**Effects of acquisition on cash flow**

| EUR million | Preliminary |
|---|---|
| Purchase price paid in cash | -7,1 |
| Cash and cash equivalents of the acquired entities | 0,6 |
| | -6,5 |

**Goodwill arising from business combination**

| EUR million | Preliminary |
|---|---|
| Consideration transferred | 67,7 |
| Net asset acquired | -42,5 |
| Goodwill | 110,3 |

An EUR 2.7 million expense of expert's and professionals advisors fees is recorded in other operating expenses.

## Acquisition of Santa Monica Networks Oy and Santa Monica Networks AS

On 20 April 2017 Elisa acquired all shares of Santa Monica Networks Oy and Santa Monica Networks AS. The purchase price was EUR 31.8 million.

Through the acquisition, Elisa strengthens Corporate Customers segment's market position in the design, construction and maintenance of network solutions in the home markets in Finland and in Estonia.

According to the preliminary purchase price allocation EUR 4.8 million of the purchase price is allocated to customer base, which will be amortised in four years. The business combination resulted in goodwill of EUR 23.5 million, which relates to strenghtening the Corporate Customer business and expected synergy benefits. Goodwill is not tax deductible. Purchase price allocation is preliminary as the verification of net assets acquired is not yet fully finalized.

The acquired companies have been consolidated from 1 April 2017 onwards. Revenue after the acquisition was EUR 10.3 million and the impact on Group profit for the period of 04-06/2017 was EUR 0.2 million. Had the acquisition been made as of the beginning of the year, the impact on Group revenue and profit for the period would have been EUR 21.4 million and EUR 0.6 million respectively.

There were no pre-existing relationships between the Group and the acquired companies at the time of the acquisition that should be taken into account in the consolidation of the business operations.

**Consideration transferred**

| EUR million | Preliminary |
|---|---|
| Cash paid | 31,8 |
| Total cost of acquisition | 31,8 |

**Analysis of net assets acquired**

| EUR million | Preliminary |
|---|---|
| Customer base | 4,8 |
| Other intangible assets | 0,1 |
| Tangible assets | 1,0 |
| Inventories | 0,7 |
| Trade and other receivables | 13,9 |
| Cash and cash equivalents | 3,7 |
| Deferred tax liabilities | -0,6 |
| Financial liabilities | -0,8 |
| Trade payables and other liabilities | -14,6 |
| | 8,3 |

**Effects of acquisition on cash flow**

| EUR million | Preliminary |
|---|---|
| Purchase price paid in cash | -31,8 |
| Cash and cash equivalents of the acquired entity | 3,7 |
| | -28,1 |

**Goodwill arising from business combination**

| EUR million | Preliminary |
|---|---|
| Consideration transferred | 31,8 |
| Net asset acquired | 8,3 |
| Goodwill | 23,5 |

The acquisition resulted in a EUR 0.4 million expense of transfer tax, which has been recorded in other operating expenses. In addition, a EUR 0.7 million expense for professional advisory services has been recorded in other operating expenses.

## Changes in subsidiary ownership

The group acquired 34,1 per cent of Tampereen Tietoverkko Oy on 30 June 2017. The acquisition price was EUR 1.2 million. After the acquisition the Group owns 98.6 per cent of Tampereen Tietoverkko Oy. Due to the acquisition the non-controlling interest decreased by EUR 0.1 million and the equity by EUR 1.1 million.

**There were no material disposals during the first half of reporting period.**

## 3. Property, plant and equipment and intangible assets

| **30.6.2017**<br>EUR million | Property plant and equipment | Goodwill | Other intangible assets |
|---|---|---|---|
| Acquisition cost at 1 January 2017 | 3 575,7 | 894,8 | 705,0 |
| Additions | 95,7 | | 21,6 |
| Business acquisitions | 29,9 | 133,8 | 16,2 |
| Disposals | -4,5 | | -0,3 |
| Reclassifications | -0,3 | | 0,0 |
| Translation differences | -0,1 | 0,0 | 0,0 |
| Aquisition cost at 30 June 2017 | 3 696,3 | 1 028,5 | 742,4 |
| | | | |
| Accumulated depreciation, amortisation and impairment at 1 January 2017 | 2 861,8 | 15,0 | 544,9 |
| Depreciation, amortisation and impairment | 92,6 | | 21,7 |
| Accumulated depreciation and amortisation on disposals and reclassifications | -4,6 | | -0,3 |
| Translation differences | 0,0 | | 0,0 |
| Accumulated depreciation, amortisation and impairment at 30 June 2017 | 2 949,8 | 15,0 | 566,4 |
| | | | |
| Book value at 1 January 2017 | 713,9 | 879,8 | 160,0 |
| Book value at 30 June 2017 | 746,6 | 1 013,5 | 176,1 |

| **30.6.2016**<br>EUR million | Property plant and equipment | Goodwill | Other intangible assets |
|---|---|---|---|
| Acquisition cost at 1 January 2016 | 3 386,8 | 836,1 | 638,2 |
| Additions | 78,9 | | 21,3 |
| Business acquisitions | | 0,0 | |
| Disposals | -5,6 | | |
| Reclassifications | -1,2 | | -9,2 |
| Translation differences | 0,1 | -0,3 | |
| Aquisition cost at 30 June 2016 | 3 458,9 | 835,8 | 650,4 |
| | | | |
| Accumulated depreciation, amortisation and impairment at 1 January 2016 | 2 709,4 | 6,0 | 503,5 |
| Depreciation, amortisation and impairment | 84,9 | | 20,4 |
| Accumulated depreciation and amortisation on disposals and reclassifications | -6,2 | | -8,2 |
| Translation differences | 0,0 | | |
| Accumulated depreciation, amortisation and impairment at 30 June 2016 | 2 788,1 | 6,0 | 515,7 |
| | | | |
| Book value at 1 January 2016 | 677,4 | 830,1 | 134,8 |
| Book value at 30 June 2016 | 670,8 | 829,8 | 134,7 |

Commitments to purchase property, plant and equipment and intangible assets amounts to EUR 45.7 million (45.4) at 30 June 2017.

## 4. Carrying amounts of financial assets and liabilities by category

| 30 June 2017<br>EUR million | Financial assets available-for-sale | Loans and receivables | Financial assets/liabilities recognised at fair value through profit or loss (1 | Financial liabilities measured at amortised cost | Book values | Fair values |
|---|---|---|---|---|---|---|
| Non-current financial assets | | | | | | |
| Financial assets available-for-sale | 5,9 | | | | 5,9 | 5,9 |
| Trade and other receivables | | 75,5 | | | 75,5 | 75,5 |
| Current financial assets | | | | | | |
| Trade and other receivables | | 405,7 | | | 405,7 | 405,7 |
| | 5,9 | 481,1 | | | 487,0 | 487,0 |
| Non-current financial liabilities | | | | | | |
| Financial liabilities | | | | 994,6 | 994,6 | 1 037,4 |
| Trade and other payables (2 | | | 0,8 | 24,5 | 25,3 | 25,3 |
| Current financial liabilities | | | | | | |
| Financial liabilities | | | | 293,9 | 293,9 | 293,9 |
| Trade and other payables (2 | | | 1,2 | 309,1 | 310,3 | 310,3 |
| | | | 2,0 | 1 622,2 | 1 624,1 | 1 666,9 |

| 31 December 2016<br>EUR million | Financial assets available-for-sale | Loans and receivables | Financial assets/liabilities recognised at fair value through profit or loss (1 | Financial liabilities measured at amortised cost | Book values | Fair values |
|---|---|---|---|---|---|---|
| Non-current financial assets | | | | | | |
| Financial assets available-for-sale | 5,0 | | 33,9 | | 38,9 | 38,9 |
| Trade and other receivables | | 74,8 | | | 74,8 | 74,8 |
| Current financial assets | | | | | | |
| Trade and other receivables | | 537,0 | | | 537,0 | 537,0 |
| | 5,0 | 611,9 | 33,9 | | 650,7 | 650,7 |
| Non-current financial liabilities | | | | | | |
| Financial liabilities | | | | 827,3 | 827,3 | 878,8 |
| Trade payables and other liabilities (2 | | | 0,8 | 28,0 | 28,8 | 28,8 |
| Current financial liabilities | | | | | | |
| Financial liabilities | | | | 341,2 | 341,2 | 341,2 |
| Trade and other payables (2 | | | 1,2 | 302,4 | 303,6 | 303,6 |
| | | | 2,0 | 1 499,0 | 1 500,9 | 1 552,4 |

1) Assets classified as such at initial recognition

2) Excluding advances received

Equity investments are classified as financial assets available-for-sale and are generally measured at fair value. Equity investments for which values cannot be measured reliably are reported at cost less impairment.

Loans and receivables are valued at amortised cost less impairment loss.

Derivatives are recognised at cost on the date of acquisition and are subsequently remeasured at fair value. They are classified as financial assets or liabilities recognised at fair value through profit or loss.

Financial liabilities are initially recognised at fair value equalling the net proceeds received and are subsequently measured at amortised cost by using the effective interest method.

The classification and measurement of each financial asset and liability item are presented in more detail under the financial statements accounting principles at 31 December 2016.

## 5. Financial assets and liabilities recognised at fair value

| EUR million | 30.6.2017 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Financial assets/liabilities recognised at fair value [1] | -0,8 | | -0,8 | |
| Other liabilities [3] | -1,2 | | | -1,2 |
| | -2,0 | | -0,8 | -1,2 |

| EUR million | 31.12.2016 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Financial assets/liabilities recognised at fair value [1] | -0,8 | | -0,8 | |
| Financial assets available-for-sale [2] | 33,9 | 33,9 | | |
| Other liabilities [3] | -1,2 | | | -1,2 |
| | 31,9 | 33,9 | -0,8 | -1,2 |

Level 1 includes instruments with quoted prices in active markets. Level 2 includes instruments with observable prices based on market data. Level 3 includes instruments with prices that are not based on verifiable market data but instead on the company's internal information, for example.

1) Electricity derivatives. The fair value is expected to approximate the quoted market price or, if this is not available it is estimated using commonly used valuation methods.

2) Publicly listed equity investments and funds. Fair values are measured by using quoted marked rates.

3) Contingent considerations relating to business combinations.

## 6. Financial assets available-for-sale

| EUR million | 30.6.2017 | 31.12.2016 |
|---|---|---|
| Publicly listed equity investments and funds [1] | | 33,9 |
| Unlisted equity investments and funds | 5,9 | 5,0 |
| | 5,9 | 38,9 |

1) Elisa divested its ownership (13,1 %) in Comptel Oyj on 6 April 2017. The sales profit EUR 44.3 million was recorder in financial income.

Listed shares are measured at fair value. The unlisted equity investments are recognised at acquisition cost less possible impairment, because the fair value of the equity investment cannot be determined reliably.

## 7. Inventories

Write-down of inventories of EUR 0.2 million (0.8) was recorded during the accounting period.

## 8. Equity

| | Number of shares pcs | Treasury shares pcs | Holding, % of shares and votes |
|---|---|---|---|
| Shares at 31 December 2015 | 167 335 073 | 7 715 129 | 4,61 % |
| Disposal of treasury shares | | -133 326 | |
| Transfer from common account | | 215 000 | |
| Shares at 31 December 2016 | 167 335 073 | 7 796 803 | 4,66 % |

**Dividend**

On 6 April 2017 Elisa's Annual General Meeting decided of a dividend of 1.50 euros per share. The total dividend amounts to EUR 239.6 million and payment started on 19 April 2017.

## 9. Issuances and repayment of debt

Elisa exchanged 17 March 2017 the 2019 bonds issued in 2012 with nominal value EUR 120,002,000 to new bonds maturing in 2024.

Elisa agreed to increase its' commercial paper program to EUR 350 million with seven dealer banks on 17 April 2017.

The unused amount of EUR 1,000 million EMTN program is EUR 220 million as at 30 June 2017.

| EUR million | **30.6. 2017** | 31.12. 2016 |
|---|---|---|
| Issued commercial papers | **258,0** | 199,0 |
| Withdrawn committed credit lines | **23,0** | 130,0 |

## 10. Provisions

| EUR million | **Termination benefits** | **Other** | **Total** |
|---|---|---|---|
| 1 January 2017 | 4,1 | 2,3 | 6,4 |
| Increases in provisions | 4,0 | | 4,0 |
| Reversals of unused provisions | -0,6 | | -0,6 |
| Utilised provisions | -2,1 | | -2,1 |
| 30 June 2017 | 5,5 | 2,3 | 7,8 |

| EUR million | **Termination benefits** | **Other** | **Total** |
|---|---|---|---|
| 1 January 2016 | 6,8 | 2,1 | 8,9 |
| Increases in provisions | 1,3 | | 1,3 |
| Reversals of unused provisions | -1,3 | | -1,3 |
| Utilised provisions | -2,6 | | -2,6 |
| 31 December 2016 | 4,1 | 2,1 | 6,2 |

## 11. Operating Lease Commitments

**The future minimum lease payments under non-cancellable operating leases:**

| EUR million | **30.6. 2017** | 31.12. 2016 |
|---|---|---|
| Not later than one year | **31,6** | 29,6 |
| Later than one year not later than than five years | **39,8** | 36,7 |
| Later than five years | **20,5** | 26,6 |
| | **91,9** | 93,0 |

## 12. Contingent Liabilities

| EUR million | **30.6. 2017** | 31.12. 2016 |
|---|---|---|
| For our own commitments | | |
| Mortgages | **7,0** | 1,2 |
| Pledged securities | | 0,1 |
| Deposits | **2,7** | 0,7 |
| Guarantees | **1,1** | 1,1 |
| On behalf of others | | |
| Guarantees | **0,5** | 0,5 |
| Other | **0,0** | 0,0 |
| | **11,4** | 3,6 |
| | | |
| Other contractual obligations | | |
| Repurchace obligations | **0,0** | 0,0 |
| Letter of credit | **0,1** | 0,1 |
| Capital loan's unrecognised interest payable | **0,0** | 0,0 |

## 13. Derivative Instruments

| EUR million | **30.6. 2017** | 31.12. 2016 |
|---|---|---|
| Nominal values of derivatives | | |
| Electricity derivatives | **3,2** | 4,3 |
| | **3,2** | 4,3 |
| | | |
| Fair values of derivatives | | |
| Electricity derivatives | **-0,8** | -0,8 |
| | **-0,8** | -0,8 |

## 14. Related party transactions

Elisa Group's related parties include the parent company, subsidiaries, associates, joint ventures and key management. Key management consists of Elisa's Board of Directors, the CEO and the Executive Board.

Acquisitions and disposals during the period are presented in Note 2.

Related party transactions with associated companies

| EUR million | **1-6/2017** | 1-6/2016 | 1-12/2016 |
|---|---|---|---|
| Sales | **0,4** | 0,2 | 0,5 |
| Purchases | **0,8** | 1,9 | 3,0 |
| Receivables | **0,1** | 0,8 | 0,2 |
| Liabilities | **0,0** | 0,3 | 0,5 |

There were no related party transactions with key management.
Management remuneration will be announced in Annual financial statements.

## Key Figures

| EUR million | **1-6 2017** | 1-6 2016 | 1-12 2016 |
|---|---|---|---|
| Shareholders' equity per share, EUR | **5,51** | 5,18 | 6,08 |
| Interest bearing net debt | **1 230,7** | 1 053,6 | 1 124,1 |
| Gearing, % | **140,0** | 127,5 | 115,7 |
| Equity ratio, % | **34,3** | 36,8 | 38,5 |
| Return on investment (ROI), % *) | **18,8** | 17,3 | 17,0 |
| Gross investments in fixed assets | **117,3** | 100,2 | 226,0 |
| of which finance lease investments | **1,8** | 1,0 | 2,5 |
| Gross investments as % of revenue | **13,6** | 12,8 | 13,8 |
| Investments in shares and business combinations | **101,7** | 23,4 | 107,9 |
| Average number of employees | **4 521** | 4 139 | 4 247 |

*) rolling 12 months profit preceding the reporting date

## Financial Calendar

Third quarter 2017 18 October 2017

## Contact Information

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