Financial Results 2017

31 January 2018

elisa

ELISA'S FINANCIAL RESULTS 2017

Fourth quarter 2017

- Revenue amounted to EUR 473m (434)
- EBITDA was EUR 151m (139) and EBIT EUR 93m (76)
- Comparable EBITDA was EUR 154m (139) and EBIT EUR 95m (85)
- Earnings per share were EUR 0.45 (0.37) and comparable EPS EUR 0.46 (0.41)
- Cash flow after investments excluding investments in shares was EUR 48m (53)

- Mobile post-paid voice ARPU was EUR 20.5 (20.1 in previous quarter)
- Mobile post-paid voice churn was 19.5 per cent (19.8 in previous quarter)
- Mobile service revenue increased by 5.6 per cent to EUR 205m (194)
- The number of post-paid mobile subscriptions decreased by 4,200 and prepaid subscriptions by 26,000 during the quarter
- The number of fixed broadband subscriptions increased by 6,100 during the quarter

Year 2017

- Revenue was EUR 1,787m (1,636)
- EBITDA was EUR 608m (563) and EBIT EUR 378m (339)
- Comparable EBITDA and EBIT were EUR 613m (564) and 384m (349), respectively
- Earnings per share were EUR 2.11 (1.61) and comparable EPS EUR 1.86 (1.66)
- Cash flow after investments was EUR 300m (65), and comparable cash flow after investments was EUR 246m (281)
- Net debt / EBITDA was 1.8 (2.0) and gearing 103 per cent (116)

Key indicators

EUR million	10-12/2017	10-12/2016	Δ %	1-12/2017	1-12/2016	Δ %
Revenue	473	434	8.9	1,787	1,636	9.3
EBITDA	151	139	8.9	608	563	7.9
Comparable EBITDA	154	139	10.7	613	564	8.7
EBIT [1)]	93	76	22.1	378	339	11.4
Profit before tax [1)]	87	74	16.9	403	320	26.0
EPS, EUR[1)]	0.45	0.37	21.9	2.11	1.61	30.9
Capital expenditure	71	84	-15.7	246	226	9.1

[1)] Comparable figures: 10-12/2017 EBIT EUR 95m (85), profit before tax EUR 89m (80) and EPS EUR 0.46 (0.41); 1-12/2017 EBIT EUR 384m (349), profit before tax EUR 364m (327) and EPS EUR 1.86 (1.66).

Financial position and cash flow

EUR million	End 2017	End 2016
Net debt	1,073	1,124
Net debt / EBITDA[1)]	1.8	2.0
Gearing ratio, %	103.2	115.7
Equity ratio, %	40.5	38.5

EUR million	10-12/2017	10-12/2016	Δ %	1-12/2017	1-12/2016	Δ %
Cash flow after investments[2)]	48	-115	n.a.	300	65	359.6

[1)] (interest-bearing debt – financial assets) / (four previous quarters' comparable EBITDA)
[2)] Comparable cash flow 10-12/2016 EUR 53m, 1-12/2017 EUR 246m and 1-12/2016 EUR 281m. See page 5.

The Board of Directors proposes to the Annual General Meeting a dividend of EUR 1.65 per share. The Board of Directors also decided to propose an authorisation to acquire a maximum of 5 million treasury shares, which corresponds to 3 per cent of the total shares.

CEO Veli-Matti Mattila:

Revenue and result grew markedly

Elisa's competitiveness and result have continued to grow. Competitiveness has strengthened further thanks to the continuous improvement of customer experience and quality. The revenue and earnings in 2017 were the best ever. Earnings has grown, for instance, due to an increase in mobile service revenue and investments in the productivity of Elisa's operations, as well as recent acquisitions.

Elisa's unique model in the pricing of unlimited data, the increasing use of video services, and investments in the expansion of the 4G network have made Elisa a clear pioneer in the use of mobile data. Elisa's network carries the fifth most mobile data in Europe[1)]. The number of post-paid mobile subscriptions grew by 19,100 during the year. The total decline in the number of mobile subscriptions was 15,400, affected by a decline in the number of prepaid subscriptions of 34,500. The number of fixed-network subscriptions grew by 97,400, influenced by the acquisition of Starman.

We have increased the amount of original series content for consumers. In 2017, Elisa Viihde released four original series. For 2018, Elisa Viihde has already revealed the release of five new original series, including the international drama series *Arctic Circle* and *Bullets*. Elisa Kirja, Finland's largest reseller of e-books, grew during the year. In addition to the popular Premium subscriptions, we launched Elisa Reissunetti, which is an inexpensive, one-gigabyte (1 GB) data package for travellers to far-away destinations.

Demand for integrated IT and telecommunication solutions continued to grow, and we strengthened our pioneering role with the Santa Monica Networks acquisition, for example. The number of orders received for the services in question grew significantly.

We are pursuing an even better customer experience and testing new technologies in both our mobile and fixed networks. We were the first operator to introduce 5G readiness to the mobile network in Finland. Construction of the network has begun in Tampere, the first city in which the new network will be implemented on such a large scale. Once complete, the new network will provide the area with faster, up to 1 Gbit/s, and more reliable internet connections.

Elisa was rewarded as one of Finland's best workplaces and is the largest listed company ever in the category of Great Place to Work Finland's large companies, in which it achieved third place. We offered young people an opportunity to get to know working life and, together with our subsidiaries and temporary agency employees, hired 250 young people for summer jobs. Our digital schools have already attracted more than a thousand children. Elisa established the ShedHelsinki foundation, which emphasizes diversity among young people and produces year-round club activities and musical theatre performances. We also encouraged an increase in interaction between parents and teenagers in the "Pidetään yhtä" ("Stay Connected") project. Elisa employees participated in voluntary work by being present in the everyday lives of young people.

The continuous improvement of customer experiences and quality are essential cornerstones of our culture, and we will continue to keep a strong focus on them. Increasing productivity, internationalising our digital services, delivering value with data connectivity, and our strong investment capability will continue to create a solid foundation for creating competitive value in the future.

[1)] Source: *tefficient industry analysis 4 2017 mobile data usage and revenue per operator Q3 2017*

FINANCIAL STATEMENTS 2017

The Interim Report has been prepared in accordance with the IAS 34 standard.

Market situation

The competitive environment has been intense and active, especially during the second half of 2017. Mobile churn levels were higher due to campaigning and investments in customer acquisition. The smartphone market grew, and the usage of data services continued to evolve favourably. A total of 93 per cent of the mobile handsets sold in 2017 were smartphones. Another factor contributing to mobile market growth has been the increased network coverage and capacity of 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	2017	2016	Δ %	2015
Revenue	1,787	1,636	9.3	1,569
EBITDA	608	563	7.9	532
Comparable EBITDA [1)]	613	564	8.7	536
EBITDA-%	*34.0*	34.4		*33.9*
Comparable EBITDA-%	*34.3*	34.5		*34.1*
EBIT	378	339	11.4	312
Comparable EBIT [1)]	384	349	9.8	322
EBIT-%	*21.2*	20.7		*19.9*
Comparable EBIT-%	*21.5*	21.4		*20.5*
Return on equity, %	33.5	27.1		27.0

[1)] 2017 excluding restructuring costs of EUR 3.9m, acquisition costs of EUR 3.1m and a capital gain of EUR 1.5m from the divested businesses. 2016 EBITDA excluding acquisition costs of EUR 1.7m relating to the Anvia acquisition and a capital gain of EUR 0.6m from the sale of Tansec shares.
Changes have been calculated with exact figures prior to rounding

Year 2017
Revenue increased by 9 per cent. Recent acquisitions (Anvia, Starman and Santa Monica Networks), growth in the mobile service business and equipment sales in both Finland and Estonia, as well as digital services in both customer segments, affected revenue positively. Lower mobile interconnection and roaming revenue, as well as the decrease in usage and subscriptions of traditional fixed telecom services in both segments, affected revenue negatively.

Comparable EBITDA increased by 9 per cent, mainly due to the recent acquisitions, revenue growth and productivity improvement measures. Comparable EBIT increased by 10 per cent.

Net financial income and expenses were EUR 25 million (-18). The improvement was mainly due to the sale of Comptel shares for EUR 44 million. Income taxes in the income statement increased to EUR -67 million (-63), mainly due to improved profit before tax and tax asset booking in the previous year. Elisa’s net profit was EUR 337 million (257) and earnings per share EUR 2.11 (1.61). Comparable net profit, excluding sale of Comptel shares, and other non-recurring items, was EUR 297 million (265) and earnings per share EUR 1.86 (1.66).

Fourth quarter 2017
Revenue increased by 9 per cent, from EUR 434 million to EUR 473 million. Revenue was positively affected by recent acquisitions, growth in mobile services and equipment sales in both Finland and Estonia, as well as digital services in both segments. A decrease in usage and subscriptions of traditional fixed telecom services affected revenue negatively.

Reported EBITDA includes a non-recurring item of EUR 2 million related to restructuring costs and a capital gain from divested businesses. Comparable EBITDA increased by 11 per cent from EUR 139 million to EUR 154 million, mainly due to the revenue growth and productivity improvement measures. Comparable EBIT increased by 12 per cent.

Net financial income and expenses were EUR -6 million (-2). The year 2016 includes a non-recurring EUR 3 million payment relating to unclaimed shares in Elisa's listing. Income taxes in the income statement were EUR -15 million (-15). Net profit was EUR 72 million (59) and earnings per share EUR 0.45 (0.37). Comparable net profit grew to EUR 73 million (65) and earnings per share to EUR 0.46 (0.41).

Financial position

EUR million	End 2017	End 2016	End 2015
Net debt	1,073	1,124	962
Net debt / EBITDA [1]	1.8	2.0	1.8
Gearing ratio, %	103.2	115.7	103.9
Equity ratio, %	40.5	38.5	41.4

EUR million	2017	2016	2015
Cash flow after investments	300	65	253
Investments in shares	40	49	13
Sale of shares and businesses	-48		
Loan arrangements	-45	167	
Comparable cash flow after investments	246	281	266

[1] (interest-bearing debt – financial assets) / (four previous quarters' comparable EBITDA)

Year 2017
Cash flow after investments was EUR 300 million (65), and EUR 246 million (281) excluding the share investment, sale of shares and loan arrangement. Comparable cash flow was negatively affected by higher capital expenditure and licence fees, and a change in net working capital. Cash flow was positively affected by increased EBITDA.

The financial and liquidity positions are good. Net debt decreased to EUR 1,073 million (1,124). Cash and undrawn committed loans and credit lines totalled EUR 344 (214) million at the end of the year.

Fourth quarter 2017
Cash flow after investments was EUR 48 million (-115, and 53 excluding investments in shares and loan arrangements). Comparable cash flow was positively affected by increased EBITDA and lower paid interests, and negatively by a change in net working capital and higher capital expenditure.

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.

In June 2017, Elisa increased its ownership in the cable TV company Tampereen Tietoverkko Oy to 99 per cent by acquiring 35.1 per cent stake. In September 2017, Elisa acquired the remaining shares, and the current shareholding is 100 per cent of shares. In October 2017, Elisa and Tampereen Tietoverkko signed a merger agreement according to which Tampereen Tietoverkko will merge into Elisa in March 2018.

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

In July 2017, Anvia TV and Anvia Hosting merged into Elisa, and Anvia IT-Palvelut into Elisa Appelsiini. In August 2017, Anvia Telecom merged into Elisa.

Consumer Customers business

EUR million	10-12/2017	10-12/2016	Δ %	1-12/2017	1-12/2016	Δ %
Revenue	294	272	8.3	1,125	1,029	9.3
EBITDA	96	87	10.4	388	354	9.8
Comparable EBITDA	97	87	11.1	391	355	10.4
EBITDA-%	*32.6*	*32.0*		*34.5*	*34.4*	
Comparable EBITDA-%	*32.9*	*32.0*		*34.8*	*34.4*	
EBIT	60	44	37.5	247	211	17.2
Comparable EBIT	61	53	15.2	250	220	13.4
CAPEX	48	54	-12.6	164	143	14.8

Changes have been calculated using exact figures prior to rounding

Year 2017

Revenue increased by 9 per cent. Recent acquisitions, mobile services, equipment sales and growth in digital services contributed positively to revenue. The decrease in usage and subscriptions of traditional fixed telecom services affected revenue negatively, as did the lower mobile interconnection and roaming revenue.

Comparable EBITDA increased by 10 per cent, mainly due to revenue growth and productivity improvement measures.

Fourth quarter 2017

Revenue increased by 8 per cent, mainly due to recent acquisitions, and growth in mobile services, equipment sales and digital services. The decrease in traditional fixed network services affected revenue negatively.

Comparable EBITDA increased by 11 per cent, mainly due to revenue growth and productivity improvement measures.

Corporate Customers business

EUR million	10-12/2017	10-12/2016	Δ %	1-12/2017	1-12/2016	Δ %
Revenue	178	162	9.8	663	606	9.3
EBITDA	55	52	6.5	219	209	4.8
Comparable EBITDA	57	52	10.0	222	210	5.8
EBITDA-%	*30.9*	*31.9*		*33.1*	34.5	
Comparable EBITDA-%	*31.9*	*31.9*		*33.5*	34.6	
EBIT	33	32	1.3	131	129	2.0
Comparable EBIT	34	32	6.8	134	129	3.6
CAPEX	23	30	-21.5	82	83	-0.9

Changes have been calculated using exact figures prior to rounding

Year 2017
Revenue increased by 9 per cent. Recent acquisitions, equipment sales, and growth in mobile services and digital services contributed positively to revenue. Lower mobile interconnection and roaming revenue, as well as a decrease in usage and subscriptions of traditional fixed telecom services, affected revenue negatively.

Comparable EBITDA increased by 6 per cent, mainly due to revenue growth and productivity improvement measures.

Fourth quarter 2017
Revenue increased by 10 per cent. Recent acquisitions, equipment sales, and growth in mobile services and digital services contributed positively to revenue. A decrease in usage and subscriptions of traditional fixed telecom services affected revenue negatively.

Comparable EBITDA increased by 10 per cent, mainly due to revenue growth and productivity improvement measures.

Personnel

In 2017, the average number of personnel at Elisa was 4,614 (4,247). Employee expenses increased to EUR 304 million (275), mainly due to recent acquisitions and higher expenses recognized for long-term incentive plans. Personnel at the end of 2017 amounted to 4,715 (4,301). Personnel by segment at the end of the period:

	End 2017	End 2016
Consumer Customers	2,793	2,424
Corporate Customers	1.922	1,877
Total	4,715	4,301

The increase in number of personnel is mainly due to the recent acquisitions of Starman and Santa Monica Networks.

Investments

EUR million	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Capital expenditure, of which	71	84	246	226
- Consumer Customers	48	54	164	143
- Corporate Customers	23	30	82	83
Shares	0	-1	104	108
Total	71	83	350	334

Year 2017
The main capital expenditures related to the capacity and coverage increase of the 4G networks, as well as to other network and IT investments.

Fourth quarter 2017
The main capital expenditures related to the capacity and coverage increase of the 4G networks, as well as to other network and IT investments.

Financing arrangements and ratings

Valid financing arrangements

EUR million	Maximum amount	In use on 31 Dec 2017
Committed credit limits	300	0
Commercial paper programme[1)]	350	115
EMTN programme[2)]	1,000	780

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

Long-term credit ratings

Credit rating agency	Rating	Outlook
Moody's Investor Services	Baa2	Stable
S&P Global Ratings	BBB+	Stable

The Group's cash and undrawn committed loans and credit lines totalled EUR 344 million (214) on 31 December 2017.

S&P Global Ratings affirmed Elisa's rating as BBB+ and the outlook as stable on 24 April 2017. Moody's Investors Service affirmed Elisa's rating as Baa2 and the outlook as stable on 21 April 2017.

Shares

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	10-12/2017	10-12/2016	1-12/2017	1-12/2016
Nasdaq Helsinki, millions	26.5	31.6	104.5	105.7
Other marketplaces, millions[1)]	33.8	51.4	151.9	190.6
Total volume, millions	60.3	82.9	256.5	296.2
Value, EUR million	2,084.4	2.522.1	8,627.8	9,577.1
% of shares	36.1	49.6	153.3	177.0

Shares and market values	End 2017	End 2016
Total number of shares	167,335,073	167,335,073
Treasury shares	7,801,397	7,715,129
Outstanding shares	159,533,676	159,619,944
Closing price, EUR	32.72	30.93
Market capitalisation, EUR million	5,475	5,176
Treasury shares, %	4.66	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 Feb 2017 [1)]		-133,326	133,326
Transfer to treasury shares 16 May 2017 [2)]		215,000	-215,000
Restricted Share Plan 15 Dec 2017 [3)]		-2,300	2,300
Transfer to treasury shares 21 Dec 2017 [4)]		6,894	-6,894
Shares at 31 Dec 2017	167,335,073	7,801,397	159,533,676

[1)] Stock exchange bulletin, 1 February 2017, [2)] Stock exchange bulletin, 16 May 2017, [3)] Stock exchange bulletin, 15 December 2017, [4)] Stock exchange bulletin, 21 December 2017

Research and development

The majority of this service development occurs during the ordinary course of business and is accounted for as a normal operating expense. Elisa invested EUR 10 million (11) in research and development, of which EUR 8 million (10) was capitalised in 2017, corresponding to 0.6 per cent (0.7) of revenue.

Annual General Meeting and Board of Directors' organising meeting

On 6 April 2017, Elisa’s Annual General Meeting decided to pay a dividend of EUR 1.50 per share based on the 2016 financial statements. The dividend was paid to shareholders on 19 April 2017.

The Annual General Meeting adopted the financial statements for 2016. The members of the Board of Directors and the CEO were discharged from liability for 2016.

The number of the members of the Board of Directors was confirmed at seven. Mr Raimo Lind, Ms Clarisse Berggårdh, Mr Petteri Koponen, Ms Leena Niemistö, Ms Seija Turunen and Mr Mika Vehviläinen were re-elected as members of the Board of Directors and Mr Antti Vasara as a new member of the Board of Directors.

KPMG Oy Ab, authorised public accountants, was appointed the company’s auditor. Mr Toni Aaltonen, APA, is the responsible auditor.

The Annual General Meeting decided to amend the Articles of Association so that the General Meeting of Shareholders elects the Chairman and the Deputy Chairman of the Board of Directors. The change is applied from the 2018 General Meeting onwards.

The Annual General Meeting decided that Yomi Plc owners’ right to have Elisa Corporation’s shares as merger consideration and rights based on the shares was forfeited on 6 April 2017. The shares became Elisa's own shares. See further details on the stock exchange release *Decisions of Elisa’s Annual General Meeting 2017* on 6 April 2017.

Mr Raimo Lind was elected as the Chairman of the Board and Mr Mika Vehviläinen as the Deputy Chairman. Mr Raimo Lind (Chair), Mr Petteri Koponen, Ms Leena Niemistö and Mr Mika Vehviläinen were appointed to the Compensation & Nomination Committee. Ms Seija Turunen (Chair), Ms Clarisse Berggårdh and Mr Antti Vasara were appointed to the Audit Committee.

Board of Directors’ authorisations

The Annual General Meeting 2017 decided to authorise the Board of Directors to resolve to repurchase or accept as pledge the company’s own shares. The repurchase may be directed. The amount of shares under this authorisation is 5 million shares at maximum. The authorisation is effective until 30 June 2018. This authorisation has not been used.

The Annual General Meeting 2016 decided to authorise the Board of Directors to pass a resolution concerning the share issue, the right of assignment of treasury shares and/or the granting of special rights entitling to shares. A maximum aggregate of 15 million of the company’s shares can be issued under the authorization. The authorisation is effective until 30 June 2018. Under this authorisation 137,466 treasury shares have been issued.

Elisa Shareholders' Nomination Board

As of 4 September 2017, the composition of Elisa's Shareholders' Nomination Board is as follows:

- Mr Antti Mäkinen, CEO, nominated by Solidium Oy
- Mr Reima Rytsölä, Executive Vice-President, nominated by Varma Mutual Pension Insurance Company
- Mr Timo Ritakallio, President and CEO, nominated by Ilmarinen Mutual Pension Insurance Company
- Ms Hanna Hiidenpalo, Director, Chief Investment Officer, nominated by Elo Mutual Pension Insurance Company
- Mr Raimo Lind, Chairman of the Board of Elisa

The Nomination Board elected Mr Antti Mäkinen as the chair.

The shareholders' Nomination Board was established in 2012 by the Annual General Meeting. Its duty is to prepare proposals for the election and remuneration of the members of the Board of Directors of Elisa for the Annual General Meeting.

Significant legal and regulatory issues

The EU “Roam Like at Home” Regulation came into force on 15 June 2017. On 15 December 2016, the EU Commission decided on the detailed rules of fair usage policy and the sustainability mechanism. The regulated wholesale caps have been decided at EU level. As of 15 June 2017, the regulated wholesale caps are: 3.2 cents per minute of voice call, 1 cent per SMS, and EUR 7.7 per GB of data, decreasing step by step until January 2022. National authorities in Finland and Estonia granted Elisa and Elisa Eesti AS, as well as Elisa’s main competitors, an authorisation to apply surcharges to their customers’ roaming consumption in the EU and EEA countries. These decisions are valid until 14 June 2018.

The Estonian 2,600 MHz spectrum auction took place in the second quarter 2017. Elisa bought 20 MHz of FDD spectrum and 40 MHz of TDD spectrum at a price of EUR 5.8 million. These spectrums can be used for 4G capacity upgrades and later for 5G services. There is no expiration date for the spectrum licences.

On 5 July 2017, the Helsinki Court of Appeal dismissed Visual Data Oy’s claim demanding EUR 3.5 million in damages as well as additional interest from Elisa and several other telecommunication companies under the Competition Act (relates to publishing of subscribers’ contact information). The process started in September 2004. Visual Data has applied for leave to appeal to the Supreme Court.

Elisa’s GSM licence (900 and 1,800 MHz), which was to expire in November 2017, was renewed using a comparative procedure. The licence is valid until 31 December 2019.

Anvia Oyj’s Extraordinary General Meeting in June 2016 approved the sale of Anvia’s ICT businesses to Elisa. One shareholder has brought an action in a district court against Anvia in order to annul the General Meeting’s decision.

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, and 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.

Corporate responsibility and non-financial reporting

Elisa will publish its fifth verified responsibility report as part of the Annual Report 2017 during week 12. The responsibility report is prepared according the GRI requirements and meets the requirements of non-financial reporting. The report includes mid-term targets, performance and metrics.

In recognising Elisa's material corporate responsibility, the most important financial, social and environmental effects and risks of the company, as well as other significant trends affecting the industry, have been taken into account. The management's description of corporate responsibility is available on the company website.

2017 Annual Report and Corporate Governance Statement

The release date of Elisa's Corporate Governance Statement is 31 January 2018. Elisa will publish its 2017 Annual Report, which contains the report by the Board of Directors and the financial statements for 2017, as well as the Corporate Governance Statement, during week 12 (beginning 12 March 2018) on the company website at www.elisa.com.

Events after the financial period

The Shareholders' Nomination Board of Elisa Corporation proposes to the Annual General Meeting of 12 April 2018 that the number of members of the Board of Directors be seven (7). The Nomination Board proposes that Mr Raimo Lind, Ms Clarisse Berggårdh, Mr Petteri Koponen, Ms Leena Niemistö, Ms Seija Turunen and Mr Antti Vasara be re-elected as members of the Board. The Nomination Board proposes further that Mr Anssi Vanjoki is elected as a new member of the Board. Mr Mika Vehviläinen has announced that he is not available for re-election in the 2018 Annual General Meeting.

The Shareholders' Nomination Board of Elisa Corporation proposes to the Annual General Meeting that Mr Raimo Lind be elected as the Chairman of the Board and Mr Anssi Vanjoki be elected as the Deputy Chairman. (See stock exchange bulletin, 24 January 2018).

Outlook and guidance for 2018

The macroeconomic environment in Finland has improved, but long-term structural challenges still remain. Competition in the Finnish telecommunications market remains challenging.

Revenue is estimated to be at the same level or slightly higher than in 2017. Recent acquisitions, mobile data and digital services are expected to increase revenue. Comparable EBITDA is anticipated to be at the same level or slightly higher than in 2017. Capital expenditure is expected to be a maximum of 12 per cent of revenue.

Elisa is continuing its productivity improvement development, for example by increasing automation and data analytics in different processes, such as customer interactions, 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 the growth in the mobile data market, as well as digital online and ICT services.

Profit distribution

According to Elisa's distribution policy, profit distribution is 80–100 per cent of the previous fiscal year's net profit. In addition, any excess capital can be distributed to shareholders. When making the distribution proposal or decision, the Board of Directors will take into consideration the company's financial position, future financial needs and financial targets. Profit distribution includes dividend payment, capital repayment and purchase of treasury shares.

The Board of Directors proposes to the Annual General Meeting a dividend of EUR 1.65 per share. The dividend payment corresponds to 89 per cent of the financial period's comparable net profit.

Shareholders who are listed in the company's register of shareholders maintained by Euroclear Finland Ltd on 16 April 2018 are entitled to funds distributed by the General Meeting. The Board of Directors proposes that the payment date be 24 April 2018. The profit for the period will be added to retained earnings.

The Board of Directors also decided to propose to the General Meeting that the Board of Directors be authorised to acquire a maximum of 5 million treasury shares, which corresponds to 3 per cent of the total shares.

BOARD OF DIRECTORS

The annual financial statements figures presented in this release are based on the company's audited financial statements. The auditor's report was issued on 30 January 2018.

Consolidated Income Statement

EUR million	Note	10-12 2017	10-12 2016	1-12 2017	1-12 2016
Revenue	1	**472,5**	434,0	**1 787,4**	1 635,7
Other operating income		**2,6**	1,5	**5,7**	4,4
Materials and services		**-190,2**	-175,9	**-695,6**	-626,4
Employee expenses		**-82,5**	-74,1	**-304,0**	-274,8
Other operating expenses		**-51,3**	-46,7	**-185,8**	-175,9
EBITDA	1	**151,2**	138,8	**607,7**	563,0
Depreciation, amortisation and impairment		**-58,6**	-63,0	**-229,7**	-223,8
EBIT	1	**92,6**	75,8	**378,0**	339,3
Financial income		**0,5**	4,4	**49,1**	6,8
Financial expense		**-6,4**	-6,0	**-23,9**	-24,6
Share of associated companies' profit		**-0,1**	0,0	**0,0**	-1,4
Profit before tax		**86,6**	74,1	**403,2**	320,0
Income taxes		**-15,1**	-15,3	**-66,5**	-62,6
Profit for the period		**71,5**	58,8	**336,7**	257,4
Attributable to					
Equity holders of the parent		**71,5**	58,7	**336,6**	257,1
Non-controlling interests		**0,0**	0,1	**0,1**	0,3
		71,5	58,8	**336,7**	257,4
Earnings per share (EUR)					
Basic		**0,45**	0,37	**2,11**	1,61
Diluted		**0,45**	0,37	**2,11**	1,61
Average number of outstanding shares (1000 shares)					
Basic		**159 538**	159 619	**159 607**	159 608
Diluted		**159 538**	159 619	**159 607**	159 608

Consolidated Statement of Comprehensive Income

Profit for the period	**71,5**	58,8	**336,7**	257,4
Other comprehensive income, net of tax				
Items which may be reclassified subsequently to profit or loss				
Financial assets available-for-sale		-1,1	**-34,7**	7,7
Cash flow hedge	**0,2**	0,3	**0,3**	0,5
Translation difference	**0,0**	-0,1	**-0,2**	0,0
	0,1	-1,0	**-34,6**	8,3
Items which are not reclassified subsequently to profit or loss				
Remeasurements of the net defined benefit liability	**0,3**	-0,3	**0,3**	-0,3
Total comprehensive income	**72,0**	57,6	**302,4**	265,4
Total comprehensive income attributable to				
Equity holders of the parent	**72,0**	57,5	**302,4**	265,1
Non-controlling interest	**0,0**	0,1	**0,1**	0,3
	72,0	57,6	**302,4**	265,4

Consolidated Statement of Financial Position

EUR million	31.12. 2017	31.12. 2016
Non-current assets		
Property, plant and equipment	**758,1**	713,9
Goodwill	**1 013,5**	879,8
Other intangible assets	**177,1**	160,0
Investments in associated companies	**1,9**	2,2
Financial assets available-for-sale	**7,8**	38,9
Deferred tax assets	**16,9**	24,6
Trade and other receivables	**83,7**	74,8
	2 058,9	1 894,3
Current assets		
Inventories	**68,3**	55,0
Trade and other receivables	**407,6**	537,0
Tax receivables	**1,2**	2,2
Cash and cash equivalents	**44,3**	44,5
	521,5	638,7
Total assets	**2 580,4**	2 533,0

Equity attributable to equity holders of the parent	**1 039,6**	970,8
Non-controlling interests	**0,1**	0,5
Total shareholders' equity	**1 039,7**	971,3
Non-current liabilities		
Deferred tax liabilities	**23,5**	28,5
Pension obligations	**16,0**	16,6
Provisions	**2,5**	3,5
Financial liabilities	**939,6**	827,3
Trade payables and other liabilities	**25,1**	34,0
	1 006,8	909,8
Current liabilities		
Trade and other payables	**349,8**	307,7
Tax liabilities	**0,1**	0,0
Provisions	**6,2**	2,9
Financial liabilities	**177,8**	341,2
	533,8	651,9
Total equity and liabilities	**2 580,4**	2 533,0

Condensed Consolidated Statement of Cash Flows

EUR million	1-12 2017	1-12 2016
Cash flow from operating activities		
Profit before tax	**403,2**	320,0
Adjustments		
Depreciation, amortisation and impairment	**229,7**	223,8
Other adjustments	**-28,7**	14,7
	201,0	238,5
Change in working capital		
Increase (-) / decrease (+) in trade and other receivables	**-59,2**	-3,0
Increase (-) / decrease (+) in inventories	**-10,5**	0,6
Increase (+) / decrease (-) in trade and other payables	**45,0**	11,9
	-24,7	9,4
Financial items, net	**-15,1**	-16,3
Taxes paid	**-63,6**	-65,1
Net cash flow from operating activities	**500,8**	486,5
Cash flow from investing activities		
Capital expenditure	**-254,8**	-208,9
Investments in shares and business combinations	**-39,5**	-49,1
Loans granted		-167,0
Repayment of loan receivables	**44,8**	
Proceeds from asset disposal	**48,4**	3,8
Net cash used in investing activities	**-201,1**	-421,3
Cash flow before financing activities	**299,7**	65,2
Cash flow from financing activities		
Proceeds from long-term borrowings	**169,8**	150,0
Repayment of long-term borrowings	**-11,1**	-130,8
Increase (+) / decrease (-) in short-term borrowings	**-214,0**	158,5
Repayment of finance lease liabilities	**-3,8**	-4,4
Acquisition of non-controlling interests	**-1,2**	
Dividends paid	**-239,6**	-223,2
Net cash used in financing activities	**-299,9**	-49,9
Change in cash and cash equivalents	**-0,2**	15,3
Cash and cash equivalents at the beginning of period	**44,5**	29,1
Cash and cash equivalents at the end of period	**44,3**	44,5

Consolidated 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					257,1	0,3	**257,4**
Translation differences					0,0		**0,0**
Financial assets available-for-sale				7,7			**7,7**
Cash flow hedge				0,5			**0,5**
Remeasurements of the net defined benefit liability				-0,3			**-0,3**
Total comprehensive income				8,0	257,1	0,3	**265,4**
Dividend distribution					-223,5	-0,4	**-223,9**
Share-based compensation		2,7			3,4		**6,1**
Other changes					-2,3		**-2,3**
Balance at 31 December 2016	83,0	-142,9	90,9	405,7	534,1	0,5	**971,3**

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					336,6	0,1	**336,7**
Translation differences					-0,2		**-0,2**
Financial assets available-for-sale				-34,7			**-34,7**
Cash flow hedge				0,3			**0,3**
Remeasurements of the net defined benefit liability				0,3			**0,3**
Total comprehensive income				-34,1	336,4	0,1	**302,4**
Dividend distribution					-239,6	-0,3	**-240,0**
Share-based compensation		2,7			6,7		**9,4**
Acquisition of non-controlling interests without a change in control					-1,1	-0,1	**-1,2**
Other changes					-2,2	0,1	**-2,1**
Balance at 31 December 2017	83,0	-140,2	90,9	371,6	634,2	0,1	**1 039,7**

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 principless

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 the standards IFRS 15, IFRS 9 and an amendment to IFRS 2 and on 1 January 2019 IFRS 16.

• IFRS 15 Revenue from Contracts with Customers. The new standard includes a five-step model for the revenue recognition and replaces existing IAS 11 and IAS 18 -standards and related interpretations. According to IFRS 15, sales revenue must be allocated to performance obligations based on relative transaction prices. The revenue recognition takes place over time or at a specific point in time, and a key criterion is the passing of control.

Implementation of the standard has a major impact on data system and reporting processes. The Group has implemented the required data systems and process changes during 2016 and 2017. 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 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 recognised 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 recognised as an adjustment to the opening balance of equity in the year of initial application. The initial adjustment for equity is not expected to have a material impact.

According to the IFRS 15 standard and Group's 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. New standard includes guidance on the classification and measurement of financial instruments, including new hedge accounting requirements and a new expected credit loss model for calculating impairment on financial assets.

According to the new standard, in situations where the terms of the financial liability measured at amortised cost is changed so that the change does not result in derecognition of the financial liability, the Group must, however, recognise a gain or loss that is calculated as a difference between the original contractual cash flows and modified contractual cash flows discounted at the original effective interest rate. According to the current IAS 39 standard, the difference between cash flows is amortised over the residual maturity of the financial liability by determining the new effective interest rate.

The change does not have a significant impact on the Group's financial statements, nor will it influence the cash flow.

• Amendment to IFRS 2 Share-based Payments. The amendment concerns incentive schemes with net settlement features to cover withholding tax obligations and where the employer has an obligation to withold a tax from the received benefit on the share-based payment. The current standard requires the entity to divide the payment into an equity-settled component and a cash-settled component. According to the new IFRS 2 compensation cost will be recognised for such payments based on the entire scheme being an equity-settled payment. Compensation cost is recognised based on the number of gross shares awarded in spite of the employee ultimately only receiving the net shares and the Group paying the portion required for meeting the withholding obligations in cash to the tax authority. The withholding paid by the Group to the tax authority is recognized directly in equity. 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 31 December 2017 was EUR 86.7 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. The implementation of the standard do not influence the cash flow.

1. Segment Information

10-12/2017 EUR million	Consumer Customers	Corporate Customers	Unallocated Items	Group Total
Revenue	294,5	178,1		472,5
EBITDA	96,1	55,0		151,2
Depreciation, amortisation and impairment	-36,1	-22,5		-58,6
EBIT	60,0	32,6		92,6
Financial income			0,5	0,5
Financial expense			-6,4	-6,4
Share of associated companies' profit			-0,1	-0,1
Profit before tax				86,6
Investments	47,5	23,4		70,9

10-12/2016 EUR million	Consumer Customers	Corporate Customers	Unallocated Items	Group Total
Revenue	271,8	162,2		434,0
EBITDA (1	87,1	51,7		138,8
Depreciation, amortisation and impairment (1	-43,4	-19,5		-63,0
EBIT (1	43,6	32,2		75,8
Financial income			4,4	4,4
Financial expense			-6,0	-6,0
Share of associated companies' profit			0,0	0,0
Profit before tax				74,1
Investments (1	54,4	29,8		84,2

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 10-12/2016 Consumer Customers EBITDA was EUR 91.3 million, depreciation, amortisation and impairment EUR -39.9 million, EBIT EUR 51.5 million and investments EUR 46.5 million. Corporate Customers EBITDA was EUR 47.4 million, depreciation, amortisation and impairment EUR -23.1 million, EBIT EUR 24.3 million and investments EUR 37.7 million.

1-12/2017 EUR million	Consumer Customers	Corporate Customers	Unallocated Items	Group Total
Revenue	1 124,9	662,6		1 787,4
EBITDA	388,5	219,2		607,7
Depreciation, amortisation and impairment	-141,5	-88,2		-229,7
EBIT	247,0	131,0		378,0
Financial income			49,1	49,1
Financial expense			-23,9	-23,9
Share of associated companies' profit			0,0	0,0
Profit before tax				403,2
Investments	164,3	82,2		246,4
Total assets	1 657,0	851,2	72,2	2 580,4

1-12/2016 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. No material impact is expected.

The acquired company has been consolidated from 1 April 2017 onwards. Revenue after the acquisition was EUR 32.9 million and the impact on Group profit for the period of 04-12/2017 was EUR 4.2 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 43.2 million and EUR 5.9 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	
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	
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	
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. No material impact is expected.

The acquired companies have been consolidated from 1 April 2017 onwards. Revenue after the acquisition was EUR 28.4 million and the impact on Group profit for the period of 04-12/2017 was EUR 1.0 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 39.5 million and EUR 1.3 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	
Customer base	4,8
Other intangible assets	0,1
Tangible assets	2,0
Inventories	0,7
Trade and other receivables	13,9
Cash and cash equivalents	3,7
Deferred tax liabilities	-0,6
Financial liabilities	-0,8
Finance lease liabilities	-1,1
Trade payables and other liabilities	-14,6
	8,3

Effects of acquisition on cash flow

EUR million	
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	
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

On 30 June 2017 and on 27 September 2017 the group acquired in total 36,6 per cent of Tampereen Tietoverkko Oy. The acquisition price was EUR 1.2 million. After the acquisition the Group owns all shares of Tampereen Tietoverkko Oy. Due to the acquisition the non-controlling interest decreased by EUR 0.1 million and the Group's equity by EUR 1.1 million.

Disposal of businesses

Disposal of Elisa Kassa and payment terminals business

Elisa Group divested business of payment terminals and Elisa Kassa service on 31 December 2017. The total sales price was EUR 1.6 million and the net assets sold EUR 0.1 million. The divestment resulted in a profit of EUR 1.5 million recorded within other operating income. The whole sales price is paid in cash.

3. Property, plant and equipment and intangible assets

31.12.2017 EUR million	Property plant and equipment	Goodwill	Other intangible assets
Acquisition cost at 1 January 2017	3 575,7	894,8	705,0
Additions	201,6		44,9
Business acquisitions	31,0	133,8	16,2
Disposals	-30,4		-1,5
Business disposals			0,0
Reclassifications	-1,7		0,6
Translation differences	-0,1	-0,1	0,0
Aquisition cost at 31 December 2017	3 776,0	1 028,5	765,1
Accumulated depreciation, amortisation and impairment at 1 January 2017	2 861,8	15,0	544,9
Depreciation, amortisation and impairment	185,3		44,4
Accumulated depreciation and amortisation on disposals and reclassifications	-29,1		-1,4
Translation differences	0,0		0,1
Accumulated depreciation, amortisation and impairment at 31 December 2017	3 018,0	15,0	588,0
Book value at 1 January 2017	713,9	879,8	160,0
Book value at 31 December 2017	758,1	1 013,5	177,1

31.12.2016 EUR million	Property plant and equipment	Goodwill	Other intangible assets
Acquisition cost at 1 January 2016	3 386,8	836,1	638,2
Additions	165,8		60,1 [1]
Business acquisitions	43,4	59,9	8,3
Disposals	-19,9		-1,3
Business disposals	0,4	-0,9	-1,1
Reclassifications	-0,9		0,7
Translation differences	0,1	-0,4	0,0
Aquisition cost at 31 December 2016	3 575,7	894,8	705,0
Accumulated depreciation, amortisation and impairment at 1 January 2016	2 709,4	6,0	503,5
Depreciation, amortisation and impairment	171,8	9,0	42,9
Accumulated depreciation and amortisation on disposals and reclassifications	-19,5		-1,5
Translation differences	0,1		0,0
Accumulated depreciation, amortisation and impairment at 31 December 2016	2 861,8	15,0	544,9
Book value at 1 January 2016	677,4	830,1	134,8
Book value at 31 December 2016	713,9	879,8	160,0

[1] Includes the Finnish 700 MHz spectrum license in carrying amount of EUR 22.0 million

Commitments to purchase property, plant and equipment and intangible assets amounts to EUR 49.7 million (47.2) at 31 December 2017.

4. Carrying amounts of financial assets and liabilities by category

31 December 2017 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	7,8				7,8	7,8
Trade and other receivables		83,7			83,7	83,7
Current financial assets						
Trade and other receivables		407,6			407,6	407,6
	7,8	491,3			499,1	499,1
Non-current financial liabilities						
Financial liabilities				939,6	939,6	979,5
Trade and other payables [2]			0,2	19,8	20,1	20,1
Current financial liabilities						
Financial liabilities				177,8	177,8	177,8
Trade and other payables [2]				343,5	343,5	343,5
			0,2	1 480,8	1 481,0	1 520,9

31 December 2016 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	31.12.2017	Level 1	Level 2	Level 3
Financial assets/liabilities recognised at fair value (1	-0,2		-0,2	
	-0,2		-0,2	

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	31.12.2017	31.12.2016
Publicly listed equity investments and funds (1		33,9
Unlisted equity investments and funds	7,8	5,0
	7,8	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 0.3 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 2016	167 335 073	7 715 129	4,61 %
Disposal of treasury shares		-135 626	
Transfer from common account		221 894	
Shares at 31 December 2017	167 335 073	7 801 397	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 issued 17 March 2017 EUR 300 million bonds maturing 2024. From bonds issued 2012 maturing in 2019 nominal value of EUR 120,002,000 were exchanged to the new 2024 maturing bonds.

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 31 December 2017.

EUR million	**31.12. 2017**	31.12. 2016
Issued bonds, nominal value	**780,0**	600,0
Issued commercial papers	**115,0**	199,0
Withdrawn committed credit lines	**0,0**	130,0

10. Provisions

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

EUR million	**Termination benefits**	**Other**	**Total**
1 January 2016	6,8	2,1	8,9
Increases in provisions	2,8		2,8
Business acquisitions	0,3		0,3
Reversals of unused provisions	-1,5		-1,5
Utilised provisions	-4,0		-4,0
31 December 2016	4,3	2,1	6,4

11. Operating Lease Commitments

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

EUR million	**31.12. 2017**	31.12. 2016
Not later than one year	**28,9**	29,6
Later than one year not later than five years	**39,4**	36,7
Later than five years	**18,4**	26,6
	86,7	93,0

Rental liabilities are exclusive of value added tax except vehicle leasing liabilities.

12. Contingent Liabilities

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

13. Derivative Instruments

EUR million	**31.12. 2017**	31.12. 2016
Nominal values of derivatives		
Electricity derivatives	**2,4**	4,3
	2,4	4,3
Fair values of derivatives		
Electricity derivatives	**-0,2**	-0,8
	-0,2	-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	**1-12/2017**	1-12/2016
Sales	**0,5**	0,5
Purchases	**1,4**	3,0
Receivables	**0,1**	0,2
Liabilities	**0,1**	0,5

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

Key Figures

EUR million	**1-12 2017**	1-12 2016
Shareholders' equity per share, EUR	**6,52**	6,08
Interest bearing net debt	**1 073,1**	1 124,1
Gearing, %	**103,2**	115,7
Equity ratio, %	**40,5**	38,5
Return on investment (ROI), % *)	**23,7**	17,0
Gross investments in fixed assets	**246,4**	226,0
of which finance lease investments	**2,8**	2,5
Gross investments as % of revenue	**13,8**	13,8
Investments in shares and business combinations	**103,7**	107,9
Average number of employees	**4 614**	4 247

*) rolling 12 months profit preceding the reporting date

Financial Calendar

First quarter 2018	18 April 2018
Second quarter 2018	13 July 2018
Third quarter 2018	18 October 2018

Contact Information

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