First Quarter Results 2017

20 April 2017

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ELISA'S INTERIM REPORT JANUARY–MARCH 2017

First quarter 2017

- Revenue amounted to EUR 416 million (390)
- EBITDA was EUR 144 million (137), and EBIT was EUR 89 million (84)
- Profit before taxes amounted to EUR 84 million (77)
- Earnings per share were EUR 0.43 (0.39)
- Cash flow after investments was EUR 63 million (64)

- Mobile ARPU was EUR 17.2 (17.0 in previous quarter)
- Mobile churn was 18.5 per cent (18.2 in previous quarter)
- Mobile service revenue increased by 5.5 per cent to EUR 196 million (186)
- The number of Elisa's mobile subscriptions decreased by 23,900 during the quarter due to decrease in prepaid subscriptions
- The number of fixed broadband subscriptions decreased by 1,500 on the previous quarter
- Net debt / EBITDA was 1.9 (2.0 end 2016) and gearing 101 per cent (116 end 2016)

Key indicators

EUR million	1-3/2017	1-3/2016	Δ %	FY 2016[1)]
Revenue	416	390	6.6	1,636
EBITDA	144	137	5.2	563
EBIT	89	84	5.4	339
Profit before tax	84	77	8.8	320
Earnings per share, EUR	0.43	0.39	8.8	1.61
Capital expenditure	53	44	19.8	226

1) Comparable EBITDA EUR 564m, EBIT EUR 349m, profit before tax EUR 327m and EPS EUR 1.66. Capital expenditure Includes 700 MHz license fee of EUR 22m. Change is calculated using exact figures prior to rounding

Financial position and cash flow

EUR million	31 Mar 2017	31 Mar 2016	End 2016
Net debt	1,062	899	1,124
Net debt / EBITDA[1)]	1.9	1.7	2.0
Gearing ratio, %	101.1	118.1	115.7
Equity ratio, %	39.4	33.8	38.5

EUR million	1-3/2017	1-3/2016	Δ %	FY 2016[2)]
Cash flow after investments	63	64	-1.6	65

1) (Interest-bearing debt – financial assets) / (4 previous quarters' EBITDA exclusive of non-recurring items)
2) Excluding investments in shares EUR 281m. Change is calculated using exact figures prior to rounding

Additional key performance Indicators are available at elisa.com/investors (Elisa Operational Data.xlsx)

CEO Veli-Matti Mattila:

Another excellent result with the continuous improvement of operations

Elisa's competitiveness continued to gain strength. The revenue and earnings grew from the previous year. The revenue growth was due to an increase in mobile revenue, the continuous improvement of Elisa's operations and the development of productivity, as well as the Anvia acquisition. Customer satisfaction forms an important part of productivity. The Net Promoter Score of Elisa's consumer customer service has risen by 30 percentage points over the past three years.

The active use of smart phones and the clear product range of subscriptions steer consumers and corporate customers as well as organisations towards a shift to faster mobile broadband subscriptions. Mobile subscription base declined by 23,900 during the quarter due to decrease in prepaid subscriptions. The postpaid base remained unchanged. The fixed network broadband subscription base decreased by 1,500 subscriptions. Customers value the unlimited data pricing model and the quality of Elisa's network.

The download figures of eBooks began to approach the sales figures of paperbacks. More than 650,000 e-books were downloaded from Elisa Kirja over the past year. Elisa Kirja is Finland's biggest reseller of eBooks. The offering of Elisa Viihde was popular. The new original series *Konttori* (The Office) had a record start in the Aitio programme library. The second season of the *Downshifters* series tripled its viewers compared to the first season. In sports, Elisa announced its cooperation with the Finnish Basketball Association and football league *Miesten Ykkönen*.

We develop and digitalise the operations of business enterprises and organisations. This makes us a strong part of Finnish society. In cooperation with Technopolis, we introduced a new solution that facilitates the mobility of work, providing access to a secure and scalable wireless corporate network outside the office as well. In addition, we introduced the smart car service S-Drive to the market in cooperation with S Group. The new service connects a car and the related corporate ecosystem of other operators supporting motoring to the network. The service collects all data related to driving to an easy-to-use smart phone application.

Elisa made the Nordic countries' first commercial video call in the 700 MHz 4G-network. The new frequency improves mobile broadband coverage particularly indoors. We were the first in Finland to test a cloud-based technology which allows for the flexible transportation of base station capacity. This enables us to provide customers with increasingly fast and reliable connections.

Elisa's employees elected Elisa among Finland's greatest places to work. Elisa 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 invest actively in the employment of young people. Together with its subsidiaries and agencies offering temporary workforce, Elisa will hire 250 young people for summer jobs. We are also taking part in the Responsible Summer Job campaign. We also initiated a project called WORD, which aims to draw attention to the passable level of Finnish boys' reading skills. The project aims to discover new and interesting contents and ways to read them.

We focus on the systematic improvement of the customer experience and our operations. Improving our productivity, developing digital services for our customers and maintaining our strong investment ability create a solid foundation for competitive operations in the future.

INTERIM REPORT JANUARY–MARCH 2017

The interim report has been prepared in accordance with the IFRS recognition and measurement principles, although not all requirements of the IAS 34 standard have been followed. The information presented in this interim report is unaudited.

Market situation

The competitive environment has been intense and active during the first 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 95 per cent of the mobile handsets sold in first 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 consumer online services is also growing.

Revenue, earnings and financial position

Revenue and earnings:

EUR million	1-3/2017	1-3/2016	Δ %	FY 2016[1]
Revenue	416	390	6.6	1,636
EBITDA	144	137	5.2	563
EBITDA-%	*34.6*	*35.0*		*34.4*
EBIT	89	84	5.4	*339*
EBIT-%	*21.3*	*21.6*		*20.7*
Return on equity, %[2]	28.0	29.7		27.1

[1] 2016 Comparable EBITDA EUR 564m, EBITDA-% 34.5, EBIT EUR 349m and EBIT-% 21.4.
[2] Last four quarters profit per average of last four quarters equity
Change is calculated using exact figures prior to rounding

Revenue increased by 7 per cent. Revenue was positively affected by Anvia consolidation, growth in mobile services in both Finland and Estonia, as well as digital services. Lower interconnection and roaming revenue as well as decreases in usage and subscriptions of traditional fixed telecom services, affected revenue negatively.

EBITDA increased by 5 per cent, mainly due to revenue growth and productivity improvement measures as well as Anvia consolidation. EBIT increased by 5 per cent.

Net financial income and expenses were EUR -4 million (-6). Income taxes in the income statement amounted to EUR -16 million (-14). Net profit was EUR 69 million (63), and earnings per share increased by 9 per cent to EUR 0.43 (0.39).

Financial position

EUR million	31 Mar 2017	31 Mar 2016	End 2016
Net debt	1,062	899	1,124
Net debt / EBITDA[1)]	1.9	1.7	2.0
Gearing ratio, %	101.1	118.1	115.7
Equity ratio, %	39.4	33.8	38.5

EUR million	1-3/2017	1-3/2016	Δ %	FY 2016
Cash flow after investments[2)]	63	64	-1.6	65

[1)] (interest-bearing debt – financial assets) / (four previous quarters' EBITDA exclusive of non-recurring items)
[2)] Excluding investments in shares EUR 281m
Change is calculated using exact figures prior to rounding

Cash flow after investments was EUR 63 million (64). Cash flow was positively affected by higher EBITDA and negatively by higher investments and taxes.

Changes in corporate structure

Estonian Competition Authority approved on 20 March 2017 the transaction in which Elisa acquires 100 per cent of AS Starman's share capital from Polaris Invest and Com Holding. Tele2 Eesti AS has challenged the decision to Estonian Competition Authority. The transaction is expected to be closed during April.

On 20 March 2017 Elisa entered into an agreement with Santa Monica Networks (SMN) Group to acquire SMN companies in Finland and Estonia. SMN specialises in secure IT networks and data centre solutions. The Competition Authorities approved the acquisition in April. The transaction is expected to be closed during April.

Consumer Customers business

EUR million	1-3/2017	1-3/2016[1)]	Δ %	FY 2016[1)2)]
Revenue	261	244	7.2	1,029
EBITDA	92	85	7.2	354
EBITDA-%	*35.1*	*35.1*		*34.4*
EBIT	58	53	10.5	211
CAPEX	35	27	27.4	143

[1)] Allocation rules between segments have been specified in 2017 and the comparable figures have been updated
[2)] Comparable EBITDA EUR 355m, EBITDA-% 34.4 and EBIT EUR 220m
Change is calculated using exact figures prior to rounding

Revenue increased by 7 per cent, mainly due to Anvia consolidation, growth in mobile and online services, as well as equipment sales. Lower mobile interconnection and roaming revenue, as well as a decrease in usage and subscriptions of traditional fixed telecom services, affected revenue negatively.

EBITDA increased by 7 per cent, mainly due to Anvia consolidation, increased mobile and online service revenue as well as productivity improvement measures.

Corporate Customers business

EUR million	1-3/2017	1-3/2016[1)]	Δ %	FY 2016[1)2)]
Revenue	155	146	5.7	606
EBITDA	52	51	1.8	209
EBITDA-%	*33.7*	*35.0*		*34.5*
EBIT	31	31	-3.1	129
CAPEX	18	17	7.6	83

1) Allocation rules between segments have been specified in 2017 and the comparable figures have been updated
2) Comparable EBITDA EUR 210m, EBITDA-% 34.6 and EBIT EUR 129m
Change is calculated using exact figures prior to rounding

Revenue increased by 6 per cent. The Anvia consolidation, growth in mobile services and digital services, as well as equipment sales 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.

EBITDA increased by 2 per cent, mainly due to Anvia consolidation, revenue growth and productivity improvement measures.

Personnel

In January–March, the average number of personnel at Elisa was 4,333 (4,114). Employee expenses totalled EUR 74 million (67). Personnel by segment at the end of the period:

	31 Mar 2017	31 Mar 2016	End 2016
Consumer Customers	2,555	2,377	2,424
Corporate Customers	1,840	1,746	1,877
Total	4,395	4,123	4,301

Increase in number of personnel is mainly due to Anvia acquisition in 2016.

Investments

EUR million	2017	2016[1)]	2016[1)]
Capital expenditures, of which	53	44	226
- Consumer Customers	35	27	143
- Corporate Customers	18	17	83
Shares	0	9	108
Total	53	53	334

1) Allocation rules between segments have been specified in 2017 and the comparable figures have been updated

The main capital expenditures related to the capacity and coverage increases in the 4G networks, as well as to other network and IT investments. Full year 2016 investments in shares relate mainly to the ownership increase in Anvia.

Financing arrangements and ratings

Valid financing arrangements

EUR million	Maximum amount	In use on 31 Mar 2017
Committed credit limits	300	80
Commercial paper programme[1)]	250	193
EMTN programme[2)]	1,000	780

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

On 17 March 2017 Elisa issued a seven-year fixed rate EUR 300 million Eurobond. The Interest coupon is 0.875 per cent and the issue price was 99.333 per cent. The bond is issued under Elisa's EUR 1 billion EMTN (Euro Medium Term Note) programme.

At the same time, a tender offer to exchange the 2019 EUR 300 million bonds to new 2024 bonds was announced. A nominal value of EUR 120,002,000 of the 2019 bonds was exchanged for new 2024 bonds. After the arrangements the outstanding amount of the bonds maturing in 2019 is EUR 179,998,000.

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	1-3/2017	1-3/2016	FY 2016
Nasdaq Helsinki, millions	26.7	25.4	105.7
Other marketplaces, millions[1)]	36.1	49.9	190.6
Total volume, millions	62.8	75.3	296.2
Value, EUR million	2,001.8	2,498.1	9,577.1
% of shares	37.6	45.0	177.0

Shares and market values	31 Mar 2017	31 Mar 2016	End 2016
Total number of shares	167,335,073	167,335,073	167,335,073
Treasury shares	7,581,803	7,716,969	7,715,129
Outstanding shares	159,753,270	159,618,104	159,619,944
Closing price, EUR	33.15	34.17	30.93
Market capitalisation, EUR million	5,547	5,718	5,176
Treasury shares, %	4.53	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 Feb 2017[1)]		-133,326	133,326
Shares at 31 Mar 2017	167,335,073	7,581,803	159,753,270

[1)] Stock exchange bulletin 1 February 2017

On 1 February 2017, Elisa transferred 133,326 treasury shares to persons involved in the 2014–2016 performance Share Plan.

Significant legal and regulatory issues

New EU "roam like at home" regulation is coming 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 in 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 data EUR 7.7 per GB decreasing step by step until January 2022.

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 final effects of the new EU regulations regarding roaming and net neutrality are still open, and therefore they may have a financial impact on Elisa's mobile business.

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

Annual General Meeting 2017 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 adopted financial statements for 2016. The dividend was paid 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 (7). 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 was elected as a new member of the Board of Directors.

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

The Annual General Meeting decided on to amend the Articles of Association that the General Meeting of Shareholders shall elect the Chairman and the Deputy Chairman of the Board of Directors. The change is applied from the next 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 forfeit on 6 April 2017. The shares will become Elisa's own shares later. See further details on the stock exchange release *Decisions of Elisa's Annual General Meeting 2017* on 6 April 2017.

In the Board's organising meeting 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.

The Board of Directors' authorisations

The Annual General Meeting 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 2017.

The Board of Directors' authorisation to issue maximum 15 million of the company's shares is still valid until 30 June 2018.

Sale of Comptel shares

On 9 February 2017 Nokia Corporation announced its Cash Tender Offer for Comptel Plc. shares. The sale of Elisa's 13.07 per cent ownership in Comptel was closed on 6 April 2017. The sale price was approximately EUR 43.5 million, which will be booked in financial income in January–June 2017 report.

Outlook and guidance for 2017

The macroeconomic environment in Finland is still expected to be weak in 2017, regardless of some positive developments. Competition in the Finnish telecommunications market also remains challenging.

Revenue is estimated to be higher than in 2016. 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, like 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	1-3 2017	1-3 2016	1-12 2016
Revenue	1	**415,9**	390,0	1 635,7
Other operating income		**0,7**	0,5	4,4
Materials and services		**-156,8**	-144,7	-626,4
Employee expenses		**-74,1**	-66,6	-274,8
Other operating expenses		**-42,0**	-42,6	-175,9
EBITDA	1	**143,7**	136,7	563,0
Depreciation, amortisation and impairment		**-55,1**	-52,6	-223,8
EBIT	1	**88,6**	84,0	339,3
Financial income		**1,2**	0,7	6,8
Financial expense		**-5,5**	-6,3	-24,6
Share of associated companies' profit		**0,0**	-1,0	-1,4
Profit before tax		**84,3**	77,5	320,0
Income taxes		**-15,7**	-14,4	-62,6
Profit for the period		**68,6**	63,0	257,4
Attributable to:				
Equity holders of the parent		**68,5**	62,9	257,1
Non-controlling interests		**0,0**	0,1	0,3
		68,6	63,0	257,4
Earnings per share (EUR)				
Basic		**0,43**	0,39	1,61
Diluted		**0,43**	0,39	1,61
Average number of outstanding shares (1000 shares)				
Basic		**159 706**	159 575	159 608
Diluted		**159 706**	159 575	159 608

Consolidated Statement of Comprehensive Income

	1-3 2017	1-3 2016	1-12 2016
Profit for the period	**68,6**	63,0	257,4
Other comprehensive income, net of tax			
Items which may be reclassified subsequently to profit or loss:			
Financial assets available-for-sale	**9,6**	-4,1	7,7
Cash flow hedge	**-0,3**	-0,5	0,5
Translation difference	**0,1**	-0,1	0,0
	9,4	-4,8	8,3
Items which are not reclassified subsequently to profit or loss:			
Remeasurements of the net defined benefit liability			-0,3
Total comprehensive income	**77,9**	58,2	265,4
Total comprehensive income attributable to:			
Equity holders of the parent	**77,9**	58,2	265,1
Non-controlling interest	**0,0**	0,1	0,3
	77,9	58,2	265,4

Consolidated Statement of Financial Position

EUR million	31.3. 2017	31.12. 2016
Non-current assets		
Property, plant and equipment	**713,9**	713,9
Goodwill	**879,7**	879,8
Other intangible assets	**158,1**	160,0
Investments in associated companies	**2,2**	2,2
Financial assets available-for-sale	**48,5**	38,9
Deferred tax assets	**24,5**	24,6
Trade and other receivables	**72,8**	74,8
	1 899,8	1 894,3
Current assets		
Inventories	**52,4**	55,0
Trade and other receivables	**510,1**	537,0
Tax receivables	**0,4**	2,2
Cash and cash equivalents	**215,6**	44,5
	778,4	638,7
Total assets	**2 678,2**	2 533,0

Equity attributable to equity holders of the parent	**1 050,4**	970,8
Non-controlling interests	**0,5**	0,5
Total shareholders' equity	**1 050,9**	971,3
Non-current liabilities		
Deferred tax liabilities	**27,2**	28,5
Pension obligations	**16,6**	16,6
Provisions	**3,4**	3,5
Financial liabilities	**992,7**	827,3
Trade payables and other liabilities	**33,9**	34,0
	1 073,9	909,8
Current liabilities		
Trade and other payables	**263,1**	307,7
Tax liabilities	**1,0**	0,0
Provisions	**4,2**	2,9
Financial liabilities	**285,1**	341,2
	553,5	651,9
Total equity and liabilities	**2 678,2**	2 533,0

Condensed Consolidated Statement of Cash Flows

EUR million	1-3 2017	1-3 2016	1-12 2016
Cash flow from operating activities			
Profit before tax	**84,3**	77,5	320,0
Adjustments			
Depreciation, amortisation and impairment	**55,1**	52,6	223,8
Other adjustments	**6,4**	5,6	14,7
	61,5	58,2	238,5
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables	**11,7**	2,0	-3,0
Increase (-) / decrease (+) in inventories	**2,8**	6,4	0,6
Increase (+) / decrease (-) in trade and other payables	**-14,5**	-5,6	11,9
	0,0	2,8	9,4
Financial items, net	**-9,9**	-9,7	-16,3
Taxes paid	**-14,0**	-12,6	-65,1
Net cash flow from operating activities	**121,9**	116,1	486,5
Cash flow from investing activities			
Capital expenditure	**-55,8**	-44,0	-208,9
Investments in shares and business combinations	**-3,2**	-8,7	-49,1
Loans granted			-167,0
Proceeds from asset disposal	**0,1**	0,5	3,8
Net cash used in investing activities	**-58,9**	-52,1	-421,3
Cash flow before financing activities	**63,0**	64,0	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	**-56,0**	-25,0	158,5
Repayment of finance lease liabilities	**-0,9**	-1,3	-4,4
Dividends paid	**-0,1**	0,0	-223,2
Net cash used in financing activities	**108,1**	-31,7	-49,9
Change in cash and cash equivalents	**171,1**	32,3	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	**215,6**	61,4	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					62,9	0,1	**63,0**
Translation differences					-0,1		**-0,1**
Financial assets available-for-sale				-4,1			**-4,1**
Cash flow hedge				-0,5			**-0,5**
Total comprehensive income				-4,7	62,8	0,1	**58,2**
Dividend distribution					-223,5		**-223,5**
Share-based compensation		2,6			0,9		**3,5**
Other changes					-2,6		**-2,6**
Balance at 31 March 2016	83,0	-142,9	90,9	393,1	336,9	0,6	**761,6**

EUR million							
Balance at 1 January 2017	83,0	-142,9	90,9	405,7	534,1	0,5	**971,3**
Profit for the period					68,5	0,0	**68,6**
Translation differences					0,1		**0,1**
Financial assets available-for-sale				9,6			**9,6**
Cash flow hedge				-0,3			**-0,3**
Total comprehensive income				9,3	68,6	0,0	**77,9**
Share-based compensation		2,6			1,7		**4,3**
Other changes					-2,6		**-2,6**
Balance at 31 March 2017	83,0	-140,2	90,9	415,0	601,7	0,5	**1 050,9**

Notes

ACCOUNTING PRINCIPLES

The Interim report has been prepared in accordance with the IFRS recognition and measurement principles, although all requirements of IAS 34 Interim Financial Reporting have not been followed. The information has been prepared in accordance with International Financial Reporting Standards (IFRS) effective at the time of preparation and adopted for use by 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 31 March 2017 was EUR 90,9 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

1-3/2017 EUR million	Consumer Customers	Corporate Customers	Unallocated Items	Group Total
Revenue	261,2	154,7		415,9
EBITDA	91,6	52,1		143,7
Depreciation, amortisation and impairment	-33,5	-21,6		-55,1
EBIT	58,1	30,5		88,6
Financial income			1,2	1,2
Financial expense			-5,5	-5,5
Share of associated companies' profit			0,0	0,0
Profit before tax				84,3
Investments	34,8	18,4		53,2

1-3/2016 EUR million	Consumer Customers	Corporate Customers	Unallocated Items	Group Total
Revenue	243,7	146,3		390,0
EBITDA [1)]	85,5	51,2		136,7
Depreciation, amortisation and impairment [1)]	-32,9	-19,7		-52,6
EBIT [1)]	52,6	31,5		84,0
Financial income			0,7	0,7
Financial expense			-6,3	-6,3
Share of associated companies' profit			-1,0	-1,0
Profit before tax				77,5
Investments [1)]	27,3	17,1		44,4

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 1-3/2016 Consumer Customers EBITDA was EUR 89.0 million, depreciation, amortisation and impairment EUR -29.1 million, EBIT EUR 59.9 million and investments EUR 24.7 million. Corporate Customers EBITDA was EUR 47.6 million, depreciation, amortisation and impairment EUR -23.5 million, EBIT EUR 24.2 million and investments EUR 19.7 million.

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 bee 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 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. Operating Lease Commitments

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

EUR million	**31.3. 2017**	31.12. 2016
Not later than one year	**30,7**	29,6
Later than one year not later than than five years	**39,0**	36,7
Later than five years	**21,2**	26,6
	90,9	93,0

3. Contingent Liabilities

EUR million	**31.3. 2017**	31.12. 2016
For our own commitments		
Mortgages	**1,2**	1,2
Pledged securities		0,1
Deposits	**0,7**	0,7
Guarantees	**1,1**	1,1
On behalf of others		
Guarantees	**0,5**	0,5
Other	**0,0**	
	3,5	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

4. Derivative Instruments

EUR million	**31.3. 2017**	31.12. 2016
Nominal values of derivatives		
Electricity derivatives	**3,8**	4,3
Fair values of derivatives		
Electricity derivatives	**-1,1**	-0,8

Key Figures

EUR million	1-3 2017	1-3 2016	1-12 2016
Shareholders' equity per share, EUR	**6,58**	4,77	6,08
Interest bearing net debt	**1 062,3**	899,1	1 124,1
Gearing, %	**101,1**	118,1	115,7
Equity ratio, %	**39,4**	33,8	38,5
Return on investment (ROI), % *)	**16,8**	17,3	17,0
Gross investments in fixed assets	**53,2**	44,4	226,0
of which finance lease investments	**0,5**	0,7	2,5
Gross investments as % of revenue	**12,8**	11,4	13,8
Investments in shares and business combinations	**0,1**	8,6	107,9
Average number of employees	**4 333**	4 114	4 247

*) rolling 12 months profit preceding the reporting date

Financial Calendar

Second quarter 2017	14 July 2017
Third quarter 2017	18 October 2017

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