2017

Financial statements

Contents

The report of the Board of Directors 2017

The Financial report has been prepared in accordance with the International Financial Reporting Standards (IFRS).

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	2015
Revenue	1,787	1,636	1,569
EBITDA	608	563	532
Comparable EBITDA [1]	613	564	536
EBITDA-%	34.0	34.4	33.9
Comparable EBITDA-%	34.3	34.5	34.1
EBIT	378	339	312
Comparable EBIT [1]	384	349	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.

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. 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).

Financial position

EUR million	31 Dec. 2017	31 Dec. 2016	31 Dec. 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)

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.

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	1–12/2017	1–12/2016
Revenue	1,125	1,029
EBITDA	388	354
Comparable EBITDA	391	355
EBITDA-%	34.5	34.4
Comparable EBITDA-%	34.8	34.4
EBIT	247	211
Comparable EBIT	250	220
CAPEX	164	143

Changes have been calculated using exact figures prior to rounding

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.

Corporate Customers business

EUR million	1–12/2017	1–12/2016
Revenue	663	606
EBITDA	219	209
Comparable EBITDA	222	210
EBITDA-%	33.1	34.5
Comparable EBITDA-%	33.5	34.6
EBIT	131	129
Comparable EBIT	134	129
CAPEX	82	83

Changes have been calculated using exact figures prior to rounding

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.

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:

	31 Dec. 2017	31 Dec. 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	1–12/2017	1–12/2016
Capital expenditure, of which	246	226
– Consumer Customers	164	143
– Corporate Customers	82	83
Shares	104	108
Total	350	334

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) Domestic commercial paper programme, 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	1–12/2017	1–12/2016
Nasdaq Helsinki, millions	104.5	105.7
Other marketplaces, millions [1]	151.9	190.6
Total volume, millions	256.5	296.2
Value, EUR million	8,627.8	9,577.1
% of shares	153.3	177.0

Shares and market values	31 Dec. 2017	31 Dec. 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, corresponding to 0.6 per cent (0.7) of revenue. EUR 8 million (10) of research and development costs was capitalised in 2017.

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 consolidated financial statements.

Corporate responsibility and non-financial reporting

Elisa will publish its fifth verified responsibility report as part of the Annual Report 2017. 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.

Corporate Governance Statement

Elisa has published a Corporate Governance Statement on 31 January 2018.

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

Consolidated income statement

EUR million	Note	2017	2016
Revenue	1, 4	1,787.4	1,635.7
Other operating income	5	5.7	4.4
Materials and services	6	–695.6	–626.4
Employee expenses	7, 27	–304.0	–274.8
Other operating expenses	8	–185.8	–175.9
EBITDA	1	**607.7**	**563.0**
Depreciation, amortisation and impairment	1, 10	–229.7	–223.8
EBIT	1	**378.0**	**339.3**
Financial income	11	49.1	6.8
Financial expenses	11	–23.9	–24.6
Share of associated companies' profit		0.0	–1.4
Profit before tax		**403.2**	**320.0**
Income taxes	12	–66.5	–62.6
Profit for the period		**336.7**	**257.4**
Attributable to			
Equity holders of the parent		336.6	257.1
Non-controlling interests		0.1	0.3
		336.7	257.4
Earnings per share (EUR)			
Basic	13	2.11	1.61
Diluted	13	2.11	1.61
Average number of outstanding shares (1,000 shares)			
Basic	13	159,607	159,608
Diluted	13	159,607	159,608

Consolidated statement of comprehensive income

EUR million	Note	2017	2016
Profit for the period		**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	19	–34.7	7.7
Cash flow hedge		0.3	0.5
Translation differences		–0.2	0.0
		–34.6	8.3
Items which are not reclassified subsequently to profit or loss			
Remeasurements of the net defined benefit liability	28	0.3	–0.3
Total comprehensive income		**302.4**	**265.4**
Total comprehensive income attributable to			
Equity holders of the parent		302.4	265.1
Non-controlling interests		0.1	0.3
		302.4	265.4

Consolidated statement of financial position

EUR million	Note	31 Dec. 2017	31 Dec. 2016
ASSETS			
Non-current assets			
Property, plant and equipment	14	758.1	713.9
Goodwill	15	1,013.5	879.8
Other intangible assets	15	177.1	160.0
Investments in associated companies	16, 35	1.9	2.2
Financial assets available-for-sale	17–19	7.8	38.9
Deferred tax assets	21	16.9	24.6
Trade and other receivables	18, 20	83.7	74.8
		2,058.9	1,894.3
Current assets			
Inventories	22	68.3	55.0
Trade and other receivables	23	407.6	537.0
Tax receivables		1.2	2.2
Cash and cash equivalents	24	44.3	44.5
		521.5	638.7
TOTAL ASSETS	1	2,580.4	2,533.0
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		83.0	83.0
Treasury shares		-140.2	-142.9
Reserve for invested non-restricted equity		90.9	90.9
Contingency reserve		3.4	3.4
Fair value reserve		-12.8	21.3
Other funds		381.0	381.0
Retained earnings		634.2	534.1
Equity attributable to equity holders of the parent	26, 27	1,039.6	970.8
Non-controlling interests		0.1	0.5
TOTAL SHAREHOLDERS' EQUITY		1,039.7	971.3

EUR million	Note	31 Dec. 2017	31 Dec. 2016
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	21	23.5	28.5
Pension obligations	28	16.0	16.6
Provisions	29	2.5	3.5
Financial liabilities	30	939.6	827.3
Trade payables and other liabilities	17, 25, 31	25.1	34.0
		1,006.8	909.8
Current liabilities			
Trade and other payables	17, 25, 31	349.8	307.7
Tax liabilities		0.1	0.0
Provisions	29	6.2	2.9
Financial liabilities	30	177.8	341.2
		533.8	651.9
TOTAL LIABILITIES		1,540.6	1,561.7
TOTAL EQUITY AND LIABILITIES		2,580.4	2,533.0

Consolidated statement of cash flows

EUR million	Note	2017	2016
Cash flow from operating activities			
Profit before tax		403.2	320.0
Adjustments			
Depreciation, amortisation and impairment	10	229.7	223.8
Financial income (-) and expenses (+)		-25.2	17.8
Gains (-) and losses (+) on the disposal of fixed assets		-2.1	-0.7
Increase (+) / decrease (-) in provisions in the income statement		2.2	-2.8
Other adjustments		-3.6	0.4
		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
Dividends received		0.1	3.5
Interest received		4.2	2.2
Interest paid		-19.3	-22.0
Taxes paid		-63.6	-65.1
Net cash flow from operating activities		500.8	486.5

EUR million	Note	2017	2016
Cash flow from investing activities			
Investment in shares and business combinations		–35.6	–25.0
Investment in associates			–23.9
Contingent consideration of subsidiaries		–1.0	–0.2
Investment in financial assets available-for-sale		–2.8	
Capital expenditure		–254.8	–208.9
Proceeds from disposal of subsidiaries and businesses			2.4
Proceeds from sale of financial assets available-for-sale		44.4	0.4
Proceeds from disposal of tangible and intangible assets		4.0	1.0
Loans granted			–167.0
Repayment of loan receivables		44.8	
Net cash flow 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 the period		44.5	29.1
Cash and cash equivalents at the end of the period	24	44.3	44.5

Consolidated statement of changes in shareholders' equity

	Equity attributable to equity holders of the parent							
EUR million	Share capital	Treasury shares	Reserve for invested non-restricted equity	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 Jan. 2016	83.0	–145.5	90.9	397.7	499.3	925.5	0.5	925.9
Profit for the period					257.1	257.1	0.3	257.4
Translation differences					0.0	0.0		0.0
Financial assets available-for-sale				7.7		7.7		7.7
Cash flow hedge				0.5		0.5		0.5
Remeasurements of the net defined benefit liability				–0.3		–0.3		–0.3
Total comprehensive income				8.0	257.1	265.1	0.3	265.4
Dividend distribution					–223.5	–223.5	–0.4	–223.9
Share-based compensation		2.7			3.4	6.1		6.1
Other changes					–2.3	–2.3		–2.3
Balance at 31 Dec. 2016	83.0	–142.9	90.9	405.7	534.1	970.9	0.5	971.3
Profit for the period					336.6	336.6	0.1	336.7
Translation differences					–0.2	–0.2		–0.2
Financial assets available-for-sale				–34.7		–34.7		–34.7
Cash flow hedge				0.3		0.3		0.3
Remeasurements of the net defined benefit liability				0.3		0.3		0.3
Total comprehensive income				–34.1	336.4	302.4	0.1	302.4
Dividend distribution					–239.6	–239.6	–0.3	–240.0
Share-based compensation		2.7			6.7	9.4		9.4
Acquisition of non-controlling interests without a change in control					–1.1	–1.1	–0.1	–1.2
Other changes					–2.2	–2.2	0.1	–2.1
Balance at 31 Dec. 2017	83.0	–140.2	90.9	371.6	634.2	1,039.6	0.1	1,039.7

Notes to the consolidated financial statements

Basic information on the Group

Elisa Corporation ("Elisa" or "the Group") engages in telecommunications activities and provides ICT and online services in Finland and in selected international market areas. The parent company of the Group is Elisa Corporation ("the parent") domiciled in Helsinki, and its registered address is Ratavartijankatu 5. The shares of the parent company, Elisa Corporation, have been listed on the Nasdaq Helsinki since 1997.

On 30 January 2018 Elisa Corporation's Board of Directors accepted this financial statement for publication. A copy of the consolidated financial statements is available from Elisa's head office at Ratavartijankatu 5, Helsinki, or on the company's website at corporate.elisa.com.

Basis of presentation of financial statements

Elisa's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), including adherence to IAS and IFRS standards and SIC and IFRIC interpretations valid as at 31 December 2017. In the Finnish Accounting Act and the provisions issued pursuant to it, the International Financial Reporting Standards refer to standards and interpretations that have been approved for application in the EU according to the procedures provided for in EU regulation (EC) No. 1606/2002 ("IFRS"). The notes to the consolidated financial statements are also compliant with Finnish accounting and corporate legislation.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets available-for-sale, financial assets and liabilities recognised at fair value through profit or loss, share-based payments and derivatives. The financial statements are presented in EUR million and the figures are rounded to one decimal place.

The preparation of consolidated financial statements in conformity with IFRS requires the application of judgment by the Group management in making estimates and decisions. Information on decisions requiring management judgment on the application of appropriate accounting principles that have a material impact on the consolidated financial statements are presented in the accounting principles under "Accounting policies that require management's judgments and sources of estimation uncertainty".

Applied new and revised standards and interpretations

The Annual Improvements of IFRS standards adopted as of 1 January 2017 did not have an impact on the consolidated financial statement.

Consolidated accounting principles

Consolidation principles

Subsidiaries

The consolidated financial statements include the parent company, Elisa Corporation, and those subsidiaries over which the Group has control. Control is obtained when the Group is exposed, or has the right, to variable returns through its power over the entity.

Subsidiaries are consolidated from the date the Group obtains control and divested companies until the loss of control. The acquisition method is used in the accounting for the elimination of internal ownership. All intra-group transactions, gains on the sale of inventories and fixed assets, intra-group receivables, payables and dividends are eliminated.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. As at the date when control is lost, any investment retained in the former subsidiary is recognised at fair value and the difference is recorded through profit or loss. Identifiable assets acquired and assumed liabilities are measured at their fair value as of the acquisition date. Changes in the contingent consideration and acquisition related expenses are recognised as an expense in the income statement. In a business combination carried out in stages, the previously held equity interest in the acquiree is measured again at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss. A gain resulting from a bargain purchase is recognised in profit or loss.

Non-controlling interests are measured either at the amount which equals proportionate share of the non-controlling interests in the recognised amounts of the acquiree's identifiable net assets or at fair value. The method to be used is selected on a case-by-case basis. Changes in non-controlling interests are recognised in retained earnings.

Profit for the period attributable to the equity holders of the parent and non-controlling interests is presented separately in the consolidated income statement. Non-controlling interests are presented separately from the equity of the owners of the parent in the consolidated statement of financial position. Losses exceeding the share of ownership are allocated to non-controlling interests.

Associated companies

Associated companies are entities over which the Group exercises significant influence. Significant influence is presumed to exist when the Group owns over 20 per cent of the voting rights of the company or when the Group otherwise exercises significant influence but does not exercise control. Associated companies are consolidated in accordance with the equity method. If the Group's share of losses of an associated company exceeds its interest in the associated company, the investment is recognised on the balance sheet at zero value and the Group discontinues recognising its share of further losses unless the Group has other obligations for the associated company. Associated companies are consolidated from the date the Group obtains significant influence and divested companies are consolidated until the loss of significant influence.

Joint arrangements

Joint arrangements are arrangements over which the Group exercises joint control with one or more parties. A joint arrangement is either a joint operation or a joint venture. A joint venture is a joint arrangement where the Group has rights to the net assets of the arrangement. A joint operation is a joint arrangement where the Group has rights to the assets and obligations for the liabilities relating to the arrangement. The only joint arrangement owned by the Group is a joint operation which is consolidated using the proportional consolidation method.

Foreign currency items

The consolidated financial statements have been presented in the euros, which is the functional and presentation currency of the parent company.

Transactions in foreign currencies

Transactions in foreign currencies are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. Monetary items have been translated into the functional currency using the rates of exchange as at year-end and non-monetary items using the rates of exchange on the dates of the transactions, excluding items measured at fair value, which have been translated using the rates of exchange on the date of valuation. Gains and losses arising from the translation are recognised in profit or loss. Foreign exchange gains and losses from operations are included within the corresponding items above EBIT. Foreign exchange gains and losses from loans denominated in a foreign currency are included within financial income and expenses.

Translation of foreign Group companies' financial statements

The income statements of foreign Group companies are translated into euros using the average rate of exchange of the financial year and the statements of financial position using the rates of exchange as at year-end. Differences resulting from the translation of the result for the period at a different rate on the income statement and in the statement of financial position are recognised in other comprehensive income as translation differences within consolidated shareholders' equity.

Revenue recognition principles

Revenue includes normal sales income from business operations less taxes related to sales and discounts granted. Sales are recognised once the service has been rendered to the customer or once the significant risks and rewards related to the ownership of the goods have been transferred to the buyer. Service revenue is recognised when it is probable that economic benefit will flow to the Group and when the income and costs associated with the transaction can be measured reliably. Revenue and expenses related to long-term projects are recognised on the basis of the percentage of completion when the final outcome of the project can be estimated reliably. The percentage of completion is determined as a proportion of hours worked to the estimated total number of hours of work. When it is likely that total costs to complete the project will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group revenue consists mainly of income from voice and data traffic, periodic fees, opening fees and maintenance fees, as well as income from equipment sales. Sales are recognised as revenue once the service has been rendered either on the basis of realised traffic volumes or the validity of a contract. Opening fees are recognised at the time of connection. Revenues from prepaid mobile phone cards are recognised over the period of realised use of the cards. Service fees invoiced from a customer on behalf of a third-party content service provider are not recognised as revenue.

A service contract may include the delivery or rendering of a product and a service or access right (service bundle). The share of revenue attributable to the product is recognised separately from the service revenue.

Long-term service contracts covering a wide range of communications services for corporate customers are recognised over the term of the contract. Customers are usually not entitled to redeem the equipment at the end of the service period.

Customers belonging to loyalty programs are entitled to certain discounts on services and products provided by the Group. Discounts earned by customers are recognised as reduction of revenue. The Group does not currently have any valid loyalty programs.

EBITDA

Earnings before interest, taxes, depreciation and amortisation ("EBITDA") stands for revenue and other operating income less operating expenses (materials and services adjusted by change in inventories, employee expenses and other operating expenses).

EBIT

Earnings before interest and taxes ("EBIT") stands for revenue and other operating income less operating expenses (materials and services adjusted by change in inventories, employee expenses and other operating expenses), depreciation and amortisation.

Current taxes and deferred taxes

The tax expense in the income statement comprises current tax and deferred tax. Income taxes for the financial year are calculated from taxable profit with reference to a valid tax rate and are adjusted by any previous years' taxes.

Deferred taxes are calculated from all temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The principal temporary differences arise from tax losses carried forward, depreciation differences and fair value measurements in business combinations. Deferred tax is not recognised on goodwill impairment, which is not deductible for tax purposes. Deferred tax is not recognised on non-distributable profits of subsidiaries as far as there is no profit distribution decision in the foreseeable future. No deferred tax is recognised on valuation differences of shares for which the gain on sale would be tax-deductible.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax liabilities are recognised on the balance sheet in total.

Interest and dividends

Interest income and interest expenses are recognised using the effective interest method, and dividend income is recognised when the right to receive payment is established.

Intangible Assets

Goodwill

Goodwill arising from business combinations prior to 2004, is accounted for in accordance with the previous financial statements regulations and the book value is the assumed IFRS acquisition cost. Business combinations incurring between 1 January 2004 and 31 December 2009 have been accounted for in accordance with IFRS 3 (2004). Goodwill arising from business combinations incurring after 1 January 2010 represents the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable net assets acquired and the amount of non-controlling interest and in a business combination achieved in stages, the acquisition-date fair value of the equity interest.

Goodwill is not amortised. Goodwill is tested for impairment annually or more frequently if events or circumstances indicate a potential impairment. For the purpose of impairment testing, goodwill is allocated to the cash-generating units (CGU's) including Consumer Customers and Corporate Customers. Goodwill is carried at its cost less any accumulated impairment losses.

Research and development

Research costs are recorded as an expense in the income statement. Development expenses are recognised in the statement of financial position from the date the product is technically feasible, it can be utilised commercially and future economic benefit is expected from the product. Otherwise development costs are recorded as an expense. Development costs initially recognised as expenses are not capitalised at a later date.

Other intangible assets

An intangible asset is recognised only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. Subsequent costs related to intangible assets are capitalised only if the future economic benefits that will flow to the Group exceed the level of performance originally assessed. In other cases, the costs are recognised as an expense as incurred.

Other intangible assets are measured at original acquisition cost and amortised on a straight-line basis over their estimated useful life. In connection with business combinations, intangible assets (such as customer base and brand) are measured at fair value.

Amortisation periods for intangible assets:

Customer base	4–5 years
Brand	10 years
Development expenses	3 years
IT software	5 years
Other intangible assets	3–10 years

Property, plant and equipment

Property, plant and equipment are recognised in the statement of financial position at the original cost. Property, plant and equipment are stated at cost less accumulated depreciation and impairments. Depreciation is recorded on a straight-line basis over the useful lives. The residual value and the useful life of an asset is reviewed at year-end and adjusted as necessary.

Subsequent costs, such as renewals and major renovation projects, are capitalised when it is probable that future economic benefits will flow to the Group. Ordinary repair, service and maintenance costs are recognised as an expense during the financial period in which they are incurred.

Expected useful lives of property, plant and equipment:

Buildings and constructions	25–40 years
Machinery and equipment in buildings	10–25 years
Telecommunications network (line, backbone, area, subscription, cable TV)	8–15 years
Exchanges and concentrators (fixed and mobile core)	6–10 years
Equipment for the network and exchanges	3–8 years
Telecommunication terminals	2–4 years
Other machinery and equipment	3–5 years

Land areas are not depreciated.

Government grants

Government grants related to the acquisition of property, plant and equipment, are recorded as a reduction of the carrying value of property, plant and equipment. The grants are recognised in income as lower depreciation charges over the useful life of the asset.

Government grants associated with development projects are recognised as other operating income when the related costs are recognised as expenses. Government grants associated with capitalised development costs are recorded as a reduction of cost.

Financial assets and liabilities

Financial assets

The Group classifies its financial assets as financial assets at fair value through profit or loss, loans and receivables and financial assets available-for-sale. The classification of financial assets takes place at initial recognition and depends on the purpose for which the financial assets were acquired. The purchases and sales of financial assets are recognised on the settlement date. Financial assets are derecognised once the contractual rights to the cash flows from the financial asset expire or once all the risks and rewards of ownership of the financial asset have substantially been transferred outside the Group.

Financial assets recognised at fair value through profit or losses are included in current assets. This category includes money market funds and commercial paper. Investments in money market funds consist of funds that make investments in high-quality euro-denominated fixed income securities issued by enterprises and public corporations operating in the European Economic Area. Commercial paper consists of debt securities issued by Finnish companies with good credit rating. Both realised and unrealised gains and losses from changes in fair value are recognised in profit or loss during the financial period in which they incur.

Derivatives are recognised at fair value as financial assets or liabilities on the date of acquisition and are subsequently measured again at their fair value. The recognition of changes in the fair value of derivatives depends on the use of the derivative contract. Outstanding derivatives that do not qualify for hedge accounting are recognised at fair value and the changes in fair value are immediately recognised within the financial items in the income statement. The fair value of derivatives is expected to approximate the quoted market price or, if this is not available, fair value is estimated using commonly used valuation methods.

The Group applies hedge accounting for electricity price risk and treats derivative contracts as cash flow hedges. The effective portion of derivatives that qualify for hedge accounting is recognised in the revaluation reserve of equity (included in the item ”Other reserves”). The gains and losses in equity accumulated from the hedging instrument are recognised in the income statement when the hedged item affects the profit or loss. The ineffective portion is recognised in the income statement in other operative income or expenses. The change in the revaluation reserve recognised in equity is presented in the statement of comprehensive income under cash flow hedging. Hedge accounting is discontinued when the hedging instrument expires or is sold or the contract is terminated or exercised. Any cumulative gains or losses existing in equity at that time remain in equity until the predicted transaction has occurred.

Loans and receivables are valued at amortised cost and are included either in current financial assets, or in non-current financial assets if they fall due within more than 12 months. In addition to loan receivables, this category includes trade receivables and other receivables. Trade receivables are recognised at the original invoiced amount. The Group recognises an impairment loss on trade receivables if the payment is delayed by more than 90 days or if a sales receivable is considered to be finally lost. To the extent that trade receivables are sold, the impairment loss is reduced.

Financial assets available-for-sale are included in non-current assets. Equity investments, excluding investments in associated companies and mutual real estate companies, are classified as financial assets available-for-sale and are generally measured at fair value. Values of securities that cannot be measured reliably are reported at cost less impairment. Fair values of financial assets available-for-sale are measured either on the basis of the value of comparable companies, using the discounted cash flow method or by using quoted market rates. Changes in the fair value of equity investments are recognised in other comprehensive income. When the equity investment is sold, accumulated changes in fair value are released from shareholders' equity and recognised in profit or loss.

Items measured at fair value are categorised using the three-level value hierarchy. Level 1 includes instruments with quoted prices in active markets. Listed shares owned by the Group are categorised at Level 1. Level 2 includes instruments with observable prices based on market data. The Group's electricity derivatives are categorised at Level 2. Level 3 includes instruments with prices that are not based on verifiable market data but instead on the company's internal information, for example. The contingent consideration relating to business combinations are categorised at Level 3. See Note 17.

Cash and cash equivalents consist of cash at bank and in hand, short-term bank deposits and other short-term highly liquid investments with maturity less than three months.

Financial liabilities

Financial liabilities are initially recognised at fair value equaling the net proceeds received. Financial liabilities are subsequently measured at amortised cost by using the effective interest method. Transaction costs are included within the cost of financial liabilities. Financial liabilities are recorded in non-current and current liabilities and they may be non-interest-bearing or interest-bearing.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that an asset is impaired. If such evidence exists, the recoverable amount of the asset is assessed. Regardless of any existence of impairment indications, the recoverable amount of goodwill and intangible assets under construction are also annually assessed. The Group does not have any intangible assets with an indefinite useful life. The need for impairment is assessed at the level of cash-generating units.

The recoverable amount of the asset is its fair value less costs of disposal or its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset item or a cash-generating unit. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. An impairment loss is recognised immediately in the income statement. If an impairment loss is allocated to a cash-generating unit, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit on a pro rata basis. An impairment loss is reversed if there are indications that a change in circumstances has taken place and the asset's recoverable amount has changed since the impairment loss was recognised. However, the reversal of an impairment loss will never exceed the carrying amount of the asset had no impairment loss been recognised. An impairment loss recognised for goodwill is never reversed under any circumstances.

Inventories

Inventories are stated at the cost of an acquisition or at the net realisable value if lower than the cost. The cost is determined using a weighted average price.

Treasury shares

Elisa shares owned by the parent company (treasury shares) are reported as a deduction from equity.

Provisions and contingent liabilities

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Contingent liabilities are possible obligations that arise from past events and their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent liabilities also include present obligations that arise from past events but where it is not probable that an outflow of resources will be required to settle the obligations or the amount of the obligations cannot be measured with sufficient reliability. Contingent liabilities are not recognised in the statement of financial position. Contingent liabilities are presented in the notes.

Employee benefits

Pension obligations

Pensions are classified as either defined contribution or defined benefit plans. In a defined contribution plan, the Group has no legal or constructive obligation to pay further contributions if the fund is unable to pay all employees the benefits relating to employee service. The premiums for defined contribution pension plans are recognised as expenses during the financial year in which they incur. A defined benefit plan is a pension plan that is not a defined contribution plan.

The Group's defined benefit obligation has been calculated separately from each plan by using the projected unit credit method. Pension expenses calculated by authorised actuaries are recognised in profit or loss over the employees' working lives. The rate used to discount the present value of the defined benefit obligation is determined by reference to market yields of high-quality corporate bonds if such information is not available, the market yields on government bonds are used. The maturity of corporate bonds and government bonds are substantially consistent with the maturity of pension obligations. The present value of defined benefit obligation is reduced by the fair value of the plan assets at the end of the reporting period. The net defined benefit pension liability is recognised in the statement of financial position.

Current service cost and net interest of the net defined benefit liability are recorded in employee expenses in the income statement. The remeasurements of the net defined benefit liability, for example actuarial gains and losses and the return on plan assets, are recognised in other comprehensive income during the financial period in which they incur.

Performance-based bonus scheme and personnel fund

All employees are included in a performance, incentive or commission -based bonus scheme. The Group also has a personnel fund. The costs for the performance-based bonus scheme and personnel fund are recognised on an accrual basis, and the costs are based on the best available estimate of realised amounts.

Share-based incentives

The aim of the Group's share-based incentive plans is the long-term commitment of senior management to the improvement of the Elisa's value. The amount of the possible award to be paid is tied to the accomplishment of the related targets. Share-based incentive plans are measured at fair value at the date of granting and are charged to the income statement as follows: the cash portion of the reward is allocated until the end of the month preceding the month of the actual payment and the share portion of the reward is allocated over the restriction period. The proportion settled in shares is recognised in equity, while the proportion settled in cash is recognised as a liability. If the assumption regarding the realised number of shares changes, an adjustment is recorded through profit and loss. The fair value of the portion settled in cash shall be reassessed at the end of each financial period until the end of the month preceding the month during which the reward is paid. Transfer restrictions related to the scheme are not taken into account in fair valuation or expense recognition. The plans do not involve any other non-market based terms and conditions.

Leases

The group as a lessee

Leases in which the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

Leases of tangible assets, in which the Group has substantially all the risks and rewards of the ownership, are classified as finance leases. Assets acquired on finance leases are recognised in the statement of financial position at the beginning of the lease period at the lower of the fair value of the leased asset or the present value of future minimum lease payments. Assets acquired under finance leases are depreciated over the useful life of the asset or the lease period, if this is shorter. Minimum lease payments are apportioned between financial expenses and the reduction of the outstanding liability over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance lease liabilities are recognised in interest-bearing liabilities. The Group has primarily leased telecommunications networks and facilities, servers and work stations, videoconferencing equipment and infrastructure under finance leases.

The group as a lessor

The Group acts as a lessor in two different types of lease arrangements that are accounted for operating leases. Rental income from telecom premises and carrier services is recognised as revenue over the lease period. Rental income from apartment leases is recorded in other operating income over the lease period.

The Group acts as a lessor in lease arrangements for video conferencing equipment that are accounted for as finance leases. At the time of sale of the equipment, the proceeds are recorded as revenue and a receivable at present value. Rental income is recorded as financial income and as a reduction of the receivable over the lease period reflecting a constant periodic rate of return on the net investment.

Accounting policies that require management's judgements and sources of estimation uncertainty

The preparation of financial statements requires the application of judgment in making estimates and assumptions. Actual results may differ from the estimates and assumptions made. In addition, the application of the accounting principles also requires the application of judgment. The estimates are based on the management's best view at the end of the financial period. Any changes in estimates and assumptions are recognised in the financial year during which the estimate or assumption is adjusted and in all subsequent periods.

Impairment testing

Goodwill and intangible assets under construction are tested for impairment annually or more frequently if events or circumstances indicate a potential impairment. The recoverable amount of cash-generating units is determined by calculations based on value in use, the preparation of which requires estimates and assumptions. The main uncertainties are associated with the estimated level of revenue and profitability and the discount rate. Any changes may lead to the recognition of impairment losses. The carrying value of goodwill was EUR 1,013.5 million on 31 December 2017. See Note 15.

Share-based incentive plans

The expense recognition for the share-based incentive plans is based on an estimate of the fulfilment of the share incentive plan criteria and the development of Elisa's share price. The fulfilment of the share incentive plan criteria and the development of the share price might deviate from the estimates. Compensation expenses were EUR 15.2 million in 2017 and the liability relating to share-based incentive plans as at 31 December 2017 was EUR 14.5 million. See Note 27.

Income and expenses

The measurement and allocation of income and expenses to the appropriate financial period is partially based on estimates from past experience.

Deferred tax assets

Particularly at the end of each financial period, the Group assesses the probability of subsidiaries generating taxable income against which unused tax losses can be utilised. The appropriateness for recognising other deferred tax assets is also determined as at the end of each financial period. Changes in the estimates may lead to the recognition of significant tax expenses. As at 31 December 2017, the Group had EUR 16.9 million deferred tax receivables.

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 standard includes a five-step model for the revenue recognition and replaces 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 recognized 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 valid until further notice 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 withhold 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 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 Group's off-balance-sheet leases 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.

1. Operating Segments

The Group's reportable segments are based on the internal reporting provided to management. Elisa's internal organisational and management structure is based on a customer-oriented operating model. The Group's reportable operating segments are Consumer Customers and Corporate Customers.

The Consumer Customers segment provides consumers and households with telecommunications services, such as voice and data services. The Corporate Customers segment provides to the corporate and community customers voice and data services, ICT solutions and contact center services.

The segments are controlled by the segment-specific performance reporting that includes external revenue, EBITDA, EBIT and investments. Financial items, share of associated companies' profit and income taxes are not allocated to operating segments. The costs of production and support functions are allocated to operating segments on the matching principle. Operations in Estonia are divided into the Consumer Customers and Corporate Customers operating segments on the basis of customer accounts.

Segment assets consist of intangible and tangible assets, inventories, trade and other non-interest bearing receivables. Deferred tax assets, investments in associated companies, financial assets available-for-sale, interest-bearing receivables, financial items and income tax receivables are not included in segment assets. Liabilities are not allocated to operating segments.

The accounting principles of the segments are the same as those used in the preparation of the financial statements.

The reported geographical areas are Finland, Rest of Europe and Other Countries. Revenues are presented on the basis of the customer location. Assets are presented on the basis of location.

Operating Segments

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 expenses			–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
Assets	1,657.0	851.2	72.2	2,580.4

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
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 imparement EUR –128.7 million, EBIT EUR 240.7 million and investments EUR 125.7 million. In comparison period 1–12/2016 Corporate Customers EBITDA was EUR 193.6 million, depreciacion, amortisation and impairment EUR –95.1 million, EBIT EUR 98.6 million and investments EUR 100.2 million.

Product and service information

2017 EUR million	Mobile communications	Fixed network and other	Group total
Revenue	1,080.2	707.3	1,787.4

2016 EUR million	Mobile communications	Fixed network and other	Group total
Revenue	1,021.3	614.4	1,635.7

Geographical information

2017 EUR million	Finland	Rest of Europe	Other countries	Eliminations	Group total
Revenue	1,618.8	176.7	2.0	–10.0	1,787.4
Assets	2,309.7	269.2	1.4		2,580.4

2016 EUR million	Finland	Rest of Europe	Other countries	Eliminations	Group total
Revenue	1,507.1	133.7	4.6	–9.7	1,635.7
Assets	2,447.5	84.0	1.5		2,533.0

2. Acquisitions

Acquisitions in 2017

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 finalised. 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
Accrued expenses 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 entity	0.6
	–6.5

Goodwill arising from business combination EUR million	
Consideration transferred	67.7
Net assets acquired	–42.5
Goodwill	110.3

An EUR 2.7 million expense of expert's and professional 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 finalised. 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
Finance lease liabilities	–1.1
Other financial liabilities	–0.8
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 entities	3.7
	–28.1

Goodwill arising from business combination
EUR million

Consideration transferred	31.8
Net assets 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 acquisitions the Group owns all shares of Tampereen Tietoverkko Oy. Due to the acquisitions the non-controlling interest decreased by EUR 0.1 million and the Group's equity by EUR 1.1 million.

Acquisitions in 2016

Acquisition of Anvia's ICT companies

Elisa acquired 100 per cent of shares in Anvia Telecom Oy, Anvia IT-Palvelut Oy, Anvia Hosting Oy, Anvia TV Oy and Watson Nordic Oy on 1 July 2016. The acquisition price was EUR 107.5 million, including a capital loan acquired as a part of the acquisition. Elisa paid the acquisition price with shares in Anvia Oyj, cash and shares in the subsidiary Tansec Oy.

Through the acquisition, Elisa strengthens its market position in the field of activity of Anvia's ICT companies.

EUR 7.8 million of the purchase price is allocated to the customer base. EUR 7.1 million of the customer base is allocated to fixed broadband customership and is amortised in five years, and EUR 0.7 million is allocated to IT customership and is amortised in four years. The acquisition resulted in EUR 59.9 million of goodwill relating to market access in the field of activity of the purchased entities and expected synergy benefits. Goodwill is not tax deductible.

The acquired companies have been consolidated from 1 July 2016 onwards. Revenue after the acquisition was EUR 35.9 million and profit for the period EUR 7.1 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 73.3 million and EUR 5.5 million, respectively.

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

Consideration transferred EUR million	Carrying amount
Anvia Oyj shares	78.3
Tansec Oy shares	1.1
Cash paid	28.2
Total cost of acquisition	107.5

Analysis of net assets acquired EUR million	
Customer base	7.8
Other intangible assets	0.5
Tangible assets	43.4
Equity investments and funds	1.4
Deferred tax assets	2.9
Inventories	2.2
Trade and other receivables	11.0
Cash and cash equivalents	2.2
Deferred tax liabilities	–4.8
Pension liabilities	–0.4
Provisions	–0.4
Accrued expenses and other liabilities	–18.0
	47.6

Effects of acquisition on cash flow
EUR million

Purchase price paid in cash	–27.0
Cash and cash equivalents of the acquired entities	2.2
	–24.8

Goodwill arising from business combination
EUR million

Consideration transferred	107.5
Net assets acquired	47.6
Goodwill	59.9

The acquisition resulted in a EUR 1.7 million expense of transfer tax, which has been recorded in other operating expenses. In addition, a EUR 0.1 million expense of fees for experts and professional advisors is recorded in other operating expenses.

Acquisition of Frandel Oy

On 5 July 2016, Elisa acquired all shares of Frandel Oy. The purchase price was EUR 0.3 million. The business combination resulted in goodwill of EUR 0.1 million. The goodwill is written down and recognised as other operating expenses and is not tax deductible. On 8 September 2016, the business changed its name to Ekaso Oy.

The acquired company is consolidated from 1 July 2016 onwards.

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

Consideration transferred **EUR million**	**Carrying amount**
Cash paid	0.3
Total cost of acquisition	0.3

Analysis of net assets acquired **EUR million**	
Equity investments and funds	0.1
Cash and cash equivalents	0.1
	0.2

Effects of acquisition on cash flow **EUR million**	
Purchase price paid in cash	–0.3
Cash and cash equivalents of the acquired entity	0.1
	–0.2

Goodwill arising from business combination **EUR million**	
Consideration transferred	0.3
Net assets acquired	0.2
Goodwill	0.1

3. Divestments

Disposals in 2017

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.

Disposals in 2016

Disposal of Tansec Oy
As a part of the Anvia ICT companies acquisition, Elisa divested the fully owned Tansec Oy on 1 July 2016. The sales price was EUR 1.1 million. The divestment resulted in a profit of EUR 0.6 million, recorded in other operating income in the consolidated income statement, and it removed a total of EUR 0.6 million goodwill from the Group. The impact of the result incurred during the period of the ownership by the Group has been taken into account in the profit.

The Group has consolidated the result of Tansec Oy until 30 June 2016.

Net assets of the sold entity EUR million	**Carrying amount**
Intangible assets	0.2
Property, plant and equipment	0.1
Inventories	0.1
Trade and other current receivables	0.3
Cash and cash equivalents	0.1
Trade payables and other current liabilities	–0.9
	–0.1

Effects of disposal on cash flow EUR million	
Sales price received in cash	1.1
Cash and cash equivalents of the sold entity	–0.1
	0.9

Disposal of Elisa Rahoitus Oy

Elisa divested the fully owned Elisa Rahoitus Oy on 1 July 2016. The sales price was EUR 1.6 million. The divestment did not have an impact on the consolidated income statement. The impact of the result incurred during the period of the ownership by the Group has been taken into account in the sales price calculation.

The Group has consolidated the result of Elisa Rahoitus Oy until 30 June 2016.

Net assets of the sold entity EUR million	Carrying amount
Intangible assets	0.9
Trade and other current receivables	0.3
Cash and cash equivalents	0.6
Trade payables and other current liabilities	–0.2
	1.6

Effects of disposal on cash flow EUR million	
Sales price received in cash	1.6
Cash and cash equivalents of the sold entity	–0.6
	1.0

Disposal of Multi-function printer business

Elisa Appelsiini divested the Multi-function printer business on 7 December 2016. The sales price was EUR 0.5 million, and the net assets sold were EUR 0.1 million. The divestment resulted in a profit of EUR 0.4 million recorded within other operating income. The whole sales price was paid in cash.

4. Revenue

EUR million	2017	2016
Rendering of services	1,518.2	1,408.8
Equipment sales	269.2	226.9
	1,787.4	1,635.7

5. Other operating income

EUR million	2017	2016
Gain on disposals of property, plant and equipment	1.2	0.7
Gain on disposal of subsidiaries and businesses [1]	1.5	1.1
Other items [2]	3.0	2.7
	5.7	4.4

[1] Includes EUR 1.5 million profit of disposal of Elisa Kassa and payment terminals businesses. Comparison period 2016 includes EUR 1.1 million profit of disposal of Tansec Oy and multi-function printer business.
[2] Other items include rental income from real estate and other income items not associated with ordinary operating activities.

6. Materials and services

EUR million	2017	2016
Purchases of materials, supplies and goods	430.9	371.9
Change in inventories	–3.2	1.7
External services	267.9	252.8
	695.6	626.4

7. Employee expenses

EUR million	2017	2016
Salaries and wages	235.5	215.3
Share-based compensation	15.2	8.3
Pension expenses – defined contribution plans	38.3	35.9
Pension expenses – defined benefit plans	0.6	0.5
Other employee costs	14.3	14.7
	304.0	274.8
Average number of personnel	4,614	4,247

A more detailed analysis of pension expenses is included in Note 28.

Management remuneration

EUR million	2017	2016
Managing Directors	3.9	2.8
Members and deputy members of Boards of Directors	0.5	0.5

Managing Directors' pension commitments

The retirement age of the Group companies' Managing Directors is 60–65 years.

Employment benefits for key management

Key management consists of Elisa's Board of Directors, the CEO and the Executive Board. Management remuneration is descibed under parent company's Note 4.

Benefits paid EUR million	2017	2016
Board of Directors	0.4	0.5
CEO	0.9	0.9
Executive Board	2.7	2.5
Share-based compensation [1]	3.5	3.6
	7.5	7.5

1) The award paid for the CEO under the share-based compensation plans were EUR 1.0 (0.9) million and to the Executive Board members EUR 2.5 (2.7) million.

Annual expenses EUR million	2017	2016
Remunerations and other short-term employee benefits	4.1	3.9
Post-employment benefits	0.5	0.5
Share-based compensation [2]	6.3	3.2
	10.9	7.6

2) The share-based compensation expenses in 2017 are EUR 15.2 (8.3) million, of which EUR 1.7 (0.8) million is allocated to the CEO and EUR 4.7 (2.3) million to the Executive Board. The terms and conditions of share-based incentive plans are described under Note 27.

The period of notice for the CEO is six months from the Group's side and three months from the CEO's side. Should the contract be terminated by the Group, the CEO is entitled to receive a severance payment equalling the total salary of 24 months less the salary for the notice period. The period of notice for other members of the Executive Board is six months from the Group's side. In addition to the notice period salary the members of the Executive Board are entitled to receive a severance payment equalling the total salary of nine months.

The executive agreement with the Group CEO expires at the age of 60, and he is entitled to retire according to the agreement. The defined benefit pension plan includes vested rights. The company is liable for the pension at the age of 60–63 and the related accumulated liability EUR 1.1 million is included in pension obligations on the balance sheet. Pension will accrue annually at the rate of 5.1 per cent of the annual income under TyEL (Employees Pensions Act) and annually by EUR 120 000 during period 2017–2020. Starting at the age of 62, the pension will accrue at the rate of 20.7 per cent of the annual income under TyEL in the management's group cash-based supplementary pension insurance. The CEO's pension arrangement is a cash-based plan and it covers increase in the statutory retirement age.

The executive agreements of the members of the Executive Board appointed before the year 2013, expire at the age of 62, when they have the right to retire. The contractual right has been covered with a cash-based supplementary pension insurance including vested rights.

Share-based compensation granted to the management

In 2017, the award paid to the CEO under the 2011 share-based compensation plan's 2014–2016 vesting period equals the value of 25,025 shares and to the Executive Board 80,804 shares.

The maximum award granted to the CEO under the 2014 plan's 2015–2017 vesting period equals the value of 55,000 shares and for the rest of the Executive Board 172,000 shares. The award will be paid after the publication of the 2017 financial statements.

The maximum award granted to the CEO under the 2014 plan's 2016–2018 vesting period equals the value of 42,000 shares and for the rest of the Executive Board 134,300 shares. The award will be paid after the publication of 2018 financial statements.

The maximum award granted to the CEO under the 2014 plan's 2017–2019 vesting period equals the value of 45,000 shares and for the rest of the Executive Board 143,200 shares. The award will be paid after the publication of 2019 financial statements.

The maximum award granted to the CEO under the 2017 plan's 2018–2020 vesting period equals the value of 39,650 shares and for the rest of the Executive Board 134,350 shares. The award will be paid after the publication of 2020 financial statements.

In 2017, the award paid for the CEO under the committing share-based compensation plan's 2016–2017 vesting period equals the value of 5,000 shares. The maximum award granted for the CEO under the committing share-based compensation plan's 2016–2018 vesting period equals the value of 5,000 shares. The award will be paid at the end of the vesting period in 2018.

Elisa shares held by the key management

The members of Elisa's Board of Directors, the CEO, the members of the Executive Board and their related parties held a total of 253,340 shares and votes, corresponding to 0.15 per cent of all shares and votes.

Employee bonus and incentive schemes

Performance-based bonus scheme

All employees are included in performance, incentive or commission-based bonus schemes. Rewards are based on financial and operational metrics of Elisa and its units. Targets are set and the maximum amount of reward is confirmed semi-annually. Some of the Group's key personnel were also included within the share-based compensation plan in 2017.

Personnel fund

The objective of the personnel fund is to secure the commitment of the personnel to Elisa's long-term objectives and to reinforce their interest in the company's financial success and its metrics.

The evaluation tool for the performance-based bonus system is the earnings per share (EPS), revenue increase of new services and achievement of defined strategic goals. The Board of Directors makes annual decisions on the performance-based bonus scheme and defines the values that determine the reward amount.

The members of the personnel fund include the employees of Elisa, except for the Group's personnel that are included within the scope of the share incentive plan. EUR 2.9 (2.2) million was recorded in the personnel fund in 2017.

Share-based incentive plan

On 15 December 2017, Elisa's Board of Directors decided on a share-based incentive plan for key personnel for 2018–2022. On 11 December 2014, Elisa's Board of Directors decided on a share-based incentive plan for key personnel for 2015–2019. On 19 December 2011, Elisa's Board of Directors decided on two share-based incentive plans for key personnel for 2012–2018. The plans are described in Note 27.

8. Auditor fees

EUR million	2017	2016
Auditing	0.4	0.3
Tax advisory services	0.1	0.1
Other services	0.1	0.2
	0.6	0.6

9. Research and development costs

EUR million	2017	2016
Research and development costs recognised as expenses	1.8	1.6
Capitalised development costs	8.2	9.7
	9.9	11.3

Focus area for the research and development activities in 2017 was development of customer relationship management system.

10. Depreciation, amortisation and impairment

EUR million	2017	2016
Tangible assets		
Buildings and constructions		
Owned buildings and constructions	11.9	11.6
Buildings and constructions on finance lease	0.4	0.4
Telecom devices, machines and equipment		
Owned telecom devices, machines and equipment	169.5	156.7
Assets on finance lease	3.4	3.1
Other tangible assets	0.0	0.1
	185.3	171.8
Intangible assets		
Goodwill		9.0
Customer base	5.0	2.3
Other intangible assets	39.4	40.7
	44.4	51.9
	229.7	223.8

EUR 2.5 (11.7) million in asset impairments was recognised, of which in comparison period 2016 EUR 9.0 million related to goodwill.

11. Financial income and expense

EUR million	2017	2016
Financial income		
Dividend income from financial assets available-for-sale	0.1	0.5
Interest and financial income from loans and other receivables	3.8	2.2
Gains on disposal of investments [1]	44.8	0.5
Other financial income [2]	0.4	3.7
	49.1	6.8
Financial expense		
Interest expenses on financial liabilities measured at amortised cost	–21.9	–22.4
Other financial expenses on financial liabilities measured at amortised cost	–1.5	–1.5
Loss on disposal of investments	0.0	–0.1
Other interest expenses	–0.1	0.0
Other financial expenses	–0.3	–0.5
	–23.9	–24.6

1) Includes gain of EUR 44.3 million from the sales of Comptel Oyj shares.

2) Includes returns of EUR 0.2 (3.4) million from shares that have not been transferred to the owners' book-entry accounts.

Foreign exchange rate gains and losses included in EBIT are not material.

12. Income taxes

EUR million	2017	2016
Taxes for the period	–64.4	–60.2
Taxes for previous periods	–0.1	0.1
Deferred taxes	–2.1	–2.5
	–66.5	–62.6

Income taxes recognised directly in comprehensive income:

		2017			2016	
EUR million	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
Remeasurements of the net defined benefit liability	0.4	–0.1	0.3	–0.3	0.1	–0.3
Cash flow hedge	0.4	–0.1	0.3	0.7	–0.1	0.5
	0.8	–0.2	0.7	0.3	–0.1	0.3

The change in the fair value of financial assets available-for-sale do not include taxes because the Group´s ownership of the company has exceed 10 per cent. Translation differences do not include taxes.

Reconciliation of the tax expense in the income statement and taxes calculated at the Group's domestic statutory tax rate 20 (20):

EUR million	2017	2016
Profit before tax	403.2	320.0
Tax according to the domestic tax rate	–80.6	–64.0
Tax effects of the following:		
Tax-free income	9.3	0.6
Non-deductible expenses	–2.0	–2.9
Tax effects of foreign subsidiaries	5.9	5.2
Tax losses for which no deferred tax asset was recognised	–0.2	–1.4
Tax losses for which no deferred tax was recognised	0.8	
Taxes for previous periods	–0.1	0.1
Other items	0.3	–0.1
Taxes in the income statement	–66.5	–62.6
Effective tax rate, %	16.5	19.6

13. Earnings per share

Undiluted earnings per share are calculated by dividing the profit for the period attributable to the equity holders of the parent by the weighted average number of shares outstanding during the financial year.

	2017	2016
Profit for the period attributable to the equity holders of the parent (EUR million)	336.6	257.1
Weighted average number of shares during the financial year (1,000 pcs)	159,607	159,608
Undiluted earnings per share (EUR/share)	2.11	1.61

The calculation of earnings per share adjusted for dilution takes the diluting effect of the conversion of all potential ordinary shares into account in the weighted average number of shares. In 2017 and 2016 there were no diluting effects which should have been taken into account.

14. Property, plant and equipment

2017 EUR million	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Tangible assets under construction	Total
Acquisition cost at 1 Jan. 2017	9.2	264.1	3,234.6	35.7	32.1	3,575.7
Business acquisitions		1.2	28.9		0.8	31.0
Additions	0.1	7.3	157.4		36.8	201.6
Disposals	-0.1	-3.6	-26.7	0.0		-30.4
Reclassifications	0.1	2.9	26.2		-31.0	-1.7
Translation differences			-0.1	0.0		-0.1
Acquisition cost at 31 Dec. 2017	9.3	271.9	3,420.3	35.7	38.7	3,776.0
Accumulated depreciation and impairment at 1 Jan. 2017		140.9	2,685.9	35.0		2,861.8
Depreciation and impairment		12.4	172.9	0.0		185.3
Accumulated depreciation on disposals and reclassifications		–2.5	–26.6			–29.1
Translation differences			0.0	0.0		0.0
Accumulated depreciation and impairment at 31 Dec. 2017		150.8	2,832.1	35.0		3,018.0
Book value at 1 Jan. 2017	9.2	123.2	548.6	0.8	32.1	713.9
Book value at 31 Dec. 2017	9.3	121.1	588.2	0.7	38.7	758.1

2016 EUR million	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Tangible assets under construction	Total
Acquisition cost at 1 Jan. 2016	7.9	253.4	3,066.8	35.7	23.0	3,386.8
Business acquisitions	1.2	2.5	35.9	0.0	3.7	43.4
Additions	0.1	6.6	133.5		25.7	165.8
Business disposals			0.4			0.4
Disposals	0.0	-0.1	-19.8			-19.9
Reclassifications	0.0	1.8	17.6		-20.3	-0.9
Translation differences			0.2	0.0		0.1
Acquisition cost at 31 Dec. 2016	9.2	264.1	3,234.6	35.7	32.1	3,575.7
Accumulated depreciation and impairment at 1 Jan. 2016		128.8	2,545.7	34.9		2,709.4
Depreciation and impairment		12.0	159.8	0.1		171.8
Accumulated depreciation on disposals and reclassifications		0.1	–19.7			–19.5
Translation differences			0.1	0.0		0.1
Accumulated depreciation and impairment at 31 Dec. 2016		140.9	2,685.9	35.0		2,861.8
Book value at 1 Jan. 2016	7.9	124.6	521.1	0.8	23.0	677.4
Book value at 31 Dec. 2016	9.2	123.2	548.6	0.8	32.1	713.9

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

Additions in 2017 include EUR 2.8 (2.5) million of property, plant and equipment leased under finance lease agreements.

Property, plant and equipment include assets leased under finance lease agreements as follows:

2017 EUR million	Buildings and construction	Telecom devices, machines and equipment	Total
Acquisition cost	17.4	120.1	137.5
Accumulated depreciation	6.2	111.8	118.0
Book value at 31 Dec. 2017	11.2	8.3	19.5

2016 EUR million			
Acquisition cost	17.4	116.1	133.6
Accumulated depreciation	5.8	108.4	114.2
Book value at 31 Dec. 2016	11.7	7.7	19.4

15. Intangible assets

2017 EUR million	Goodwill	Customer base	Other intangible assets	Intangible assets under construction	Total
Acquisition cost at 1 Jan. 2017	894.8	97.2	570.4	37.3	1,599.7
Business acquisitions	133.8	11.6	3.9	0.7	150.0
Additions			36.7	8.1	44.9
Business disposals				0.0	0.0
Disposals			–1.5		–1.5
Reclassifications			31.4	–30.8	0.6
Translation differences	–0.1		0.0		–0.1
Acquisition cost at 31 Dec. 2017	1,028.5	108.8	640.9	15.2	1,793.5
Accumulated amortisation and impairment at 1 Jan. 2017	15.0	87.7	457.1	0.1	560.0
Amortisation and impairment		5.0	38.8	0.6	44.4
Accumulated amortisation on disposal and reclassifications			–1.4		–1.4
Translation differences					0.0
Accumulated amortisation and impairment at 31 Dec. 2017	15.0	92.7	494.6	0.7	603.0
Book value at 1 Jan. 2017	879.8	9.5	113.3	37.2	1,039.8
Book value at 31 Dec. 2017	1,013.5	16.2	146.3 (1	14.6	1,190.6

2016 EUR million	Goodwill	Customer base	Other intangible assets	Intangible assets under construction	Total
Acquisition cost at 1 Jan. 2016	836.1	89.4	524.0	24.8	1,474.4
Business acquisitions	59.9	7.8	0.5		68.3
Additions			32.4	27.7 (2	60.1
Business disposals	–0.9		–1.1		–2.0
Disposals			–1.3		–1.3
Reclassifications			15.9	–15.2	0.7
Translation differences	–0.4		0.0		–0.4
Acquisition cost at 31 Dec. 2016	894.8	97.2	570.4	37.3	1,599.7
Accumulated amortisation and impairment at 1 Jan. 2016	6.0	85.4	417.9	0.1	509.5
Amortisation and impairment	9.0	2.3	40.6	0.0	51.9
Accumulated amortisation on disposal and reclassifications			–1.5		–1.5
Translation differences			0.0		0.0
Accumulated amortisation and impairment at 31 Dec. 2016	15.0	87.7	457.1	0.1	560.0
Book value at 1 Jan. 2016	830.1	4.0	106.1	24.7	964.9
Book value at 31 Dec. 2016	879.8	9.5	113.3 (1	37.2	1,039.8

1) Includes IT software for a book value of EUR 83.2 (74.6) million.

2) Includes the Finnish 700 MHz spectrum license in the carrying amount of EUR 22.0 million

Goodwill impairment testing

Goodwill is allocated to the Group's cash generating units as follows:

EUR million	2017	2016
Consumer Customers	640.9	530.9
Corporate Customers	372.5	348.9
	1,013.5	879.8

The reported operating segments based on the Elisa organisational and management structure are Consumer Customers and Corporate Customers.

The Group does not have any other intangible assets with an indefinite useful life.

Impairment testing:

In annual impairment tests the recoverable amount of the segments is determined based on the value in use, which is calculated on the basis of projected discounted cash flows (DCF model). The cash flows projections are based on plans approved by the management covering a five-year period. The projections are mostly consistent with information from external sources and reflect actual development. The discount rate used is 7.8 per cent for the Consumer Customers and 8.0 per cent for the Corporate Customers. Cash flows after five years have been projected by estimating the change in future cash flows as 2.0 per cent growth.

As a result of the performed impairment tests, there is no need for impairment of the segments' goodwill.

Use of the DCF model requires forecasts and assumptions concerning market growth, prices, volume development, investment needs and general interest rate. The major sensitivities in the performance are associated with the forecast revenue and profitability levels.

Recognised impairment losses during financial periods 2016 and 2015:

In addition to the annual impairment test, a separate impairment test was performed on Sulake Corporation Oy's Habbo Hotel business in the Consumer Customer unit as part of a valuation of strategic alternatives. Based on the separate impairment test, a EUR 9.0 million impairment of goodwill was recognised in 2016 and EUR 6.0 million in 2015. After the recognition of the impairment writedowns, there is no remaining goodwill. The main cause of the impairment was a lower future revenue than previously expected.

Sensitivity analysis [1]

Projection parameters applied	**Consumer Customers 2017**	**Corporate Customers 2017**	**Consumer Customers 2016**	**Corporate Customers 2016**
Amount in excess of CGU carrying value, EUR million	3,537	2,312	3 908 [3]	1,809
EBITDA margin on average, % [2]	36.7	33.2	36.9	33.4
Horizon growth, %	2.0	2.0	0.0	0.0
Pre-tax discount rate, %	7.8	8.0	5.2	5.2

1) Allocation rules of the costs and investments allocated to the segments have been specified in 2017. The impairment test calculation rules were revised to correspond the fair market valuation. As a result both horizon growth estimate and discount rate were raised. The numbers for year 2016 were based on the calculation prevailing on the period end date.
2) On average during a five-year projection period
3) After the Habbo Hotel goodwill writedown the amount of which the Consumer Customers units book value is exceeded is EUR 3.917 million.

Change in projection parameters that makes the fair value equal to book value	**Consumer Customers 2017**	**Corporate Customers 2017**	**Consumer Customers 2016**	**Corporate Customers 2016**
EBITDA margin on average, %	-17.9	-17.8	-19.8 [4]	-14.7
Horizon growth, %	-25.7	-53.4	-42.9 [4]	-27.6
Pre-tax discount rate, %	15.6	25.2	19.1 [4]	15.3

4) After the Habbo Hotel goodwill writedown the change in EBITDA margin should be approximately -19.8 per cent, the change in horizon growth -44.0 per cent, and the change in pre-tax discount rate 19.3 per cent.

16. Investments in associated companies

EUR million	2017	2016
At the beginning of the period	2.2	59.5
Share of periods profit	0.0	–1.4
Dividends received	0.0	–3.1
Additions		25.2
Disposals	–0.3	–77.9
At the end of period	1.9	2.2

Elisa's holdings in associates are presented under Note 35.

Länsilinkki Oy was divested on 10 April 2017.

Anvia Oyj has been consolidated as an associated company until 30 June 2016. Elisa sold the shares of Anvia Oyj as a part of the acquisition of Anvia's ICT companies.

17. Financial assets and liabilities recognised at fair value

EUR million	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	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

1) Electricity derivatives. Fair values are quoted market prices or if those are not available, the value is determined by using common valuation methods.
2) Listed shares. Fair value is determined by the transactions made in active markets.
3) The contingent consideration relating to business combinations.

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.

Level 3 reconciliation

Other liabilities EUR million	2017	2016
At the beginning of the period	1.2	1.8
Increase of contingent consideration		0.0
Payment of contingent consideration	–1.1	–0.4
Reversal of contingent consideration	–0.1	
Translation differences	0.0	–0.2
At the end of the period	0.0	1.2

Level 3 includes contingent considerations relating to business combinations. Changes in the fair value of contingent considerations are recognised in other operating expenses.

According to management estimation, if the information which defines the fair value of Level 3 financial instruments is changed to a possible alternative hypothesis, it would not outstandingly change the fair values of Level 3 items at fair values considering the small amount of liabilities.

18. Carrying amounts of financial assets and liabilities by category

2017 EUR million	Financial assets available-for-sale	Loans and receivables	Financial assets/ liabilities recognised at fair value through profit or or loss [1]	Financial liabilities measured at amortised cost	Book value	Fair value	Note
Non-current financial assets							
Financial assets available-for-sale	7.8				7.8	7.8	19
Trade and other receivables		83.7			83.7	83.7	20
Current financial assets							
Trade and other receivables		407.6			407.6	407.6	23
	7.8	491.3			499.1	499.1	
Non-current financial liabilities							
Financial liabilities				939.6	939.6	979.5	30
Trade payables and other liabilities [2]			0.2	19.8	20.1	20.1	31
Current financial liabilities							
Financial liabilities				177.8	177.8	177.8	30
Trade and other payables [2]				343.5	343.5	343.5	31
			0.2	1,480.8	1,481.0	1,520.9	

1) Assets classified as such at initial recognition
2) Excluding advances received

2016 EUR million	Financial assets available-for-sale	Loans and receivables	Financial assets/ liabilities recognised at fair value through profit or or loss [1]	Financial liabilities measured at amortised cost	Book value	Fair value	Note
Non-current financial assets							
Financial assets available-for-sale	5.0		33.9		38.9	38.9	19
Trade and other receivables		74.8			74.8	74.8	20
Current financial assets							
Trade and other receivables		537.0			537.0	537.0	23
	5.0	611.9	33.9		650.7	650.7	
Non-current financial liabilities							
Financial liabilities				827.3	827.3	878.8	30
Trade payables and other liabilities [2]			0.8	28.0	28.8	28.8	31
Current financial liabilities							
Financial liabilities				341.2	341.2	341.2	30
Trade and other payables [2]			1.2	302.4	303.6	303.6	31
			2.0	1,499.0	1,500.9	1,552.4	

1) Assets classified as such at initial recognition
2) Excluding advances received

The fair values of each financial asset and liability item are presented in more detail under the specified note number.

19. Financial assets available-for-sale

EUR million	2017	2016
Publicly listed shares [1]		33.9
Unlisted shares	7.8	5.0
	7.8	38.9

[1] Elisa divested 13.1 per cent of shares in Comptel Oyj on 6 April 2017. The divestment resulted in a profit of EUR 44.3 million recorded in financial income.

The publicly listed shares are recognised at fair value. The unlisted equity investments are recognised at acquisition cost less possible impairment because the fair value of the equity investments cannot be determined reliably.

Changes in the fair value of listed shares EUR 9.6 (7.7) million have been recognised in other comprehensive income.

20. Non-current receivables

EUR million	2017	2016
Loan receivables	0.1	0.1
Receivables from associated companies		
Trade receivables	67.6	60.3
Finance lease receivables	7.4	4.7
Prepayments and accrued income	8.1	9.6
Other non-current receivables	0.4	0.2
	83.7	74.8

The effective interest rate on receivables (current and non-current) was 0.00 (0.00) per cent.

Gross finance lease receivables - maturity of minimum lease payment receivables

EUR million	2017	2016
Not later than one year	7.9	5.6
Later than one year not later than five years	6.4	4.7
Later than five years	0.1	0.0
	14.4	10.3
Future finance income	–0.3	0.0
Present value of finance lease receivables	14.0	10.2

Maturity of present value of future minimun lease payment receivables

EUR million	2017	2016
Not later than one year	6.6	5.6
Later than one year not later than five years	7.3	4.7
Later than five years	0.1	0.0
	14.0	10.2

Elisa acts as a lessor in finance lease arrangements concerning Videoconference and Data Terminal Equipment. Lease periods vary from one to ten years and conditions vary in terms of index clauses.

21. Deferred tax assets and liabilities

The change in deferred tax assets and liabilities during 2017

Deferred tax assets

EUR million	1 Jan. 2017	Recognised in income statement	Recognised in statement of comprehensive income	31 Dec. 2017
Provisions	1.3	0.4		1.8
Tax losses carry-forward	3.9	–3.0		0.9
Finance lease agreements	6.6	–5.5		1.1
Internal margins	3.3	–0.3		3.0
Share-based incentive plans	3.6	2.1		5.7
Fair value measurement of tangible and intangible assets in business combinations	1.4	–1.4		0.0
Pension obligations	3.7	0.0	–0.1	3.6
Other temporary differences	1.0	0.0	–0.1	0.9
	24.6	–7.6	–0.2	16.9

Deferred tax liabilities

EUR million	1 Jan. 2017	Recognised in income statement	Business combinations	31 Dec. 2017
Fair value measurement of tangible and intangible assets in business combinations	2.1	–0.7	0.6	2.0
Accumulated depreciation differences	19.9	–0.1		19.8
Finance lease agreements	5.1	–4.7		0.5
Other temporary differences	1.3	0.0		1.3
	28.5	–5.5	0.6	23.5

Deferred income tax assets recognised for tax losses carry forward to the extent that realisation of the related tax benefit through future profits is probable. Deferred tax assets were EUR 0.9 million (3.9) on 31 December 2017, and these relate to losses carried forward that expire in 2022–2024. The Group had EUR 26.3 (23.0) million of unused tax losses at 31 December 2017, for which no tax assets have been recognised. These losses expire in 2018–2026.

No tax liability has been recognised for the untaxed retained earnings EUR 179.1 million of the Estonian subsidiary, as no profit distribution decision or plans for profit distribution exist for the time being.

Deferred tax liabilities and assets are not offset.

The change in deferred tax assets and liabilities during 2016

Deferred tax assets

EUR million	1 Jan. 2016	Recognised in income statement	Recognised in statement of comprehensive income	Business combinations	31 Dec. 2016
Provisions	1.8	–0.5			1.3
Tax losses carried forward	6.1	–2.2			3.9
Finance lease agreements	4.2	2.5			6.6
Internal margins	3.5	–0.2			3.3
Share-based incentive plans	2.2	1.4			3.6
Fair value measurement of tangible and intangible assets in business combinations		–1.5		2.9	1.4
Pension obligations	3.7	–0.1	0.1		3.7
Other temporary differences	2.0	–0.8	–0.1		1.0
	23.3	–1.5	–0.1	2.9	24.6

Deferred tax liabilities

EUR million	1 Jan. 2016	Recognised in income statement	Business combinations	31 Dec. 2016
Fair value measurement of tangible and intangible assets in business combinations	1.0	–0.5	1.6	2.1
Accumulated depreciation differences	17.6	–0.9	3.3	19.9
Finance lease agreements	2.9	2.3		5.1
Other temporary differences	1.3	0.0		1.3
	22.7	0.9	4.8	28.5

22. Inventories

EUR million	2017	2016
Materials and supplies	18.6	13.1
Finished goods	49.7	42.0
	68.3	55.0

An impairment of EUR 0.3 (0.8) million on inventories was recognised during the period.

23. Trade and other receivables

EUR million	2017	2016
Trade receivables	352.7	316.4
Impaired trade receivables	-6.6	-6.5
Finance lease receivables	6.6	5.6
Prepayments and accrued income	47.3	27.9
Loan receivables [1]	1.4	168.7
Receivables from associated companies	0.1	0.2
Other receivables	6.1	24.8
	407.6	537.0

[1] Comparative year 2016 includes a EUR 167.0 million loan receivable relating to the Starman acquisition.

Prepayments and accrued income include interest receivables and accruals from operating activities.

Trade receivables by age

EUR million	2017	2016
Not due	299.7	283.2
Overdue		
Less than 30 days	37.0	21.2
31-60 days	6.4	3.5
61-90 days	2.3	1.4
More than 90 days	0.7	0.6
	346.1	309.9

The book value of trade receivables approximates their fair value. The credit risk on trade receivables is described in Note 34. The maximum credit risk is the value of trade receivables on the closing of the accounts, EUR 346.1 million.

24. Cash and cash equivalents

EUR million	2017	2016
Cash assets	44.3	44.5
	44.3	44.5

25. Derivative instruments

Nominal values of derivatives

	2017			2016		
	Period of validity			Period of validity		
EUR million	Less than 1 year	1-5 years	Over 5 years	Less than 1 year	1-5 years	Over 5 years
Electricity derivatives	1.4	1.0		2.1	2.2	

Fair values of derivatives

	2017			2016		
EUR million	Positive fair value	Negative fair value	Total	Positive fair value	Negative fair value	Total
Electricity derivatives		–0.2	–0.2		–0.8	–0.8

Determination of fair value and categorisation

The fair value of derivative instruments is determined using market prices quoted on a functional market, the cash flow discounting method or option pricing models.
Elisa's derivative instruments are categorised at the fair value hierarchy Level 2. See Note 17.

26. Equity

Share capital and treasury shares

EUR million	Number of shares (thousands)	Share capital	Treasury shares
1 Jan. 2016	167,335	83.0	–145.5
Disposal of treasury shares			2.7
31 Dec. 2016	167,335	83.0	–142.9
Disposal of treasury shares			2.7
31 Dec. 2017	167,335	83.0	–140.2

The company's paid-in share capital registered in the Trade Register was EUR 83,033,008 (83,033,008) at the end of the period.

According to its Articles of Assocation, Elisa Corporation only has one series of shares, each share entitling to one vote. In accordance with the Articles of Association, the maximum number of shares is 1,000 (1,000) million shares. All issued shares have been paid. Shares do not have a nominal value.

Treasury shares include the acquisition cost of treasury shares held by the Group.

Treasury shares	Shares pcs	Accounting counter-value EUR	Holding,% of shares and votes
Treasury shares held by the Group at 1 Jan. 2016	7,851,006	3,895,732	4.69
Disposal of treasury shares	–135,877		
Treasury shares held by the Group at 31 Dec. 2016	7,715,129	3,828,309	4.61
Disposal of treasury shares	–135,626		
Transfrer from unallocated account	221,894		
Treasury shares held by the Group at 31 Dec. 2017	7,801,397	3,871,116	4.66

Other reserves

EUR million	Reserve for invested non-restricted equity	Contingency reserve	Fair value reserve	Other reserves	Total
1 Jan. 2016	90.9	3.4	13.3	381.0	488.6
Financial assets available-for-sale			7.7		7.7
Remeasurements of the net defined benefit liability			–0.3		–0.3
Cash flow hedge			0.5		0.5
31 Dec. 2016	90.9	3.4	21.3	381.0	496.6
Financial assets available-for-sale			–34.7		–34.7
Remeasurements of the net defined benefit liability			0.3		0.3
Cash flow hedge			0.3		0.3
31 Dec. 2017	90.9	3.4	–12.8	381.0	462.5

The reserve for invested non-restricted equity includes the proportion of share subscription prices not recognised as share capital in accordance with share issue terms.

The EUR 3.4 million contingency reserve includes the amount transferred from the distributable equity under the Articles of Association or by a decision by the General Meeting. The fair value reserve of EUR -12.8 million includes changes in the fair value of the financial assets available-for-sale, the remeasurements of the net defined benefit liability and the effective portion of the change in the fair value of derivatives designated as cash flow hedges. The other reserves of EUR 381.0 million were formed through the use of an equity issue in acquisitions.

27. Share-based payments

Share-based incentive plan 2017

On 15 December 2017, Elisa's Board of Directors decided of the new share-based incentive plan for key personnel for 2018-2022.

The new performance-based incentive plan has three vesting periods: the calendar years 2018–2020, 2019–2021 and 2020–2022. The Board of Directors will decide on the performance criteria for the plan and required performance levels for each criterion at the beginning of a vesting period. After the end of the vesting period, the award is paid as a combination of company shares and cash after the completion of financial statements. The cash portion intends to cover the tax obligations resulted by the share based payment. If the contract of employment is terminated before the payment of the award, no award shall mainly be paid.

The earnings criteria for the vesting period 2018–2020 are based on earnings per share (EPS), the development of new businesses and Must Win goals set for the businesses. The total maximum amount to be paid for the vesting period 2018 - 2020 equals the value of 493,450 Elisa shares.

The CEO of the Group and the members of the Board of Directors shall own at the minimum 50.0 per cent of the net shares paid under the share-based incentive plan until share ownership for CEO reaches 100 per cent of his gross yearly income and for the member of the Board of Directors 50 per cent of his/her gross yearly income.

Amount of share incentives and terms and assumptions in the fair value calculation	Vesting period 2018–2020
Maximum number of awards granted, pcs	493,450
Grant date	31.12.2017
Fair value of share at the date of grant, EUR [1]	28.22
Share price at the date of grant, EUR	32.72
Estimated realisation of share price after vesting period [2]	35.57
Vesting period starts	1.1.2018
Vesting period ends	31.12.2020
Estimated realisation of earnings criteria at the beginning of vesting period, %	85
Estimated realisation of earnings criteria at the closing date, %	85
Number of participants in the plan at the closing date	181

[1] The fair value of the share is the grant date share price less estimated dividend. Estimated dividend used in the calculation equals the previous period dividend.
[2] The estimated realisation of share price is calculated using the CAP model (Capital Asset Pricing Model). The basic variables in the model are interest rate level, general risk premium and the so-called beta risk on the Elisa share. The assumed dividend is the previous period dividend.

Share-based incentive plan 2014

On 11 December 2014, Elisa's Board of Directors decided of the share-based incentive plan for key personnel for 2015–2019.

The performance-based incentive plan has three vesting periods: the calendar years 2015–2017, 2016–2018 and 2017–2019. The Board of Directors will decide on the performance criteria for the plan and required performance levels for each criterion at the beginning of a vesting period. After the end of the vesting period, the award is paid as a combination of company shares and cash after the completion of financial statements. If the contract of employment is terminated before the payment of the award, no award shall mainly be paid.

The earnings criteria for the vesting period 2017–2019 are based on earnings per share (EPS), on the new business revenue and on other essential goals. The number of key personnel participating in the plan is 163, and the maximum award equals the value of 458,960 Elisa shares.

The earnings criteria for the vesting period 2016–2018 are based on earnings per share (EPS), on the new business revenue and on other essential goals. The number of key personnel participating in the plan is 155, and the maximum award equals the value of 418,750 Elisa shares.

The earnings criteria for the vesting period 2015–2017 plan are based on earnings per share (EPS), on the new business revenue and on other essential goals. The number of key personnel participating in the plan is 142, and the maximum award equals the value of 569,900 Elisa shares.

Amount of share incentives and terms and assumptions in the fair value calculation	Vesting period 2017–2019	Vesting period 2016–2018	Vesting period 2015–2017
Maximum number of awards granted, pcs	458,960	418,750	566,900
Grant date	31.12.2016	31.12.2015	31.12.2014
Fair value of share at the date of grant, EUR [1]	26.73	30.83	18.71
Share price at the date of grant, EUR	30.93	34.79	22.61
Estimated realisation of share price after vesting period [2]	34.25	36.69	22.34
Vesting period starts	1.1.2017	1.1.2016	1.1.2015
Vesting period ends	31.12.2019	31.12.2018	31.12.2017
Estimated realisation of earnings criteria at the beginning of vesting period, %	50	50	50
Estimated realisation of earnings criteria at the closing date, %	68	81	75
Number of participants in the plan at the closing date	163	155	142

1) The fair value of the share is the grant date share price less estimated dividend. Estimated dividend used in the calculation equals the previous period dividend.

2) The estimated realisation of share price is calculated using the CAP model (Capital Asset Pricing Model). The basic variables in the model are interest rate level, general risk premium and the so-called beta risk on the Elisa share. The assumed dividend is the previous period dividend.

Share-based incentive plan 2011

On 19 December 2011, Elisa's Board of Directors decided of the share-based incentive plan for key personnel for 2012–2016.

The performance-based share incentive plan has three vesting periods: calendar years 2012–2014, 2013–2015 and 2014–2016. The maximum award of the plan equals the value of 3,315,000 Elisa shares. The Board of Directors decides the earnings criteria and the targets separately for each plan in the beginning of the vesting period. After the end of each vesting period, the award is paid as a combination of company shares and cash within one month following the completion of financial statements. If the contract of employment is terminated before the payment of the award, no award shall mainly be paid.

The earnings criteria for the 2012–2014 vesting period were based on revenue growth of new business operations and earnings per share. The total award amounted to EUR 6.6 million, of which EUR 3.4 million was paid in cash. In accordance with the decision of the Board of Directors, Elisa transferred 133,197 shares to 136 persons covered by the incentive scheme on 4 February 2015, of which 38,103 shares were transferred to members of the Management Board and 12,002 shares were transferred to the CEO.

The earnings criteria for the 2013–2015 vesting period were based on revenue growth of new business operations and earnings per share. The total award amounted to EUR 9.5 million, of which EUR 4.9 million was paid in cash. In accordance with the decision of the Board of Directors, Elisa transferred 134,037 shares to 139 persons covered by the incentive scheme on 29 January 2016, of which 37,838 shares were transferred to members of the Management Board and 11,733 shares were transferred to the CEO.

The earnings criteria for the 2014–2016 vesting period were based on revenue growth of new business operations and earnings per share. The total award amounted to EUR 8.9 million, of which EUR 4.6 million was paid in cash. In accordance with the decision of the Board of Directors, Elisa transferred 133,326 shares to 139 persons covered by the incentive scheme on 1 February 2017, of which 38,378 shares were transferred to the members of the Management Board and 11,886 shares were transferred to the CFO.

Amount of share incentives and terms and assumptions in the fair value calculation	Vesting period 2014–2016	Vesting period 2013–2015	Vesting period 2012–2014
Maximum number of awards granted, pcs	996,500	983,500	983,000
Grant date	31.12.2013	31.12.2012	31.12.2011
Fair value of share at the date of grant, EUR [1]	15.36	12.83	12.23
Share price at the date of grant, EUR	19.26	16.73	16.13
Estimated realisation of share price after vesting period [2]	19.54	16.24	16.16
Vesting period starts	1.1.2014	1.1.2013	1.1.2012
Vesting period ends	31.12.2016	31.12.2015	31.12.2014
Estimated realisation of earnings criteria at the beginning of vesting period, %	50	50	72
Realisation of earnings criteria, %	28	29	29
Distributed number	133,326	134,037	133,197
Volume weighted average share price at distribution date, EUR	31.35	33.23	23.34
Distributed number of shares out of the maximum number of share awards granted, %	13	14	14
Number of participants in the plan at the closing date	139	139	136

[1] The fair value of the share is the grant date share price less estimated dividend. Estimated dividend used in the calculation equals the previous period dividend.
[2] The estimated realisation of share price is calculated using the CAP model (Capital Asset Pricing Model). The basic variables in the model are interest rate level, general risk premium and the so-called beta risk on the Elisa share. The assumed dividend is the previous period dividend.

Committing share-based incentive plan 2011

On 19 December 2011, Elisa's Board of Directors decided of the new committing share incentive plan for 2012–2018.

The awards granted under the plan have a restriction period of 1-3 years. The potential award is based on the validity of the key person's contract of employment. The maximum amount of awards paid under the plan equals the value of 500,000 Elisa shares.

Amount of share incentives and terms and assumptions in the fair value calculation	Restriction period 2016–2018	Restriction period 2016–2017	Restriction period 2014–2016	Restriction period 2014–2015
Maximum number of awards granted, pcs	5,000	5,000	4,000	4,000
Grant date	16.12.2016	16.12.2016	11.12.2014	11.12.2014
Fair value of share at the date of restriction period, EUR (1	27.92	29.32	19.29	20.59
Share price at the date of restriction period, EUR	30.72	30.72	21.89	21.89
Estimated realisation of share price after restriction period (2	32.87	31.70	21.76	21.70
Restriction period starts	13.12.2016	13.12.2016	4.11.2014	4.11.2014
Restriction period ends	13.12.2018	13.12.2017	4.11.2016	4.11.2015
Estimated realisation of earnings criteria at the beginning of restriction period, %	100	100	100	100
Estimated realisation of earnings criteria at the closing date, %	100			
Realisation of earnings criteria, %		100	100	100
Distributed number		2,300	1,840	1,840
Volume weighted average share price at distribution date, EUR		33.01	29.97	34.49
Distributed number out of the maximum number of share awards granted, %		46	46	46
Number of participants in the plan	1	1	1	1

1) The fair value of the share is the share price at the point of restriction less estimated dividend. Estimated dividend used in the calculation equals the previous period dividend.
2) The estimated realisation of share price is calculated using the CAP model (Capital Asset Pricing Model). The basic variables in the model are interest rate level, general risk premium and the so-called beta risk on the Elisa share. The assumed dividend is the previous period dividend.

Expenses of share-based incentive plans

Expenses recognised for share incentive plans was EUR 15.2 (8.3) million in 2017.

28. Pension obligations

Pension schemes for Elisa's personnel in Finland are arranged through pension insurance companies for statutory pension insurance (TyEL) and through life insurance company for supplementary pension cover. The Finnish TyEL system is a defined contribution plan. Some supplementary pension plans and pension plans under the responsibility of Elisa have been classified as defined benefit plans. The plans are mainly funded by yearly payments to insurance companies based on actuarial calculation. Local tax and other laws are applied to the pension plans. Only Elisa Corporation has defined benefit plans.

The pension plans of foreign subsidiaries are defined contribution plans.

An amendment of the statutory employee pension arrangements (Employees Pensions Act) that entered into force on 1 January 2017 will gradually raise the retirement age from 63 to 65 years, depending on the employee's year of birth. Elisa has decided principally to refrain from compensating the increase in the statutory retirement age with additional pension.

Employment benefits for key management are described in Note 7.

The net defined benefit obligation recognised in the statement of financial position is determined as follows:

EUR million	2017	2016
Present value of unfunded obligations	–2.5	–2.4
Present value of funded obligations	–68.2	–72.8
Fair value of plan assets	54.7	58.6
Net pension liability (-) / receivable (+) in the statement of financial position	–16.0	–16.6

Pension expenses recognised in the statement of comprehensive income:

EUR million	2017	2016
Expense recognised in profit or loss		
Service cost	0.4	0.2
Net interest	0.2	0.3
	0.6	0.5
Remeasurements	–0.4	0.3
Tax effect of the remeasurements	0.1	–0.1
	–0.3	0.3

Reconciliation of the net defined benefit obligations in the statement of financial position:

EUR million	2017	2016
Net defined benefit obligation at the beginning of the period	16.6	15.6
Pension expenses recognised in profit or loss	0.6	0.5
Remeasurements	–0.4	0.3
Contributions paid by employer	–0.8	–0.4
Business acquisitions		0.4
Net defined benefit obligation at the end of period	16.0	16.6

Changes in the present value of the obligation:

EUR million	2017	2016
Obligation at the beginning of the period	–75.2	–70.1
Current service cost	–0.4	–0.2
Interest expenses	–0.8	–1.4
Remeasurements		
Actuarial gain (+) or loss (-) arising from changes in economical assumptions	0.4	–6.8
Gain (+) or loss (-) arising from experience adjustments	0.3	–1.0
Benefits paid	5.0	5.1
Business acquisitions		–0.8
Obligation at the end of period	–70.7	–75.2

Changes in the fair value of plan assets:

EUR million	2017	2016
Fair value of plan assets at the beginning of the period	58.6	54.5
Interest incomes	0.6	1.1
Remeasurements, gain (+) or loss (-)	–0.3	7.4
Benefits paid	–5.0	–5.1
Contributions paid by employer	0.8	0.4
Business acquisitions		0.4
Fair value of plan assets at the end of period	54.7	58.6

The principal actuarial assumptions used:

	2017	2016
Discount rate, %	1.60	1.10
Future pension increase, %	1.90	1.60
Inflation, %	1.70	1.30

Sensitivity analysis of net defined benefit obligation:

	Effect on the net defined benefit obligation, EUR million	
Change in actuarial assumptions	**2017**	**2016**
Discount rate + 0.5 %	–1.3	–1.6
Future pension increase +0.5 %	4.3	4.9
Expected mortality +1 year	0.9	1.0

When calculating a change in one assumption of the sensitivity analysis, the other assumptions are assumed to remain unchanged. In practice, this is not likely to happen and some changes in the assumptions may correlate with each other. The figures in the sensitivity analysis have been calculated by using the same method which is applied when calculating defined benefit obligation.

Defined benefit obligations expose the Group to various risks. Decreases in the gain of corporate bonds, higher inflation and higher expected retirement may predispose the Group to the growth of defined benefit obligation. On the other hand, since the fair value of assets is calculated using the same discount rate which is used while calculating the obligation, the change in the discount rate will affect only the net defined benefit obligation. Similarly, rise in life expectancy will increase the assets and affect the net defined benefit obligation.

Weighted average duration of the obligation is 14.0 (14.7) years.

The Group expects to contribute EUR 0.4 (0.4) million to defined benefit pension plans in 2018.

The assets of the defined benefit obligations are 100 per cent acceptable insurances.

29. Provisions

EUR million	Termination benefits	Other	Total
1 Jan. 2016	6.8	2.1	8.9
Increases in provisions	2.8		2.8
Business aquisitions	0.3		0.3
Reversals of unused provisions	-1.5		-1.5
Utilised provisions	-4.0		-4.0
31 Dec. 2016	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 Dec. 2017	7.0	1.7	8.7

EUR million	2017	2016
Long-term provisions	2.5	3.5
Short-term provisions	6.2	2.9
	8.7	6.4

Termination benefits

As a part of the Group's rationalisation Elisa has carried out statutory employee negotiations leading to personnel reductions in 2017. The restructuring provision includes provisions for both unemployment pensions and other expenses due to redundancies. The provisions associated with redundancies will be realised in 2018, and the provision associated with unemployment pensions will be realised in 2018–2020.

Other provisions

Other provisions include environmental provisions made for telephone poles.

30. Financial liabilities

EUR million	2017 Balance sheet values	2017 Fair values	2016 Balance sheet values	2016 Fair values
Non-current				
Bonds	767.3	807.2	594.5	646.0
Bank loans	150.1	150.1	209.2	209.2
Loans from pension funds			1.0	1.0
Capital loans			0.1	0.1
Finance lease liabilities	22.2	22.2	22.5	22.5
	939.6	979.5	827.3	878.8
Current				
Bank loans	59.2	59.2	139.2	139.2
Finance lease liabilities	3.7	3.7	3.1	3.1
Commercial paper	115.0	115.0	199.0	199.0
	177.8	177.8	341.2	341.2
	1,117.4	1,157.3	1,168.6	1,220.1

Interest-bearing liabilities include a total of EUR 25.9 (25.6) million of secured liabilities (finance lease liabilities). In substance the finance lease liabilities are secured liabilities, since rights to the leased property will revert to the lessor if payments are neglected.

All financial liabilities are denominated in euros. Financial liabilities are measured at amortised cost. The fair values of financial liabilities are based on quoted market prices or have been calculated by discounting the related cash flow by the market rate of interest on the balance sheet date.

The average maturity of non-current liabilities was 4.3 (3.9) years and the effective average rate of interest was 1.8 (2.1) per cent.

Contract-based cash flows on the repayment of financial liabilities and costs

2017

EUR million	2018	2019	2020	2021	2022	2023–	Total
Bonds	14.9	194.9	10.9	310.9	2.6	305.3	839.5
Financial costs	14.9	14.9	10.9	10.9	2.6	5.3	59.5
Repayments		180.0		300.0		300.0	780.0
Bank loans	60.2	0.7	0.7	0.6	0.6	150.6	213.4
Financial costs	1.0	0.6	0.6	0.6	0.6	0.6	4.2
Repayments	59.2	0.0	0.0			150.0	209.2
Commercial paper	115.0						115.0
Financial costs	0.2						0.2
Repayments	114.8						114.8
Finance lease liabilities	5.5	4.7	3.7	2.3	1.6	47.7	65.5
Financial costs	1.9	1.7	1.6	1.5	1.4	31.5	39.6
Repayments	3.7	3.0	2.1	0.8	0.1	16.2	25.9
Electricity derivatives	0.0	0.1					0.2
Expected payments	0.0	0.1					0.2
Trade payables	193.6						193.6
Financial costs	18.1	17.4	13.1	13.0	4.7	37.4	103.6
Repayments	371.2	183.0	2.2	300.8	0.1	466.2	1,323.5
Total	389.3	200.4	15.3	313.7	4.8	503.6	1,427.0

2016

EUR million	2017	2018	2019	2020	2021	2022–	Total
Bonds	15.0	15.0	315.0	8.3	308.3		661.5
Financial costs	15.0	15.0	15.0	8.3	8.3		61.5
Repayments			300.0		300.0		600.0
Bank loans	10.4	60.3	0.7	0.7	0.6	151.2	223.9
Financial costs	1.2	1.2	0.6	0.6	0.6	1.2	5.5
Repayments	9.1	59.1	0.0	0.0		150.0	218.3
Committed credit limits	130.0						130.0
Financial costs	0.0						0.0
Repayments	130.0						130.0
Commercial paper	199.0						199.0
Financial costs	0.4						0.4
Repayments	198.6						198.6
Loans from pension funds	0.0	0.1	0.1	0.1	0.1	0.7	1.2
Financial costs	0.0	0.0	0.0	0.0	0.0	0.1	0.2
Repayments		0.1	0.1	0.1	0.1	0.6	1.0
Capital loans	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Financial costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments						0.1	0.1
Finance lease liabilities	5.1	3.8	3.5	3.1	2.2	49.5	67.2
Financial costs	2.0	1.6	1.7	1.6	1.5	33.2	41.6
Repayments	3.1	2.2	1.8	1.5	0.7	16.3	25.6
Electricity derivatives	0.0	0.1	0.2				0.3
Expected payments		0.1	0.2				0.3
Trade payables	150.5						150.5
Financial costs	18.7	17.9	17.6	10.5	10.4	34.6	109.5
Repayments	491.4	61.4	301.9	1.6	300.8	167.0	1,324.2
Total	510.0	79.3	319.5	12.1	311.2	201.6	1,433.7

Future financial costs of variable-rate financial liabilities as well as interest rate and currency swaps have been calculated at the interest rate prevailing on the period end date. .
The company has EUR 300 million in credit facilities, of which EUR 170 million matures in 2022 and EUR 130 million in 2021. Both credits were undrawn at 31 December 2017.

Bonds

In the framework of its bond programme, the parent company has issued the following bonds:

	31 Dec. 2017					
	Fair value EUR million	Balance sheet value EUR million	Nominal value EUR million	Nominal interest rate-%	Effective interest-%	Maturity date
EMTN programme 2001 / EUR 1,000 million						
I/2012	187.1	177.4	180.0	2.250	2.403	4.10.2019
I/2013	322.1	299.5	300.0	2.750	2.785	22.1.2021
I/2017	298.0	290.5	300.0	0.875	1.032	17.3.2024
	807.2	767.3	780.0			

The fair value of bonds is based on market quotes.

Gross finance lease liabilities – maturity of minimum lease payments

EUR million	2017	2016
Not later than one year	5.5	5.1
Later than one year but not later than five years	12.2	12.9
Later than five years	47.7	49.2
	65.5	67.2
Future financial charges	–39.6	–41.6
Present value of finance lease liabilities	25.9	25.6

Maturity of present value of finance lease liabilities

EUR million	2017	2016
Not later than one year	3.7	3.1
Later than one year but not later than five years	6.0	6.3
Later than five years	16.2	16.3
	25.9	25.6

The Group leases among others telecom facilities, telecom network connections, workstations, network terminal devices and servers under finance lease arrangements. The conditions vary in terms of purchase options/ redemption clauses, index clauses and lease periods.

31. Trade payables and other liabilities

EUR million	2017	2016
Non-current		
Trade payables [1]	13.2	17.6
Advances received	5.0	5.2
Derivative instruments	0.2	0.8
Other liabilities	6.6	10.4
	25.1	34.0
Current		
Trade payables [1]	193.6	150.5
Advances received	6.3	4.1
Accrued employee-related expenses	62.0	55.2
Other accruals	21.9	18.5
Liabilities to associated companies	0.1	0.5
Other liabilities	65.9	78.8
	349.8	307.7
	374.9	341.7

[1] Non-current liabilities related to the 700 MHz spectrum license. The current liability of EUR 4.4 (11.1) million related to the licenses is included in current trade payables.

Derivatives are classified under financial assets/liabilities recognised at fair value through profit or loss. Other non-current liabilities are classified under financial liabilities.

The current value of trade payables and other liabilities is a reasonable estimate of their fair value. The time of payment for the Group's trade payables corresponds to conventional corporate terms of payment. Other accruals include accruals of interest expenses and other regular expenses.

32. Operating leases

Group as a lessee

Future minimum lease payments under non-cancellable operating leases:

EUR million	2017	2016
Not later than one year	28.9	29.6
Later than one year but 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.

Elisa's operating leases include mainly business premises and locations, telecom facilities and cars. The lease periods range from one month to more than 50 years for telecom facilities. A total of EUR 55.4 (56.3) million was paid as lease expenses on the basis of other lease contracts and recognised through profit or loss in 2017.

Group as a lessor

Future minimum lease payments under non-cancellable operating leases:

EUR million	2017	2016
Not later than one year	2.7	2.9
Later than one year but not later than five years	0.3	0.5
	3.0	3.4

Elisa acts as a lessor for conventional lease contracts of real estates and lease contracts for telecom premises and equipment space. The lease contract periods are mainly short, with durations of 1–6 months.

33. Collateral, commitments and other liabilities

EUR million	2017	2016
On behalf of own commitments		
Mortgages	2.0	1.2
Pledged securities		0.1
Deposits	2.5	0.7
Guarantees		1.1
On behalf of others		
Guarantees [1]	0.5	0.5
Other		0.0
	5.0	3.6
Other contractual obligations		
Venture Capital -investment obligation	3.3	
Repurchase obligations	0.0	0.0
Letter of credit	0.1	0.1
Unrecognised interest payable on capital loan		0.0

1) Elisa has guaranteed small short-term loans of less than EUR 20,000 for personnel. The maximum amount of the guarantee limit was EUR 0.5 (0.5) million on 31 December 2017.

Real estate investments

Real estate investments VAT refund liability is EUR 29.2 (30.5) million at 31 December 2017.

34. Financial risk management

Elisa Corporation's centralised financing function is responsible for exchange rate, interest rate, liquidity, and refinancing risks for the entire Group. The principles of financing policy, such as funding and investment principles, are annually discussed and ratified by the Audit Committee of the Board of Directors. Funding risks are monitored as a part of the regular business monitoring procedure.

Market risks

Interest rate risk

Elisa is exposed to interest rate risk mainly through its financial liabilities. In order to manage interest rate risk, the Group's borrowing and investments are diversified in fixed- and variable-rate instruments. Derivative financial instruments may also be used in managing interest rate risk. The aim is to hedge the negative effects caused by changes in the interest rate level. Hedge accounting is not applied to the derivatives.

Timing of interest rate changes for interest-bearing financial liabilities (EUR million), 31 Dec. 2017, at nominal value

Time of interest rate change	Less than 1 year	1 to 5 years period	Over 5 years period	Total
Variable-rate financing instruments				
Commercial paper loans	115.0			115.0
Bank loans	59.2			59.2
Finance lease liabilities	3.7			3.7
Fixed-rate financing instruments				
Bonds		480.0	300.0	780.0
Bank loans			150.1	150.1
Finance lease liabilities		6.0	16.2	22.2
	177.8	486.0	466.3	1,130.1

The Group's interest-bearing financial assets as at 31 December 2017 consisted of commercial papers and bank deposits amounting to EUR 0.0 million and cash in bank amounting to EUR 44.3 million.

The sensitivity analysis includes financial liabilities at the balance sheet date. The change in the interest rate level is assumed to be one percentage point. The interest rate position is assumed to include interest-bearing financial liabilities and receivables as well as interest rate swaps on the balance sheet date assuming that all contracts would be valid and stay unchanged for the entire year.

	2017		2016	
EUR million	**Income statement**	**Shareholders' equity**	**Income statement**	**Shareholders' equity**
Change in interest rate level +/- 1%	+/- 1.8		+/- 4.0	

Exchange rate risk

Most of Elisa Group's cash flows are denominated in euros, which means that the company's exposure to exchange rate risk (economic risk and transaction risk) is minor. Exchange rate risks associated with business arise from international interconnection traffic and, to a minor extent, acquisitions. The most important currencies are the US dollar (USD), the British pound (GBP), the International Monetary Fund's Special Drawing Rights (SDR), the Russian ruble (RUB), the Norwegian Krone (NOK) and the Swedish Krona (SEK), the impact of other currencies is not material. No exchange rate hedging was used during the period. The company's financial liabilities do not involve exchange rate risk.

The translation difference exposure for foreign subsidiaries included in consolidated equity is minor. The translation difference exposure has not been hedged during the period.

Foreign exchange exposure 31 December 2017

EUR million	Trade receivables	Trade payables
USD	1.2	7.4
GBP	0.2	0.1
SDR	0.6	0.8
RUB	0.0	
NOK	0.3	0.0
SEK	0.0	0.1

Foreign exchange exposure 31 December 2016

EUR million	Trade receivables	Trade payables
USD	0.6	2.6
GBP	0.7	0.2
SDR	0.5	0.7
RUB	0.1	
NOK	0.0	0.0
SEK	0.1	0.1

A change of twenty percentage points in USD would impact consolidated profit before tax by EUR +/- 1.2 (+/- 0.4) million, EUR +/- 0.0 (+/- 0.1) million for GPB, EUR +/- 0.0 (+/- 0.0) million for SDR, EUR +/- 0.0 (+/- 0.0) million for RUB, EUR +/- 0.1 (+/-0.0) million for NOK and EUR +/- 0.0 (+/-0.0) million for SEK.

Liquidity risk

The objective of liquidity risk management is to ensure the Group's financing under all circumstances. The company's most important financing arrangement is an EMTN programme of EUR 1,000 million, under which bonds have been issued for EUR 780.0 million. Furthermore, the company has a EUR 350 million commercial paper programme and committed credit limits of EUR 300 million out of which EUR 170 million will fall due on 7 July 2022 and EUR 130 million credit limit will fall due on 11 June 2021. Both credits were fully undrawn at 31 December 2017. The loan margin is determined based on the company's credit rating.

As part of ensuring its financing, Elisa has acquired international credit ratings. Moody's Investor Services have rated Elisa's long-term commitments as Baa2 (outlook stable). Standard & Poor's has rated the company's long-term commitments as BBB+ (outlook stable) and short-term commitments as A-2.

Cash and unused committed limits

EUR million	2017	2016
Cash and cash equivalents	44.3	44.5
Credit limits	300.0	170.0
	344.3	214.5

Cash and cash equivalents as well as unused committed credit limits less commercial papers issued by Elisa amounted to EUR 229.3 (15.5) million on 31 December 2017.

Contract-based cash flows for financial liabilities are presented under Note 30.

Credit risk

Financial instruments contain an element of risk of the respective parties failing to fulfil their obligations. Liquid assets are invested within confirmed limits in investment targets with good credit ratings. Investments and the limits specified for them are reviewed annually, or more often if necessary. Derivative contracts are only signed with Finnish and foreign banks with good credit ratings.

The business units are liable for credit risk associated with accounts receivable. The units have credit policies prepared in writing that are mainly consistent with uniform principles. The credit ratings of new customers are always reviewed from external sources when selling products or services invoiced in arrears. In case of additional sales to existing customers, creditworthiness is reviewed on the basis of the company's own accounts. The Group may also collect advance or guarantee payments in accordance with its credit policy.

Credit risk concentrations in accounts receivable are minor as the Group's customer base is wide; the ten largest customers represent approximately 6 per cent of customer invoicing. EUR 6.6 (6.5) million of uncertain receivables have been deducted from consolidated accounts receivable. The Group's previous experience in the collection of trade receivables corresponds to the recognised impairment. Furthermore, the Group sells the trade receivables of defined customer groups that are overdue by an average of 136 days. Based on these facts, the management is confident that the Group's trade receivables do not involve any substantial credit risk. The maximum credit risk as at 31 December 2017 is the value of trade receivables: EUR 346.1 million. The age distribution of trade receivables is described in Note 23.

Commodity risks and their sensitivity analysis

Elisa hedges electricity purchases with physical purchase agreements and derivatives. The electricity price risk is assessed at a five-year period. Hedge accounting is applied to contracts hedging future purchases. The effective portion of derivatives that qualify for hedge accounting is recognised in the revaluation reserve of equity, and the ineffective portion is recognised in the income statement under other operative income or expenses. The change in the revaluation reserve recognised in equity is presented in the statement of comprehensive income under Cash flow hedge.

At the end of the year, the ineffective portion of hedge accounting was EUR 0.1 (0.4) million

The hedging rate for purchases in the following years,%	2017	2016
0–1 years	81.3	91.3
1–2 years	41.8	46.6
2–3 years	0.0	17.5
3–4 years	0.0	0.0
4–5 years	0.0	0.0

If the market price of electricity derivatives changes by +/- 10 per cent from the balance sheet date (31 December 2017),
it would contribute EUR +/- 0.0 (0.0) million to the 2018 income statement and EUR +/- 0.2 (0.4) million to equity. The impact has been calculated before tax.

Notes on the capital structure

Elisa's capital consists of equity and liabilities. To develop its business, Elisa may carry out expansion investments and acquisitions that may be financed through equity or through liabilities directly or indirectly.

The target for the company's equity ratio is over 35 per cent and comparable net debt / EBITDA 1.5 to 2.0.

The company's distribution of profit to shareholders consists of dividends, capital repayment and purchase of treasury shares. Effective profit distribution is 80 per cent to 100 per cent of profit for the period. Furthermore, additional profit distribution to the shareholders may occur. When proposing or deciding on the distribution, the Board takes into account the company's financial position, future financing needs, and the set financial objectives.

Capital structure and key indicators

EUR million	2017	2016
Interest-bearing net debt	1,073.1	1,124.1
Total equity	1,039.7	971.3
Total capital	2,112.9	2,095.4
Gearing ratio, %	103.2	115.7
Net debt / EBITDA	1.8	2.0
Equity ratio, %	40.5	38.5

Available sources of financing

With regard to equity financing, the company's objective is to maintain sufficient flexibility for the Board of Directors to issue shares. The Annual General Meeting decides the amount of the share issue authorisation. In 2017, the authorisation has been used in executing share-based incentive plans.

Shareholders' equity	2017	2016
Treasury shares, 1,000	7,801	7,715
Share issue authorisation, 1,000	14,863	14,998
Share price	32.72	30.93
Total, EUR million	486.3	463.9

With regard to liability financing, the company maintains loan programmes and credit arrangements that allow quick issuance. The arrangements are committed and non-committed, and allow issuances for different maturities.

Debt capital	2017	2016
Commercial paper programme (non-committed) (1	235.0	51.0
Revolving credits (committed) (2	300.0	170.0
EMTN programme (non-committed) (3	220.0	400.0
Total, EUR million	755.0	621.0
Total equity and debt capital	**1,241.3**	**1,084.9**

1) The commercial paper programme amounts to EUR 350.0 million, of which EUR 115.0 million was in use at 31 December 2017.
2) Elisa has two committed revolving credit facilities to a total of EUR 300.0 million. Both credits were undrawn at 31 December 2017.
3) Elisa has a European Medium Term Note programme (EMTN) for a total of EUR 1,000 million. EUR 780.0 million was in use at 31 December 2017. The programme was updated on 11 July 2017, and it is valid for one year as of the update.

35. Related party transactions

The Group's related parties consist of the parent company, subsidiaries, associates and joint ventures, as well as Elisa's Board of Directors, the CEO and the Executive Board.

The Elisa Group structure was as follows on 31 December 2017:

The parent company of the Group is Elisa Corporation.

Subsidiaries	Domicile	Group's ownership,%
Ekaso Oy	Helsinki	100
Elisa Appelsiini Oy	Helsinki	100
Elisa Eesti As	Tallinn	100
Elisa Hong Kong Limited	Hong Kong	100
Elisa Videra Oy	Helsinki	100
Elisa Videra Italy S.r.l	San Genesio	100
Elisa Videra Singapore PTE LTD	Singapore	100
Elisa Videra Spain S.L	Madrid	100
Elisa Videra UK Ltd.	London	100
Elisa Videra Norge As	Oslo	100
Enia Oy	Helsinki	100
Epic TV SAS	Sallanches	100
Fonum Oy	Helsinki	100
Karelsat Oy	Joensuu	100
Kiinteistö Oy Raision Luolasto	Espoo	100
Kiinteistö Oy Rinnetorppa	Kuusamo	80
Kiinteistö Oy Tapiolan Luolasto	Espoo	100
LNS Kommunikation AB	Stockholm	100
Preminet Oy	Helsinki	100
OOO LNR	St. Petersburg	100
Santa Monica Networks AS	Tallinn	100
Santa Monica Networks Oy	Helsinki	100
Starman AS	Tallinn	100
Sulake Corporation Oy	Helsinki	100
Sulake Spain S.L.U	Madrid	100
Sulake Brasil	Sao Paolo	100
Sulake Inc	Los Angeles	100
Sulake Suomi Oy	Helsinki	100
Sulake UK Ltd	London	100
Banana Fingers Limited	Bristol	100
Tampereen Tietoverkko Oy	Tampere	100
Watson Nordic Oy	Vaasa	100
Joint arrangements		
Kiinteistö Oy Brahenkartano	Turku	60

Associates	Domicile	Group's ownership,%
FNE-Finland Oy	Kontiolahti	46
Kiinteistö Oy Helsingin Sentnerikuja 6	Helsinki	50
Kiinteistö Oy Herrainmäen Luolasto	Tampere	50
Kiinteistö Oy Lauttasaarentie 19	Helsinki	42
Kiinteistö Oy Pohjanplassi	Lapua	39
Kiinteistö Oy Riihimäen Maisterinkatu 9	Riihimäki	35
Kiinteistö Oy Runeberginkatu 43	Helsinki	30
Kiinteistö Oy Stenbäckinkatu 5	Helsinki	40
Suomen Numerot NUMPAC Oy	Helsinki	33
Tele Scope Oy	Espoo	22

Significant changes in ownership of subsidiaries are presented in Notes 2 and 3 and changes in ownership of associates in Note 16.

Other changes in the Group structure are described below.

Videra LLC merged into OOO LNR on 1 March 2017. Fiaset Oy, Fonetic Oy, Gisforest Oy, Helsingin Netti Media Oy, JMS Group Oy, Kotkan Tietoruutu Oy, Kympnet Oy, Kymtel Oy, Planetmedia Oy and Telcont Oy merged into Elisa Oyj on 31 May 2017. On 1 July 2017 Anvia TV Oy and Anvia Hosting Oy merged into Elisa Oyj and Anvia IT-Palvelut Oy into Elisa Appelsiini Oy. Anvia Telecom Oy merged into Elisa Oyj on 31 August 2017. Mergers do not have an impact on the Group Financial Statement.

New subsidiaries of Elisa Videra Group were established, Elisa Videra Italy S.r.l. on 24 July 2017 and Elisa Videra Singapore PTE LTD on 28 July 2017.

Joint arrangements

Kiinteistö Oy Brahenkartano owns and manages a building and a site in Turku. Elisa is entitled to manage office and telecom facilities with the shares owned.

60 per cent of the assets, liabilities, income and expenses of the joint operation are consolidated to the Group's financial statements with the proportional consolidation method.

Associates

Associated companies are consolidated in accordance with the equity method of accounting.

The Group had no significant associated companies on 31 December 2016 nor on 31 December 2017. The Group had a significant associated company, Anvia Plc, that was consolidated as an associated company until 30 June 2016, when Elisa divested its shares as a part of the Anvia ICT companies acquisition. At the time of the divestment, the Group owned 42 per cent of all shares of Anvia Plc.

The earnings effect of the divestment, EUR +0.3 million, is included in financial income of comparative income statement. The company's result accrued during the term as an associated company has been taken into account in the sales income. The Group's share of the result of Anvia Corporation up until 30 June 2016, EUR -1.4 million, is included on the income statement under "Share of associated companies' profit". Dividends of EUR 2.8 million were received from Anvia Corporation during the financial period.

Elisa divested its ownership in Länsilinkki Oy on 10 April 2017. The divestment resulted in a profit of EUR 0.5 million recorded as a financial income in the income statement.

The table shows the associated companies consolidated amount of profit according to the Group's accounting principles.

Financial information of a material associate

Anvia Plc

EUR million	2017	2016
Revenue		68.1
Profit for the period		–3.4
Group´s share of profit		**–1.4**

Aggregated financial information of non-material associates

EUR million	2017	2016
Group´s share of profit	**0.0**	**0.0**
Carrying amount of Group´s interest in associates	**1.9**	**2.2**

The Group´s share of the associated companies and changes during 2017. See Note 16.

Transactions carried out with related parties:

2017 EUR million	Sales	Purchases	Receivables	Liabilities
Associates and joint arrangements	0.5	1.4	0.1	0.1

2016 EUR million				
Associates and joint arrangements	0.5	3.0	0.2	0.5

Employee benefits to key management are presented under Note 7.

36. Events after the balance sheet date

There were not significant events after the balance sheet date.

Key indicators

Key indicators describing the Group's financial development

	2017	2016	2015	2014	2013
INCOME STATEMENT					
Revenue, EUR million	1,787	1,636	1,569	1,535	1,547
Change of revenue,%	9.3	4.2	2.2	-0.8	-0.4
EBITDA (EUR million)	608	563	532	520	491
EBITDA as % of revenue	34.0	34.4	33.9	33.8	31.7
EBIT, EUR million	378	339	312	305	281
EBIT as % of revenue	21.2	20.7	19.9	19.9	18.1
Profit before tax, EUR million	403	320	291	278	255
Profit before tax as % of revenue	22.6	19.6	18.5	18.1	16.5
Return on equity (ROE),%	33.5	27.1	27.0	25.6	22.9
Return on investment (ROI),%	23.7	17.0	16.5	15.7	15.3
Research and development costs, EUR million	10	11	15	13	10
Research and development costs as % of revenue	0.6	0.7	0.9	0.8	0.6
BALANCE SHEET					
Gearing ratio,%	103.2	115.7	103.9	114.0	112.6
Current ratio	1.0	1.0	0.7	0.9	1.0
Equity ratio,%	40.5	38.5	41.4	39.4	37.3
Non-interest bearing liabilities, EUR million	423	393	330	322	353
Interest bearing net debt	1,073	1,124	962	1,001	971
Balance sheet total, EUR million	2,580	2,533	2,247	2,243	2,324
INVESTMENTS					
Investments in shares and business combinations, EUR million	104	108	18	43	150
CAPITAL EXPENDITURES					
Investments, EUR million	246	226	196	191	240
Investments as % of revenue	13.8	13.8	12.5	12.5	15.5
PERSONNEL					
Average number of employees during the period	4,614	4,247	4,146	4,138	4,320
Revenue/employee, EUR 1,000	387	385	379	371	358

The order book is not shown because such information is immaterial owing to the nature of the company's business.

Formulae for financial summary indicators

EBITDA: EBIT + depreciation, amortisation and impairment

EBIT: Profit for the period + income taxes + financial income and expense + share of associated companies' profit

Return on equity (ROE),%: $$\frac{\text{Profit for the period}}{\text{Total shareholders' equity (on average during the year)}} \times 100$$

Return on investment (ROI),%: $$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Total equity + interest bearing liabilities (on average during the year)}} \times 100$$

Gearing ratio,%: $$\frac{\text{Interest-bearing liabilities – Cash and cash equivalents and financial assets at fair value through profit or loss}}{\text{Total shareholders' equity}} \times 100$$

Current ratio: $$\frac{\text{Current assets}}{\text{Current liabilities – advance payments received}}$$

Equity ratio,%: $$\frac{\text{Total shareholders' equity}}{\text{Balance sheet total – advance payments received}} \times 100$$

Per-share indicators [1]

	2017	2016	2015	2014	2013
Share capital, EUR	83,033,008	83,033,008	83,033,008	83,033,008	83,033,008
Number of shares at year-end	159,533,676	159,619,944	159,484,067	159,349,030	159,349,030
Average number of shares	159,606,603	159,607,755	159,469,737	159,349,030	157,269,132
Number of shares at year-end, diluted	159,533,676	159,619,944	159,484,067	159,349,030	159,349,030
Average number of shares, diluted	159,606,603	159,607,755	159,469,737	159,349,030	157,269,132
Market capitalisation, EUR million [2]	5,475	5,176	5,822	3,783	3,223
Earnings per share (EPS), EUR	2.11	1.61	1.52	1.41	1.25
Dividend per share, EUR	1.65 [5]	1.50	1.40	1.32	1.30
Payout ratio,%	78.2	93.1	91.8	93.5	104.0
Equity per share, EUR	6.52	6.08	5.80	5.51	5.41
P/E ratio	15.5	19.2	22.8	16.0	14.8
Effective dividend yield,% [2]	5.0	4.8	4.0	5.8	6.7
Share performance on Nasdaq Helsinki					
Mean price, EUR	33.74	32.27	28.37	20.93	16.15
Closing price at year-end, EUR	32.72	30.93	34.79	22.61	19.26
Lowest price, EUR	30.42	28.40	22.10	18.19	13.37
Highest price, EUR	36.94	35.80	35.99	24.04	19.49
Trading of shares on Nasdaq Helsinki [3]					
Total trading volume, 1,000 shares	104,467	105,663	113,312	112,729	128,100
Percentage of shares traded [4]	62	63	68	67	77

1) The numbers of shares are presented without treasury shares held by Elisa Group. Treasury shares have been accounted for in the calculation of the indicators.
2) Calculated on the basis of the closing price on the last trading day of the year.
3) Elisa share is also traded in alternative marketplaces. According to the Fidessa Fragmentation report, the trading volumes in these markets in 2017 were approximately 127 (180) per cent of the Nasdaq Helsinki.
4) Calculated in proportion to the average number of shares for the period.
5) The Board of Directors proposes a dividend payment of EUR 1.65 per share.

Formulae for per-share indicators

Earnings per share (EPS) $\dfrac{\text{Profit for the period attributable to the equity holders of the parent}}{\text{Average number of shares during the period adjusted for issues}}$

Dividend per share [1] $\dfrac{\text{Dividend adjusted for issues}}{\text{Number of shares at the balance sheet date adjusted for issues}}$

Effective dividend yield, % [1] $\dfrac{\text{Dividend per share}}{\text{Share price at the balance sheet date adjusted for issues}} \times 100$

Payout ratio, % [1] $\dfrac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$

Equity per share $\dfrac{\text{Equity attributable to equity holders of the parent}}{\text{Number of shares at the balance sheet date adjusted for issues}}$

P/E ratio (Price/Earnings) $\dfrac{\text{Share price on the balance sheet date}}{\text{Earnings per share}}$

1) The calculation formulas apply also to the capital repayment indicators.

Income statement, parent company, FAS

EUR million	Note	2017	2016
Revenue	1	1,451.9	1,387.9
Other operating income	2	10.6	8.8
Materials and services	3	–583.0	–551.4
Personnel expenses	4	–199.0	–189.0
Depreciation and amortisation	5	–239.4	–219.2
Other operating expenses		–155.4	–151.6
Operating profit		285.7	285.4
Financial income and expenses	7	6.8	–26.7
Profit before appropriations		292.5	258.7
Appropriations	8	9.1	7.3
Income taxes	9	–62.0	–59.7
Profit for the period		239.6	206.3

Balance sheet, parent company, FAS

EUR million	Note	31 Dec. 2017	31 Dec. 2016
ASSETS			
Fixed assets			
Intangible assets	10	433.3	413.4
Tangible assets	10	660.2	606.1
Investments	11	428.2	367.4
		1,521.6	1,386.8
Current assets			
Inventories	12	50.6	43.0
Non-current receivables	13	83.5	137.3
Current receivables	14	351.3	510.4
Cash and bank receivables		32.9	34.6
		518.2	725.3
TOTAL ASSETS		2,039.9	2,112.1
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	15		
Share capital		83.0	83.0
Treasury shares		–140.0	–142.7
Reserve for invested non-restricted equity		77.8	77.8
Contingency reserve		3.4	3.4
Retained earnings		139.8	175.2
Profit for the period		239.6	206.3
		403.6	403.1
Accumulated appropriations		92.5	79.6
Provisions for liabilities and charges	16	9.0	5.5
Liabilities			
Non-current liabilities	17	949.8	861.2
Current liabilities	18	585.0	762.7
		1,534.8	1,623.9
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,039.9	2,112.1

Cash flow statement, parent company, FAS

EUR million	2017	2016
Cash flow from operating activities		
Profit before appropriations	292.5	258.7
Adjustments:		
Depreciation and amortisation	239.4	219.2
Other income and expenses with no payment relation	1.5	0.8
Other financial income (-) and expenses (+)	27.8	21.9
Gains (-) and losses (+) on the disposal of fixed assets	-0.4	-0.6
Gains (-) and losses (+) on the disposal of investments	-34.6	4.8
Change in provisions in the income statement	3.1	-2.4
Cash flow before changes in working capital	529.2	502.5
Change in working capital		
Increase (-) / decrease (+) in trade and other receivables	-24.7	-22.0
Increase (-) / decrease (+) in inventories	-7.4	-1.9
Increase (+) / decrease (-) in trade and other payables	28.4	42.5
Cash flow before financial items and taxes	525.5	521.1
Dividends received	0.7	1.7
Interest received	5.1	1.9
Interest paid	-21.4	-23.9
Income taxes paid	-62.8	-64.5
Net cash flow from operating activities	447.1	436.4

EUR million	2017	2016
Cash flow from investing activities		
Capital expenditure	–225.4	–206.1
Proceeds from disposal of tangible and intangible assets	2.9	1.4
Investments in shares and other financial assets	–49.0	–40.3
Proceeds from disposal of shares and other financial assets	43.6	3.1
Loans granted	–26.6	–185.7
Repayment of loan receivables	140.1	2.6
Net cash flow used in investing activities	–114.3	–425.0
Cash flow after investing activities	332.8	11.4
Cash flow from financing activities		
Increase in long-term borrowings (+)	289.3	150.0
Decrease in long-term borrowings (-)	–156.2	–156.6
Increase (+) / decrease (-) in short-term borrowings	–256.7	242.7
Group contributions received (+) / paid (-)	6.8	0.6
Dividends paid	–239.2	–222.8
Net cash flow used in financing activities	–356.0	13.9
Change in cash and cash equivalents	–23.2	25.3
Cash and cash equivalents at the beginning of the period	34.6	9.3
Cash from business transfers and mergers	21.5	
Cash and cash equivalents at the end of the period	32.9	34.6

Notes to the financial statements of the parent company

Accounting principles

Elisa Corporation's financial statements have been prepared in accordance with the accounting principles based on Finnish accounting legislation.

Foreign currency items

Transactions denominated in foreign currencies are recorded at the rates of exchange prevailing on the dates of transactions. At year-end, assets and liabilities denominated in foreign currencies are valued at the average rate quoted by the European Central Bank at year-end.

Fixed assets

The carrying value of intangible and tangible assets is stated at cost less accumulated depreciation, amortisation and impairments. Internally generated fixed assets are measured at variable costs.

The difference between depreciation according to plan and total depreciation is presented under appropriations in the parent company's income statement and the accumulated depreciation difference is presented under accumulated appropriations in shareholders' equity and liabilities on the balance sheet. Depreciation according to plan is recognised on a straight-line basis over the useful lives from the original acquisition cost.

The useful lives according to plan for the different asset groups are:

Intangible rights	3–5 years
Goodwill	5–20 years
Other expenditure with long-term effects	5–10 years
Buildings and constructions	25–40 years
Machinery and equipment in buildings	10–25 years
Telephone exchanges	6–10 years
Cable network	8–15 years
Telecommunication terminals	2–4 years
Other machines and equipment	3–5 years

Inventories

Inventories are stated at the lowest of variable cost, acquisition price or the likely disposal, or repurchase price. Cost is determined using a weighted average price.

Marketable securities

Investments in money market funds are recognised at the repurchase price. Investments in certificates of deposit and commercial paper are recognised at the acquisition cost, as the difference between the repurchase price and cost of acquisition is not significant.

Revenue recognition principles

Sales are recognised as income at the time of transfer and income from services is recognised once the services have been rendered.

Interconnection fees that are invoiced from the customer and paid as such to other telephone companies are presented as a deduction item under sales income (Finnish Accounting Standards Board 1995/1325).

The profit from the sale of business operations and fixed assets, subsidies received and rental income from premises are presented under other operating income. The loss from the sale of fixed assets is presented under other operating expenses. The profit or loss from the sale of shares is presented in financial income and expenses.

Research and development

Research costs are charged to expenses in the income statement. Product development expenses are recognised on the balance sheet from the date the product is technically feasible, it can be utilised commercially and future financial benefit is expected from the product. In other cases, development costs are recognised as an expense. Development costs previously recognised as expenses are not capitalised later.

Government grants for product development projects and the like are recognised under other operating income when the product development costs are recognised as annual expenses. If a government grant is associated with capitalised product development costs, the grant reduces the capitalised acquisition cost.

Future expenses and losses

Probable future expenses and losses related to the current or a prior financial period without corresponding income are recognised in the income statement. Such items are recognised in the balance sheet under provisions if a reliable estimate of the amount or timing of the obligation cannot be made. Otherwise the obligation is recognised in accruals.

Income taxes

Income taxes for the financial year are recognised in the income statement. No deferred tax liabilities or receivables have been recognised in the financial statements.

1. Revenue

EUR million	2017	2016
Sales	1,515.3	1,450.5
Interconnection fees and other adjustments	–63.4	–62.6
	1,451.9	1,387.9
Geographical distribution		
Finland	1,427.6	1,362.0
Rest of Europe	22.8	23.2
Other countries	1.6	2.7
	1,451.9	1,387.9

2. Other operating income

EUR million	2017	2016
Gain on disposals of fixed assets	2.4	0.6
Other items [1]	8.2	8.2
	10.6	8.8

[1] Other operating income items mainly include rental income of real estate, management fee income charged from subsidiaries and other miscellaneous operating income.

3. Materials and services

EUR million	2017	2016
Materials, supplies and goods		
Purchases	248.4	218.5
Change in inventories	–7.4	–1.1
	241.0	217.4
External services	342.0	334.0
	583.0	551.4

4. Personnel expenses

EUR million	2017	2016
Salaries and wages	164.7	154.8
Pension expenses	29.0	27.1
Other statutory employee expenses	5.3	7.2
	199.0	189.0
Personnel on average	2,625	2,563

CEO remuneration, EUR	2017	2016
Fixed salary	542,100.00	546,781.84
Performance-based bonus	332,937.00	351,261.00
Fringe benefits	13,974.82	9,132.16
Share-based payments [1]	956,768.69	947,863.00
	1,845,780.51	1,855,038.00

[1] The maximum award allocated to the CEO under the share-based compensation plans equals the value of 186,650 shares. See Note 7 in the consolidated financial statements.

The executive agreement with the Group CEO expires at the age of 60, and he is entitled to retire according to the agreement. The pension benefit plan follows the defined contribution plan. The defined benefit pension plan includes vested rights. See Note 7 in the consolidated financial statements.

The Board of Directors' remuneration, EUR	2017	2016
Petteri Koponen	68,500.00	69,000.00
Clarisse Berggårdh	68,000.00	54,000.00
Raimo Lind	116,500.00	117,000.00
Leena Niemistö	68,000.00	69,000.00
Jaakko Uotila	16,500.00	70,500.00
Seija Turunen	80,000.00	82,500.00
Antti Vasara	51,500.00	
Mika Vehviläinen	78,500.00	80,500.00
	547,500.00	542,500.00

The following compensation determined by the Annual General Meeting was paid to the Members of the Board: monthly remuneration fee for the Chairman EUR 9,000 per month; monthly remuneration fee for the Deputy Chairman and chairman of the Committee for Auditing EUR 6,000 per month; monthly remuneration fee for the Members EUR 5,000 per month; and meeting remuneration fees of EUR 500 per meeting per participant. The remuneration fees for January - March period have been used to purchase Elisa shares on 31 March 2017 and remuneration fees for April - September period have been used to purchase Elisa shares on 23 October 2017. The outstanding remuneration amounts were deducted by withheld tax 60 per cent. The transfer of shares for period October - December 2017 will take place on 23 April 2018. The shares purchased before 2014 are subject to a transfer restriction of four years during the term of Board service. The restriction is lifted when Board membership ends.

5. Depreciation and amortisation

EUR million	2017	2016
Intangible assets	78.5	65.9
Tangible assets	160.9	153.3
	239.4	219.2

Specification of depreciation by balance sheet items is included in Note 10.

6. Auditor fees

EUR million	2017	2016
Auditing	0.1	0.2
Tax advisory services	0.1	0.0
Other services	0.1	0.2
	0.3	0.5

7. Financial income and expenses

EUR million	2017	2016
Interest income and other financial income		
Dividends received		
From Group companies	0.6	0.7
From associated companies	0.0	0.6
From others	0.1	0.5
	0.7	1.7
Other interest and financial income		
From Group companies	2.3	1.2
Gains on disposal of investments (1	34.6	0.5
From others	3.3	1.3
	40.2	3.0
	40.9	4.7
Interest costs and other financial expenses		
To Group companies	–4.6	–3.8
Loss on disposal of investments	–8.2	
To others	–21.3	–27.6
Impairments	0.0	0.0
	–34.1	–31.4
	6.8	–26.7

1) Includes gain from the sales of Comptel Oyj shares.

8. Appropriations

EUR million	2017	2016
Change in depreciation difference	2.4	0.5
Group contributions received	8.7	10.6
Group contributions given	–2.0	–3.8
	9.1	7.3

9. Income taxes

EUR million	2017	2016
Regular business	–62.0	–59.7
Previous period taxes	0.0	0.0
	–62.0	–59.7

10. Intangible and tangible assets

2017	Intangible Assets					
EUR million	Development costs	Intangible rights	Goodwill	Other intangible assets	Under construction	Total
Acquisition cost at 1 Jan. 2017	26.8	76.1	812.0	408.7	33.4	1,356.9
Transferred in merger		9.1		0.2		9.3
Additions	2.0	1.8	56.2	25.4	6.1	91.4
Disposals	–0.1	0.0			–0.3	–0.5
Reclassifications	0.5	21.9		5.8	–27.2	1.0
Acquisition cost at 31 Dec. 2017	29.1	108.8	868.2	440.2	11.9	1,458.2
Accumulated amortisation at 1 Jan. 2017	23.6	40.7	543.3	336.0		943.5
Transferred in merger		3.1		0.1		3.2
Accumulated depreciation of disposals and reclassifications		0.0		0.0		0.0
Amortisation for the period	2.3	11.6	38.3	26.1		78.2
Accumulated amortisation at 31 Dec. 2017	25.8	55.4	581.5	362.2		1,024.9
Book value at 31 Dec. 2017	3.3	53.4	286.7	78.0	11.9	433.3

2017 EUR million	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Under construction	Total
	Tangible assets					
Acquisition cost at 1 Jan. 2017	6.7	177.2	3,058.9	35.1	27.0	3,305.0
Transferred in merger	1.2	2.9	50.2		1.9	56.2
Additions	0.1	4.9	149.0	0.0	25.1	179.1
Disposals	0.0	–1.6	–10.9			–12.5
Reclassifications	0.2	2.1	15.1		–18.5	–1.0
Acquisition cost at 31 Dec. 2017	8.2	185.5	3,262.4	35.1	35.5	3,526.8
Accumulated depreciation at 1 Jan. 2017		99.2	2,565.3	34.4		2,698.9
Transferred in merger		0.6	17.4			18.0
Accumulated depreciation of disposals and reclassifications		–0.6	–10.5			–11.2
Depreciation for the period		8.7	152.2	0.0		160.9
Accumulated depreciation at 31 Dec. 2017		107.9	2,724.3	34.4		2,866.6
Book value at 31 Dec. 2017	8.2	77.6	538.1	0.7	35.5	660.2

2016 EUR million	Intangible Assets Development costs	Intangible rights	Goodwill	Other intangible assets	Under construction	Total
Acquisition cost at 1 Jan. 2016	25.1	73.0	809.9	368.8	22.4	1,299.2
Additions	1.3	3.7	2.1	25.1	24.8	57.0
Disposals		0.0		0.0	0.0	–0.1
Reclassifications	0.4	–0.6		14.8	–13.8	0.7
Acquisition cost at 31 Dec. 2016	26.8	76.1	812.0	408.7	33.4	1,356.9
Accumulated amortisation at 1 Jan. 2016	20.9	34.2	508.8	313.8		877.6
Amortisation for the period	2.7	6.6	34.5	22.2		65.9
Accumulated amortisation at 31 Dec. 2016	23.6	40.7	543.3	336.0		943.5
Book value at 31 Dec. 2016	3.2	35.3	268.7	72.8	33.4	413.4

2016 EUR million	Tangible assets Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Under construction	Total
Acquisition cost at 1 Jan. 2016	6.6	171.5	2,932.6	35.1	21.4	3,167.2
Additions	0.1	4.6	123.5		20.7	148.9
Disposals	0.0	0.0	–10.4			–10.4
Reclassifications	0.0	1.2	13.1		–15.1	–0.7
Acquisition cost at 31 Dec. 2016	6.7	177.2	3,058.9	35.1	27.0	3,305.0
Accumulated depreciation at 1 Jan. 2016		90.6	2,430.8	34.3		2,555.7
Accumulated depreciation of disposals and reclassifications		0.0	–10.1			–10.1
Depreciation for the period		8.6	144.6	0.0		153.3
Accumulated depreciation at 31 Dec. 2016		99.2	2,565.3	34.4		2,698.9
Book value at 31 Dec. 2016	6.7	78.0	493.6	0.8	27.0	606.1

11. Investments

2017 EUR million	Shares Group companies	Shares Associated companies	Shares Other companies	Receivables Group companies	Total
Acquisition cost at 1 Jan. 2017	339.1	5.9	20.0	7.0	372.1
Transferred in merger		0.3	0.5		0.8
Additions	171.8		2.9	0.0	174.6
Disposals	–105.7		–8.9	–0.3	–114.9
Reclassifications				0.1	0.1
Acquisition cost at 31 Dec. 2017	405.2	6.2	14.4	6.8	432.7
Impairment at 1 Jan. 2017	–0.5		–4.1	–0.1	–4.7
Additions	0.0				0.0
Disposals	0.2			0.1	0.2
Impairment at 31 Dec. 2017	–0.4		–4.1	0.0	–4.5
Book value at 31 Dec. 2017	404.8	6.2	10.3	6.8	428.2

A list of the Group and associated companies is available under Note 35 in the consolidated financial statements.

2016 EUR million	Shares Group companies	Shares Associated companies	Shares Other companies	Receivables Group companies	Total
Acquisition cost at 1 Jan. 2016	304.7	13.2	20.0	7.0	344.9
Additions	46.8	8.6	0.0	2.0	57.3
Disposals	–14.3	–15.8	0.0	0.0	–30.1
Reclassifications	2.0	0.0	0.0	–2.0	0.0
Acquisition cost at 31 Dec. 2016	339.1	5.9	20.0	7.0	372.1
Impairment at 1 Jan. 2016	–0.5		–4.1	–0.1	–4.7
Impairment at 31 Dec. 2016	–0.5		–4.1	–0.1	–4.7
Book value at 31 Dec. 2016	338.6	5.9	15.9	7.0	367.4

12. Inventories

EUR million	2017	2016
Materials and supplies	14.5	8.3
Finished goods	36.1	34.7
	50.6	43.0

13. Non-current receivables

EUR million	2017	2016
Receivables from Group companies		
Loan receivables	1.8	68.1
Receivables from others		
Loan receivables		0.1
Trade receivables	62.5	55.7
Prepayments and accrued income [1]	19.0	13.3
Other receivables	0.2	
	81.7	69.2
	83.5	137.3

[1] Breakdown of prepayment and accrued income		
Rent advances	8.0	8.5
Transaction costs and losses related to loan issuance	10.5	4.2
Others	0.5	0.7
	19.0	13.3

14. Current receivables

EUR million	2017	2016
Receivables from Group companies		
Loan receivables	9.5	18.6
Trade receivables	5.8	6.4
Prepayments and accrued income	1.1	1.9
Other receivables	10.5	10.6
	26.9	37.5
Receivables from associated companies		
Trade receivables	0.1	0.2
	0.1	0.2
Receivables from others		
Trade receivables	282.3	261.8
Loan receivables	1.3	168.6
Prepayments and accrued income [1]	35.8	23.6
Other receivables	4.9	18.6
	324.3	472.7
	351.3	510.4
[1] Breakdown of prepayment and accrued income		
Interest	0.1	0.2
Rent advances	1.6	1.8
Transaction costs and losses related to loan issuance	3.6	2.2
Taxes	0.8	1.9
Other business expense advances	29.6	17.5
	35.8	23.6

15. Shareholders' equity

EUR million	2017	2016
Share capital at 1 Jan.	83.0	83.0
Share capital at 31 Dec.	83.0	83.0
Treasury shares at 1 Jan.	-142.7	-145.4
Disposal of treasury shares	2.7	2.7
Treasury shares at 31 Dec.	-140.0	-142.7
Reserve for invested non-restricted equity at 1 Jan.	77.8	77.8
Reserve for invested non-restricted equity at 31 Dec.	77.8	77.8
Contingency reserve at 1 Jan.	3.4	3.4
Contingency reserve at 31 Dec.	3.4	3.4
Retained earnings at 1 Jan.	381.6	401.0
Dividend distribution	-239.6	-223.5
Withdrawal of dividend liabilities	0.5	0.4
Disposal of treasury shares	-2.7	-2.7
Retained earnings at 31 Dec.	139.8	175.2
Profit for the period	239.6	206.3
	403.6	403.1
Distributable earnings		
Retained earnings	139.8	175.2
Treasury shares	-140.0	-142.7
Reserve for invested non-restricted equity	77.8	77.8
Development costs	-8.2	-3.2
Profit for the period	239.6	206.3
	309.0	313.5

16. Provisions

EUR million	2017	2016
Provision for unemployment pensions	2.8	3.2
Other provisions [1]	6.2	2.4
	9.0	5.5

[1] Other provisions consist of salaries, including related statutory employee costs for employees not required to work during their severance period, and a provision for other operating expenses.

Provisions of EUR 3.6 (3.3) million were used and EUR 1.7 (1.3) million were reversed as unused in 2017.

17. Non-current liabilities

EUR million	2017	2016
Interest-bearing		
Liabilities to Group companies		
Other liabilities		26.0
Liabilities to others		
Bonds	780.0	600.0
Loans from financial institutions	150.0	209.1
Loans from pension funds		1.0
	930.0	810.1
	930.0	836.1
Non-interest bearing		
Liabilities to others		
Trade payables	13.2	17.6
Accruals and deferred income [1]	6.6	7.5
	19.8	25.1
	949.8	861.2
Liabilities maturing after five years		
Bonds	300.0	
Loans from financial institutions	150.0	150.0
Loans from pension funds		0.6
	450.0	150.6
[1] Breakdown of accruals and deferred income		
Rent advances	6.6	7.5

18. Current liabilities

EUR million	2017	2016
Interest-bearing		
Liabilities to Group companies		
Group account	102.5	145.2
Other liabilities	26.2	26.0
	128.7	171.2
Liabilities to others		
Loans from financial institutions	59.1	139.1
Commercial paper	115.0	199.0
	174.1	338.1
	302.7	509.3
Non-interest bearing		
Liabilities to Group companies		
Trade payables	14.5	8.7
Accruals and deferred income	0.0	0.1
Other liabilities	2.1	3.8
	16.6	12.5
Liabilities to Associated companies		
Trade payables	0.1	0.4
	0.1	0.4
Liabilities to others		
Advances received	0.7	1.3
Trade payables	162.6	130.8
Accruals and deferred income [1]	50.3	46.9
Other liabilities	51.9	61.4
	265.5	240.4
	282.2	253.4
	585.0	762.7
[1] Breakdown of accruals and deferred income		
Salaries and wages and related statutory employee costs	37.4	34.6
Interest	11.1	9.8
Direct taxes	0.1	
Rent advances	1.2	1.3
Advance income	0.5	1.0
Others	0.1	0.3
	50.3	46.9

19. Collateral, commitments and other liabilities

Collateral

EUR million	2017	2016
On behalf of own commitments		
Bank deposits	2.3	0.5
Guarantees		1.1
Pledged securities		0.1
On behalf of others		
Guarantees	0.5	0.5
	2.8	2.2

Leasing and rental liabilities

EUR million	2017	2016
Leasing liabilities on telecom networks [1]		
Due within one year	0.2	0.2
Due later than one year and up to five years	0.3	0.5
	0.5	0.8
Other leasing liabilities [2]		
Due within one year	5.7	5.7
Due later than one year and up to five years	8.3	10.3
	14.0	16.1
Repurchase obligations [3]	0.0	0.0
Letter of credit	0.1	0.1
Real estate leases [4]		
Due within one year	24.4	24.7
Due later than one year and up to five years	40.5	37.8
Due later than five years	87.7	97.6
	152.6	160.1
	167.1	177.0

1) Consists of certain individualised mobile network equipment and access fees for backbone connections.
2) Leasing liabilities consist mainly of leases of cars and IT equipment.
3) Repurchase obligations are mainly related to leasing liabilities of telecom networks and terminal devices bought by customers with leasing liabilities from financing institutions.
4) Real estate leases comprise rental agreements relating to business, office and telecom premises.

Real estate leases are presented at nominal amounts.

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

Derivative instruments

EUR million	2017	2016
Electricity derivatives		
Nominal value	2.4	4.3
Fair value recognised on the balance sheet	–0.2	–0.8

Elisa hedges electricity purchases with physical purchase agreements and derivatives. The electricity price risk is assessed at five-year intervals. Hedge accounting is applied to contracts hedging future purchases.

The hedging rate for purchases in the following years,%

	2017	2016
0–1 years	81.3	91.3
1–2 years	41.8	46.6
2–3 years	0.0	17.5
3–4 years	0.0	0.0
4–5 years	0.0	0.0

If the market price of electricity derivatives changes by +/- 10 per cent from the balance sheet date of 31 December 2017, it would contribute EUR +/- 0.2 (0.4) million to the 2018 equity. The impact has been calculated before tax.

Real estate investments

The VAT refund liability of real estate investments was EUR 29.2 (30.5) million at 31 December 2017.

Shares and shareholders

1. Share capital and shares

The company's paid-up share capital registered in the Trade Register stood at EUR 83,033,008 at the end of the financial year.

According to the Articles of Association, the minimum number of shares is 50,000,000 and the maximum is 1,000,000,000. At the end of the financial year, the number of Elisa Corporation shares was 167,335,073, all within one share series.

2. Authorisations of the Board of Directors

On 31 March 2016, the Annual General Meeting authorised the Board of Directors to decide on a new share issue, transfer of treasury shares owned by the company and/or granting of special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act subject to the following: The authorisation allows the Board of Directors to issue a maximum of 15,000,000 shares in one or several issues. The share issue and shares granted by virtue of special rights are included in the aforementioned maximum number. The maximum number is approximately 9 per cent of the entire stock. The share issue can be free or for consideration and can also be directed to the Company itself. The authorisation entitles the Board to make a directed issue. The authorisation may be used for making acquisitions or implementing other arrangements related to the Company's business, to finance investments, to improve the Company's financial structure, or for other purposes decided by the Board of Directors. The Board of Directors shall have the right to decide on all other matters related to the share issue. The authorisation shall be in force until 30 June 2018 and it annuls the authorisation given by the Annual General Meeting to the Board of Directors on 2 April 2014.

In addition, the Annual General Meeting authorized on 6 April 2017 the Board of Directors to decide on the acquisition of treasury shares subject to the following: The Board of Directors may decide to acquire or pledge on non-restricted equity a maximum of 5,000,000 treasury shares. The acquisition may take place as one or several blocks of shares. The consideration payable for the shares shall not be more than the ultimate market price. In purchasing the Company's own shares derivative, share lending and other contracts customary in the capital market may be concluded pursuant to law and the applicable legal provisions. The authorisation entitles the Board of Directors to pass a resolution to purchase the shares by making an exception to the purchase of shares relative to the current holdings of the shareholders. The treasury shares may be used for making acquisitions or implementing other arrangements related to the Company's business, to finance investments, to improve the Company's financial structure, to be used as part of the incentive compensation plan, or for the purpose of otherwise assigning or cancelling the shares. The Board of Directors shall have the right to decide on all other matters related to the purchase of the Company's own shares. The authorisation is in force until 30 June 2018, and it annuls the authorisation given by the Annual General Meeting to the Board of Directors on 31 March 2016.

3. Treasury shares, share issues and cancellations

At the beginning of the financial period, Elisa held 7,715,129 treasury shares.

The Annual General Meeting held on 6 April 2017 authorised the Board of Directors to acquire and assign treasury shares. The authorisation applies to a maximum of 5,000,000 treasury shares. On the basis of the authorisation, Elisa has not acquired any treasury shares.

A total of 135,626 treasury shares were disposed of and 221,894 shares were transferred from the unallocated account during the financial year.

At the end of the financial period, Elisa held 7,801,397 treasury shares.

The Elisa shares held by Elisa do not have any substantial impact on the distribution of holdings and votes in the Company. They represent 4.66 per cent of all shares and votes.

4. Management interests

The aggregate number of shares held by Elisa's Board of Directors and the CEO on 31 December 2017 was 113,428 shares and votes, which represented 0.07 per cent of all shares and votes.

5. Share performance

The Elisa share closed at EUR 32,72 on 31 December 2017. The highest quotation of the year was EUR 36,94 and the lowest EUR 30,42. The average price was EUR 33,74.

At the end of the financial year, the market capitalisation of Elisa's outstanding shares was EUR 5,475.2 million.

6. Quotation and trading

The Elisa share is quoted on the Main List of the Nasdaq Helsinki with the ticker ELISA. The aggregate volume of trading on the Nasdaq Helsinki between 1 January and 31 December 2017 was 104,466,903 shares for an aggregate price of EUR 3,525 million. The trading volume represented 62.4 per cent of the outstanding number of shares at the end of the financial year.

7. Distribution of holding by shareholder groups at 31 December 2017

		Number of shares	Proportion of all shares, %
1	Private companies	21,504,512	12.85
2	Financial and insurance institutions	2,479,275	1.48
3	Public corporations	11,539,836	6.90
4	Non-profit organisations	5,921,285	3.54
5	Households	43,035,464	25.72
6	Foreign	2,404,921	1.44
7	Nominee registered	72,648,383	43.41
	Elisa Group	7,801,397	4.66
		167,335,073	100.00

8. Distribution of holding by amount at 31 December 2017

Size of holding	Number of shareholders	%	Number of shares	%
1–100	36,729	19.16	1,861,364	1.11
101–1,000	149,846	78.16	32,611,860	19.49
1,001–10,000	4,862	2.54	11,494,039	6.87
10,001–100,000	253	0.13	6,537,659	3.91
100,001–1,000,000	28	0.01	6,350,368	3.80
1,000,001–	7	0.00	27,808,657	16.62
Nominee registered			72,648,383	43.41
	191,725	100.00		
Elisa Common Clearing account [1]			221,346	0.13
Elisa Group			7,801,397	4.66
Issued amount			167,335,073	100.00

[1] Shares in the Common Clearing account include shares that had not been transferred to the share owners' book-entry accounts at the time of, or subsequent to, entering the shares into the Finnish book-entry system.

9. Largest shareholders at 31 December 2017

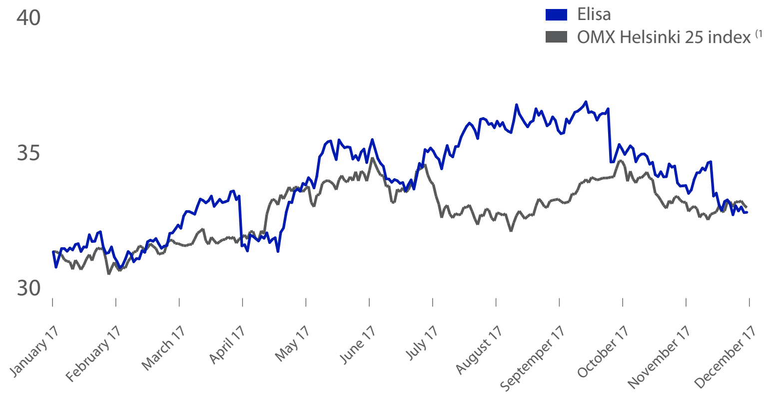
	Name	Number of shares	%
1	Solidium Oy	16,802,800	10.04
2	Varma Mutual Pension Insurance Company	5,181,976	3.10
3	Ilmarinen Mutual Pension Insurance Company	2,094,718	1.25
4	Swiss National Bank	1,374,473	0.82
5	State Pension Fund	1,230,000	0.74
6	City of Helsinki	1,124,690	0.67
7	Åbo Akademi University Foundation sr	500,500	0.30
8	Elo Mutual Pension Insurance Company	493,000	0.29
9	Folketrygdfondet	480,000	0.29
10	Sigrid Juselius Säätiö	352,000	0.21
11	The Society of Swedish Literature in Finland	350,300	0.21
12	Föreningen Konstsamfundet r.f.	339,000	0.20
13	Samfundet Folkhälsan i Svenska Finland rf	315,263	0.19
14	Nordea Finnish Index Fund	296,793	0.18
15	Seligson & Co Equity Fund	286,999	0.17
16	City of Vantaa	258,738	0.15
17	KPY Sijoitus Oy	257,163	0.15
18	OP Life Assurance Company Ltd	233,484	0.14
19	Odin Finland	224,618	0.13
20	Nordea Pro Finland Fund	223,628	0.13
		32,420,143	19.37
	Elisa Group	7,801,397	4.66
	Elisa Personnel Fund	99,889	0.06
	Elisa Common Clearing account [1]	221,346	0.13
	Nominee registered	72,648,383	43.41
	Shareholders not specified here	54,143,915	32.36
		167,335,073	100.00

[1] Shares in Common Clearing account include shares which have not been transferred to the share owners' book-entry accounts at the time of, or subsequent to, entering the shares into the Finnish book-entry system.

BlackRock, Inc gave a notice in accordance with Chapter 9, Section 5 of the Finnish Securities Market Act on 27 February 2017 that the direct share ownership of Elisa Corporation shares owned by BlackRock, Inc. was 8,533,440 and by its funds was 1,232,577, totaling 9,766,017 shares which was 5.84 per cent of Elisa Corporation's entire stock.

10. Daily price development

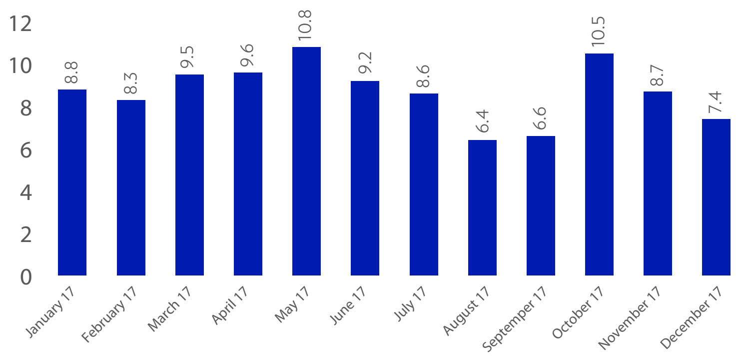
Closing price, EUR



1) Rebalanced to Elisa share.

11. Trading volume

Shares per month (millions)



Share trading volumes are based on the trades made in NASDAQ OMX Helsinki. Elisa share is also traded in alternative marketplaces.

Board's proposal concerning the disposal of profits

According to the consolidated balance sheet of 31 December 2017, the parent company's shareholders' equity is EUR 403,571,939.67 of which distributable funds account for EUR 308,971,201.57.

The parent company's profit for the period 1 January to 31 December 2017 was EUR 239,553,551.31.

The Board of Directors proposes to the General Meeting of Shareholders that the distributable funds be used as follows:

- a dividend of EUR 1.65 per share shall be paid for a total of EUR 263,230,565.40
- no dividend shall be paid on shares in the parent company's possession
- EUR 45,740,636.17 shall be retained in shareholders' equity.

Signatures to the board of directors' report and financial statements

Helsinki, 30 January 2018

Raimo Lind
Chairman of the Board of Directors

Clarisse Berggårdh

Petteri Koponen

Leena Niemistö

Seija Turunen

Antti Vasara

Mika Vehviläinen

Veli-Matti Mattila
President and CEO

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF ELISA CORPORATION

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Elisa Corporation (business identity code 0116510-6) for the year ended 31 December 2017. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 8 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Impairment of goodwill, € 1 014 million (Consolidated accounting principles and note 15)	
• The goodwill balance in the consolidated statement of financial position is significant due to the acquisitions carried out in the previous years. As regard to the amount, the goodwill balance is comparable to the consolidated equity. • Goodwill is tested for impairment annually and the company prepares impairment tests for the financial statements or when needed on a discounted cash flow basis with sensitivity analyses. • Estimating future cash flows underlying the impairment tests involves a significant amount of management judgment, particularly in respect of growth in net sales, profitability and discount rates. • Due to management judgments about the estimates used in the impairment tests, as well as the significant carrying amount involved, impairment of goodwill is considered a key audit matter.	• We assessed critically those management judgments and the assumptions made, which were used to prepare the cash flow projections for the coming years. In addition, we compared previous years' estimates to the actual amounts to be able to evaluate the reliability of the estimating methods applied. • We used KPMG valuation specialists when considering the appropriateness of the discount rate used and the technical correctness of the calculations, as well as comparing the assumptions used to market and industry-specific information. • In addition, we assessed the adequacy of the sensitivity analyses and the appropriate presentation of the notes related to impairment tests in the consolidated financial statements.

Revenue recognition, € 1 787 million (Consolidated accounting principles and note 1)

- Revenues are recognized once the service has been rendered to the customer or once the significant risks and rewards related to the ownership of the goods have been transferred to the buyer.
- The IT system environment related to billing transactions is complex and the volume of billing data is large containing wide variety of different products. Industry is also marked by price and contract changes in the short run.
- Due to large volumes of data, revenue recognition involves the risk of revenue being recognized in the incorrect period.
- Revenue recognition accrual is partially based on estimates from the management's past experience.

- We evaluated the sales-related IT control environment and the key controls in the billing process over the completeness and accuracy of revenue.
- The majority of the company's billing data is processed in a single IT system. We evaluated the reliability of the associated IT control environment by assessing, among others, the processes related to the user authorization management and back-up and recoveries, as well as by testing the key application controls over the billing process.
- We also evaluated the company's internal control procedures over the control environment in the billing process, as well as assessed the company's monthly revenue monitoring procedures at business unit level.
- In addition to control testing, we performed substantive procedures to sales accruals to assess the completeness and the accuracy of the recognized revenues.

Capital expenditures (Consolidated accounting principles and notes 14 and 15)

- The company invests heavily especially in its own telecommunication network and IT environments to remain competitive.
- The company's capital expenditures amount to over € 200 million annually, and therefore capital expenditures comprise a significant part of the consolidated statement of financial position.

- We observed the company's investment budget for the year 2017 and followed up developments quarterly.
- We evaluated the company's internal control environment. We also tested the controls over the approval of investment projects; over the authorization process when placing individual orders under an investment project; over the associated approval process when approving purchase invoices; and over recording transactions in the asset register (for property, plant and equipment and intangible assets).
- Our substantive procedures focused on assessing the appropriateness of the accounting treatment in respect of the most significant investment projects. In addition, we tested whether the assets under construction met the capitalization requirements and assessed whether they were disclosed appropriately in the financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 31 March 2004, and our appointment represents a total period of uninterrupted engagement of 14 years. The current auditor in charge, Toni Aaltonen, Authorised Public Accountant, KHT, was elected on 6 April 2017.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 30 January 2018
KPMG Oy Ab

Toni Aaltonen
Authorised Public Accountant, KHT