Annual Report 2016

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Elisa in brief

Elisa is a Finnish telecommunications, ICT and online service company serving 2.3 million consumer, corporate and public administration organisation customers. Elisa is listed on the Nasdaq Helsinki Large Cap and has approximately 200,000 shareholders.

Elisa provides services for communication and entertainment, and tools for improving operating methods and the productivity of organisations. Elisa's brands include Elisa, Elisa Saunalahti, Elisa Videra and Elisa Appelsiini.

Elisa is the market leader in mobile and fixed network services in Finland, and number two in mobile services in Estonia.

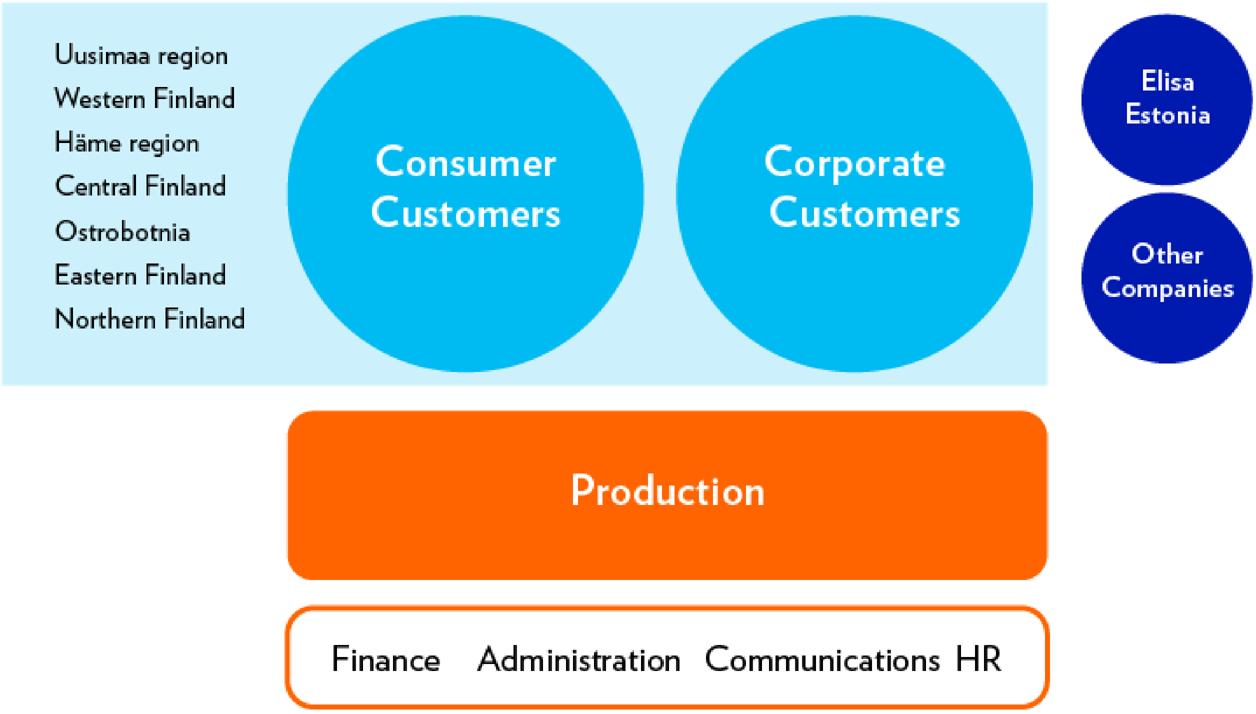
Cooperation with Vodafone and Telenor enables globally competitive services.

Approximately 85 per cent of Elisa’s revenue comes from telecommunication services for consumer and corporate customers. The fastest growing new digital services account for approximately 15 per cent of revenue. New services and digital solutions are also offered in growing international markets.

Elisa reports its performance by Consumer Customers and Corporate Customers segments. Elisa's operational model is based on two business units, along with production and support functions.

Elisa's core values are customer orientation, responsibility, results orientation, renewal and collaboration.

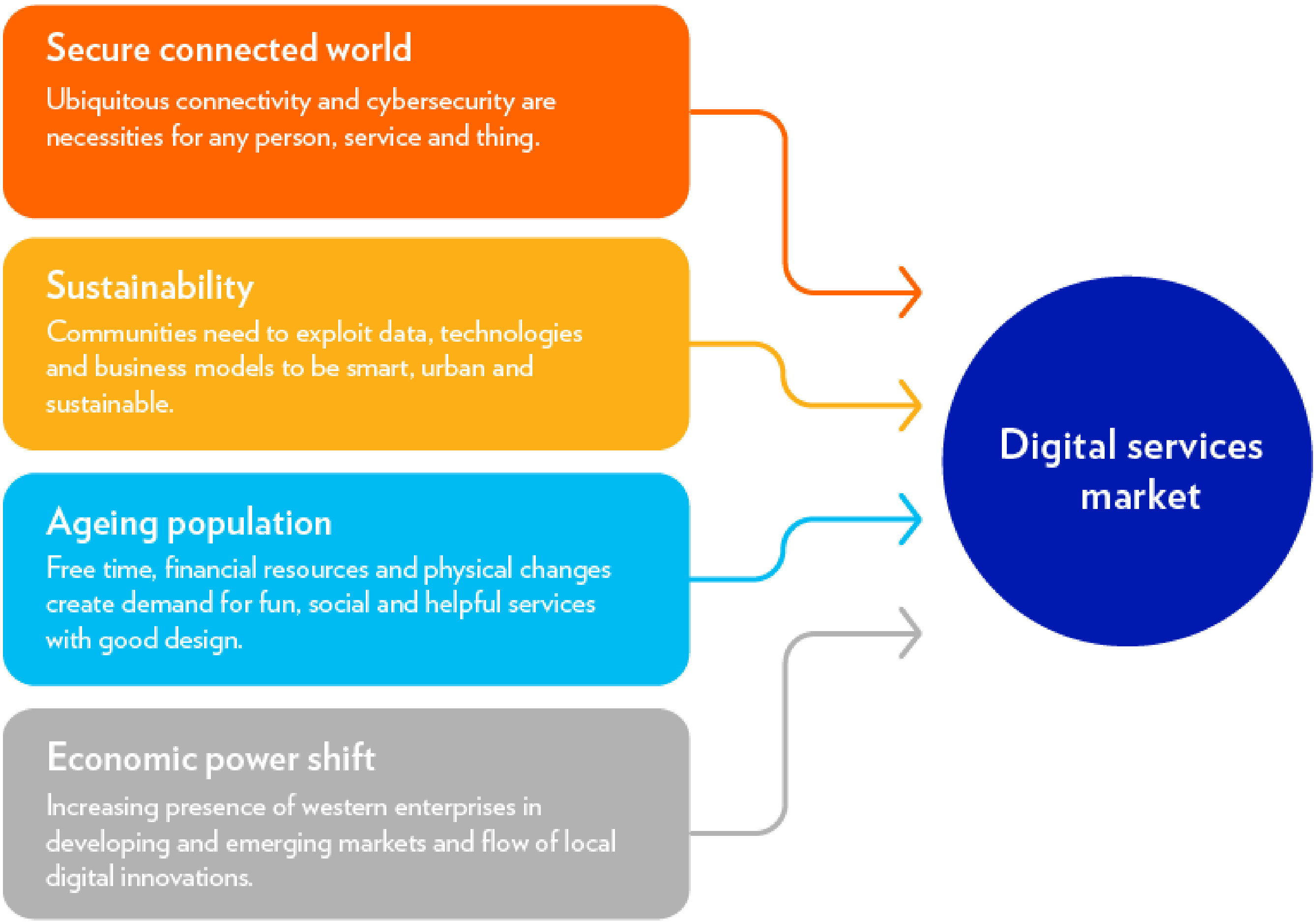
ELISA'S OPERATIONAL MODEL



Strategy and operating environment

Elisa's vision is to be a recognised international provider of digital services and a brand of excellence.

MEGATRENDS' IMPACT ON ELISA'S MARKETS IS FAVOURABLE



STRATEGY EXECUTION FOCUSES ON

Build value on data

Accelerate digital service businesses

Improve performance through customer intimacy and operational excellence

Elisa is a unique operator. We implement our strategy determinately

- Innovation of digital services for consumer and corporate customers
- Services in our own network domain and international services independent of network ownership
- World-class customer orientation, quality and cost-efficiency

STRATEGY EXECUTION

Unique set of choices

Unlimited mobile data pricing

Long-term, systematic way to improve productivity

Disciplines M&A policy and uncomplicated business model

Customer and value-driven CAPEX policy

Customer-centric network operations

+

Best-in-class performance*

Revenue growth exceeds industry average

EBITDA growth exceeds industry average

Best-in-class cash conversion

Best-in-class ROCE

Strong shareholder remuneration

=

elisa

Unique communications service provider

* Peer group: European teleoperators

CEO’s review

Developing Elisa, renewing Elisa employees

2016 was a very successful year for Elisa in many respects. We yet again achieved the best result in our history. Over the course of the year, we improved our competitiveness and the profitability of our operations despite the challenging economic situation.

Our customers valued the services and faster connections we offered them this year, which was reflected in improved customer satisfaction.

As before, Elisa’s revenue growth and result were better than those of European telecoms operators on average. Our revenue grew by 4 per cent, comparable earnings per share by 7 per cent and cash flow by 6 per cent. The revenue growth was due to an increase in mobile revenue and digital services as well as the acquisition of Anvia’s telecommunications, IT and entertainment business, in particular. Also the revenue of Elisa Estonia grew from the previous year.

Elisa’s profitability and financial position are strong, and we can continue to distribute competitive profit to our owners. Elisa’s Board of Directors will propose dividends of EUR 1.50 per share to the Annual General Meeting in the spring.

Finland leads the world in the use of mobile data

The unlimited data pricing model, increasing use of video services and investments in the expansion of the 4G network have taken Finland to the top of the world in the use of mobile data. Our customers used on average more than 13 GB of mobile data per user.

Our customers value fast connections and the worry-free nature of unlimited data subscriptions. According to our studies, 4G users are among our most satisfied customers.Over 80 per cent of all the data traffic in Elisa’s mobile network is transmitted over the 4G network. The milestone of a million users was exceeded in April.

We continued our investments in the expansion of our extremely fast 4G network. According to an independent study by ECE Ltd that was published at the end of the year, Elisa’s 4G network is the fastest in Finland and covers 99 per cent of the population. Development of the Estonian mobile network also continued to be strong. The network in Estonia covers around 98 per cent of the population.

In an auction that was arranged at the end of the year, Elisa won the new 700 MHz frequencies that it wanted to further supplement the Finnish 4G network. For our customers, this means continuously increasing coverage and faster connections with fewer disruptions.

The Finnish frequency policy has been very successful. The prices paid by consumers are the lowest in the world, and the data use of the customers using the mobile networks is among the highest in the world. The first detailed decisions based on the EU Roam like at Home regulation were made in 2016. A final decision on wholesale prices will not be made until February 2017, but we are already anticipating changes for end users due to the roaming reform. Assessing their impact on the current situation at this point is difficult, however.

We are continuously aiming for an even better customer experience and testing new technologies. In August, we broke the world speed record in the 4G network by achieving a speed of 1.9 Gbit/s. We were the first company in Finland to realise a 5G pilot project and the maximum speed of 450 Mbit/s in our commercial mobile network, as well as the first company in the Nordic countries to pilot the 700 MHz frequency. In addition, we were the first Finnish operator to introduce Wi-Fi calls, which improve indoor coverage, and VoLTE calls, where the voice goes through the 4G network.

Demand for fast, high-quality broadband subscriptions continues to be strong. Elisa is Finland’s leading company in the fixed network business. We continued our investments in improving the customer experience. Over the course of the year, we improved broadband connections to single-family dwellings, terraced houses and blocks of flats all around Finland. The improvements allowed a faster connection for almost 75,000 households to enable fluent teleworking and the use of entertainment services at home. As our latest innovation, we tested the G.fast technology, which enables speeds of up to 1 Gbit/s in the current fixed broadband network. We have signed an operator commitment for the Ministry of Transport and Communications where the operators undertake to build a fast fixed broadband network that covers almost all homes in Finland by 2023.

Successful strategy guarantees a broad selection of new services and content for customers

We continued the determined realisation of our strategy. We generate added value for our customers and owners by continuously investing in our network, new services, customer satisfaction, high quality and cost efficiency.

This year, we introduced several value-adding services and types of content to our consumer customers. More than 300,000 households use Elisa Viihde, Finland’s largest entertainment service. Plenty of Finnish and foreign content was added to Elisa Viihde, such as the second series of the most popular show in the history of the service, the Finnish dramaseries *Downshiftaajat*, and the new Finnish version of *The Office, Konttori*, which will premiere in 2017. The popular sports entertainment service Fanseat can be viewed in Finland as part of Elisa Viihde.

We are strongly involved in the development and digitalisation of Finnish society and Finnish services. For example, we implemented an indoor positioning system for the Helsinki and Uusimaa Hospital District to permit real-time monitoring of the location of its medical devices. Elisa’s open development and service platform Elisa IoT was recognised internationally as the year’s best IoT solution at LiveWorx 2016. In Finland, the S Group is one of the companies taking advantage of the IoT by using it to place all their active network devices under remote monitoring in a secure manner.

Elisa operates in a sector where future services are created through unconventional testing of new opportunities and cooperation between innovation networks. We promote international top research and renew ourselves through startup partnerships. The Elisa Innovation

Challenge, which is part of Elisa IoT, was expanded into an international competition. Almost 100 ideas from 16 countries were entered into the competition. The winners were revealed at Slush 2016. Elisa was again the main cooperation partner of the event. The winner of the IoT series was an energy self-sufficient positioning solution by EmergENCE Oy and the winner of the smart home series was a smart lock adapter by Lukoton Experience Oy.

The integration of Anvia, a group of companies that Elisa acquired, with Elisa’s operations started in July and has proceeded well. Combined with Elisa’s investments and development power, Anvia’s expertise guarantees excellent services for customers in the Anvia operating area of Ostrobothnia and a solid foundation for the development of shareholder value.

We realised our strategy of improving our home market position also by acquiring the Estonian business of cable TV operator Starman. The new business is that of an integrated operator, which allows us to offer services for a larger clientele in Estonia and to sell services to customers of both Elisa and Starman.

Internationally, Elisa Videra’s videoconferencing solutions have been delivered to 97 countries so far. A new agreement with Vodafone allows us to continue our globalisation by expanding to several new markets.

Active social operator

We bear our corporate responsibility and participate in the development of society in many ways. We are one of Finland's larges payers of corporate income tax. According to a survey on added value by the Research Institute of the Finnish Economy, we were yet again among the ten most important companies in Finland.

We are committed to continuously decreasing the environmental impact of our operations and to promoting environmentally friendly business. All the electricity we purchase in Finland and Estonia comes from renewable sources. Our low-emission solutions continued to increase the carbon footprint of Elisa and its customers by 14 per cent compared to 2015. The climate reporting produced by Elisa for investors and the global market was assessed to be at the top level among telecoms operators in the CDP index.

We are committed to the principles of the UN Global Compact, and we have determined the most important sustainability goals for Elisa and its stakeholders. Almost all of Elisa’s employees participated in training on the Elisa Code of Conduct over the course of the year.

In 2016, Elisa was accepted to the international FTSE4Good responsible investment index. The index is designed to measure the performance of companies that meet the globally acknowledged corporate standards of responsibility in terms of environmental, social and governance (ESG) practices.

Elisa’s operating environment is continuously changing. Digitalisation is affecting our business, the content of our work, our way of working, our management, our tools and our working environment. Continuous learning is a prerequisite for Elisa’s success. Elisa’s Ideal Work concept encompasses smart working methods in the physical, virtual and social working environment.

In 2016, Elisa employees worked on average 77 days at a location other than an Elisa office, which helped us to decrease our carbon footprint. Personnel satisfaction continued to increase. The same message was also given by the Trust Index questionnaire of the Great Place to Work Finland survey. We use the results in the continuous improvement of our operations. We obtain new perspectives from summer employees and our cooperation with educational establishments and startups. Due to its enthusiastic employees, Elisa is a continuously developing workplace.

The social changes enabled by digitalisation are fast. Assisting people of all ages in Finland in the management of the digitalising world is important to us. Our popular digital schools continued at 25 schools and Elisa Talks brought senior citizens together to discuss digitalisation. The youth theatre project ShedHelsinki, established based on an initiative from Elisa, crowned its year by staging the adventure musical Peter Pan in December.

I would like to thank our customers and shareholders for their trust in Elisa and our continuously developing personnel for enabling our success. We will continue our determined work to improve customer satisfaction and the productivity of our operations.

Veli-Matti Mattila
CEO

Consumer customers

The strong development and determined compliance with the strategy of the Elisa consumer customer business guaranteed good results in 2016. Our main objectives are to be the leading provider of telecommunications and online services in our home market and to achieve international growth.

Our subscription clientele continued to grow in the difficult market situation due to the fast 4G connections, value-generating additional services and increased demand for fixed connections. Unlimited mobile data, Finland's fastest network, and the active use of smartphones and applications accelerated the move among our customers to becoming users of the faster 4G connections.

Demand for new digital services increased in both our main market areas, Finland and Estonia, and internationally. Our customers value our unique content and continuously improving usability. The combined revenue of our digital services was over EUR 100 million.

In addition to operational excellence and an extensive selection of services, we focus on continuously improving customer satisfaction in all of our customer service channels. Furthermore, we assist our customers of different ages in the increasingly digital world with our services and content that make their everyday lives easier and offer them experiences.

Users of fast connections are the most satisfied

The volume of mobile data in Elisa's network reached an all-time high. Many of our customers switched to the faster 4G connections, and the users of the fast connections were clearly the most satisfied. The demand for faster data connections has increased because people like to watch moving images on a variety of terminal devices. Our customers are increasingly interested in watching videos, live TV and recorded TV programmes on their smartphones and tablets. The number of people using augmented reality applications, such as Pokémon GO, is also increasing.

Brisk sales of terminal devices continued. We want to offer our customers the most comprehensive range of devices, and we want to be the first operator to offer the latest technologies. For example, we were the first reseller in Europe to launch the hugely popular OnePlus phones. Of our value-generating additional services, the Elisa Pilvilinna cloud storage, Square Trade additional security service, Elisa Tietoturva data security package and the Elisa Perhe service continued to increase in popularity.

We continued our investments in expanding our 4G network and adding capacity. Studies show that Elisa's 4G network is the fastest in Finland, and the network reaches 99 per cent of all residents. Furthermore, Elisa is Finland's largest fixed-network operator. This position was further solidified by the acquisition of Anvia. We brought fibre even closer to our customers and expanded our coverage by over 75,000 households, allowing speeds of up to 100 Mbit/s in low-rise residential areas and up to 1,000 Mbit/s in blocks of flats and terraced houses. Customers will benefit the most in teleworking and home entertainment, such as online gaming.

New content and strong growth in digital services

Demand for digital services continued to be high. We developed the availability of our services and introduced plenty of new content. We want to offer our customers the widest selection of exclusive content not available through any other services.

Elisa Viihde is the most popular entertainment service in Finland. Over the course of the year, its demand and Net Promoter Score were very high. Plenty of new Finnish and international entertainment and sports content was added to Elisa Viihde. Elisa Viihde is showing, for instance, the FIFA World Cup European qualifiers, European club football and Mestis ice hockey league games. Fanseat has become a popular sports entertainment service that brings important sports series and events for viewing to our customers both in Finland and abroad. Fanseat can be viewed in Finland as part of Elisa Viihde, and through separate network and mobile apps in Finland and abroad.

Elisa Kirja is the largest e-book service in Finland. Its aggregate revenue continued to increase. The popularity of audiobooks is clearly increasing, and over 650,000 e-books were downloaded from Elisa Kirja in 2016. Elisa Kirja now includes more than a thousand audiobooks in Finnish.

As the Finnish pioneer in this field, Elisa has an important role in promoting sustainable and responsible digitalisation. We continuously make our services easier to use and better available to all with the help of feedback from the customer interface and user testing. For example, we realised a pilot project where we hired young people to guide older people in the use of mobile technology at our stores in Espoo and Vantaa. Valuable work towards the future is also being done in Elisa's popular children's digital schools all around Finland.

Customer satisfaction and ease of use are the most important

Customer satisfaction, easy transactions, Net Promoter Score and customer loyalty are the key elements of our operations. Based on the feedback we received, we were able to develop our business over the course of the year to make our customers even more satisfied. We will determinedly continue this work.

We continued the development of the online experience and our online store, which was reflected in our increased sales and improved customer service experience. In June, we opened Elisa Kulma in downtown Helsinki and online. Elisa Kulma provides an excellent service experience, promotes discussion on topical issues in the field of digitalisation and launches products that are not available anywhere else, such as UBTECH robots that teach programming. We selected enthusiastic and imaginative advisors from among more than 30,000 applicants to assist us in providing this service of the future.

Our goal when meeting customers is earse of use and removing any problems from our services. We clearly improved the solution rate of our customers' problems. In the future, we will focus more on developing a multi-channel service for our customers and ensuring that solving problems is even easier than before for our customers. We introduced more automation and utilised our first experiences in the delivery of software robotics to improve the availability of our services to customers.

We also aim to offer our customers as good service as possible in their native language. Over the course of the year, we invested in multilingual customer service. Oma Elisa serves customers in Swedish and English in addition to Finnish. These are also the language alternatives available in invoicing, order confirmations and our most important customer instructions. Through recruitments and the acquisition of Anvia, Elisa clearly improved its expertise in service in Swedish. We also offer selected consumer services in Arabic.

Continuous development and the enthusiasm of our customer service personnel is a key issue that improves customer satisfaction. In 2016, we yet again achieved a record-breaking result in our personnel satisfaction index.

Elisa Estonia's Consumer Customers business

The mobile subscription market share of Elisa Estonia increased, and Elisa solidified its market position. Digital services are growing, and the sales volumes of Elisa Estonia's Eestin Raamat e-book service broke records. We also launched customer pilot projects of our Estonian and Russian language entertainment service in Elisa Estonia.

We acquired the Estonian business of cable TV operator Starman, which enables us to offer services for a larger clientele in Estonia and to sell services to customers of both Elisa and Starman.

Asko Känsälä
Director, Consumer Customers

Corporate customers

Elisa is the Finnish market leader in telecom services. Every other Finnish company is one of our contract partners. The growth of Elisa's mobile services for companies continued, led by data sales. Development of the fixed network business was also positive.

Telecom and IT services are a natural combination, and we can utilise synergy benefits in marketing, selling and producing these services. Our digital service portfolio includes IT services, international video services, customer management solutions and Industrial IoT solutions, among others. We also improved the profitability of our operations with the help of automation, productisation and online services.

Our investments in quality and customer satisfaction positively influenced the customer satisfaction surveys among our different customer groups over the course of the year. We aim to provide our customers with added value through our continuously developed service solutions and our deeper understanding of our customers. We will also continue to improve our operations and cost structure.

New services and secure communication services

The strong growth in demand for mobile data continued, and our strategy, which is based on mobile data, was reflected in the growth of our 4G clientele. There is still major business potential in this sector.

Our customers are investing more and more in the functionality of networks and data security. We responded to our customers' needs by introducing several new services and processes.

Elisa Kyberturvakeskus is an expert service that allows our corporate customers to manage their data security threats and disturbances. Elisa Mobile Support is a new mobile device remote management service. With the Elisa Oma Lasku service, the personnel of companies can update their company phones or subscriptions to suit their personal needs. We were the first operator to address coverage problems on the mobile network by introducing Wi-Fi calling.

We continued our strong investments in the functionality and availability of our Elisa Ring service, which improved customer satisfaction. Elisa Ring received the Award for Best Product Innovation from Frost & Sullivan following its cloud unified communications comparison.

Competitive ability and efficiency with customer interaction solutions

We offer companies and public sector organisations solutions that cover their entire customer path journey from service design to sales and marketing automation, customer care solutions and outsourced call handling and customer care services.

We launched digital customer service solutions. Our customers can use digital service capabilities on their websites and develop their online customer service.

Furthermore, we signed a cooperation agreement with the world’s fastest-growing marketing automation company. We assist our customers in digitalising their sales and marketing operations and boosting their customer acquisition.

The changes to our OrangeContact system was well received. Now, our customers can establish a video connection with a service advisor on mobile devices as well. We facilitated the work of service advisors by updating the user interface with the help of service design, and we improved reliability by reforming the service environment. We also expanded our service portfolio to include customer service centre resource management systems.

As a new service for our small- and medium-sized customers, we introduced the Joustava payment terminal service: now our SME customers can get their payment terminal agreements and merchant agreements at the same time. We integrated the Elisa Kassa retail POS service with Finland’s largest financial management system and online store platform.

IT and cloud services experiencing rapid growth

Cloud services are a rapidly growing IT service sector. We offer our customers a full portfolio of IT services, from workstation outsourcing to cloud services and business IT services. Our IT service customer satisfaction remains high and provides a good foundation for future business in this growing sector.

Elisa’s IT business unit Elisa Appelsiini received the highly valued ISO/IEC 20000-1 certification. The development project was implemented in cooperation with the Finnish Broadcasting Company. This international certification is only awarded to service providers who have proven the high quality and functionality of their IT service management.

Over the course of the year, we completed several important cooperation projects in the healthcare sector. We implemented an indoor positioning system for the Helsinki and Uusimaa Hospital District to permit real-time monitoring of the location of its medical devices. The system makes it possible to both improve the safety of patients and make the work of the healthcare staff more efficient.

We studied the social impact of healthcare digitalisation in the care of patients with asthma in cooperation with the healthcare services of the town of Hämeenlinna. The study proved that major financial, social and environmental benefits can be achieved and time can be saved by reforming work processes and using remote measuring.

Elisa now enables its customers to implement their entire IT environment as a public cloud service to offer their mobile personnel constant access to all information and applications. For SMEs, Elisa introduced an easy-to-use Elisa Yritystietoturva data security service, which protects all of a company’s terminal devices.

Breakthrough year for the Internet of Things

Elisa’s open development and service platform Elisa IoT offers companies and corporations networking and IoT solutions. The Elisa IoT ecosystem programme now includes 18 academic partners who use the platform in their education. Furthermore, dozens of new companies joined the partner network.

Elisa IoT also received international recognition. One of the applications, which can visualise process information coming from dozens of different automation systems and other information sources in one 3D view, received the award for best IoT solution of the year at the LiveWorx 2016 event.

In Finland, the S Group, Finland's largest retail store chain, is taking advantage of the IoT by using it to place all their active network devices under remote monitoring in a secure manner. Elisa, Helpten and Palin piloted a new Elisa IoT service, a smart car service platform, for the vehicle business.

The Elisa Innovation Challenge expanded into an international competition. The winners were announced at the Slush 2016 event. The winner of the Elisa IoT Innovation Challenge was an energy self-sufficient positioning service by Emergence, from Espoo, Finland.

International videoconferencing in cooperation with Vodafone

Elisa Videra, which specialises in digital media display services and virtual conferencing solutions, signed a cooperation agreement with Vodafone. Elisa Videra will create and offer videoconferencing services for Vodafone's largest global customers. Elisa provides technical customer support 24/7 in 15 languages. Elisa Videra also promoted its position by signing a cooperation agreement with Clear Channel International.

Major new customers include IKEA, Vattenfall, the Ministry for Foreign Affairs of Finland, the city of Brussels, Orange Belgium, Kesko and Dixons Carphone.

Systematic work to improve the customer experience

We continued our determined continuous improvement projects and the development of our customer-centred operations. The investments in quality work tools and personnel training have paid off: the number of customer complaints and contacts is continuously decreasing, and more automated orders are being placed.

According to EPSI Rating's annual travel communication survey, Elisa has the most satisfied corporate customers, and according to a study by Gartner, Elisa Appelsiini has the most satisfied IT customers in Finland. Furthermore, in a customer experience survey by CXPA Finland and Shirute that was published in the summer, Elisa was joint third among a total of 74 companies.

Elisa Estonia's Corporate Customer business

The mobile data use of Elisa Estonia's corporate customers continued its strong growth. The device exchange rate remained high as well, and more than 80 per cent of all devices are smartphones. We prepared for the amendment of the regulations by making a major change to the EU roaming invoicing system of subscriptions. The change reduced call prices abroad and increased the use of the services. In addition, we started the development of new IT and IoT services with lean startup methods.

Timo Katajisto
Director, Corporate Customers

Changes in the industry and working culture

Digitalisation influences what we do and how we do it, our tools and working environment, as well as management. The following new requirements have arisen due to the continuous changes in working life:

- Continuous development
- Taking care of one's own wellbeing at work
- Trust
- Open interaction
- Clear management goals
- Internationalisation
- Flexible coordination of work and free time

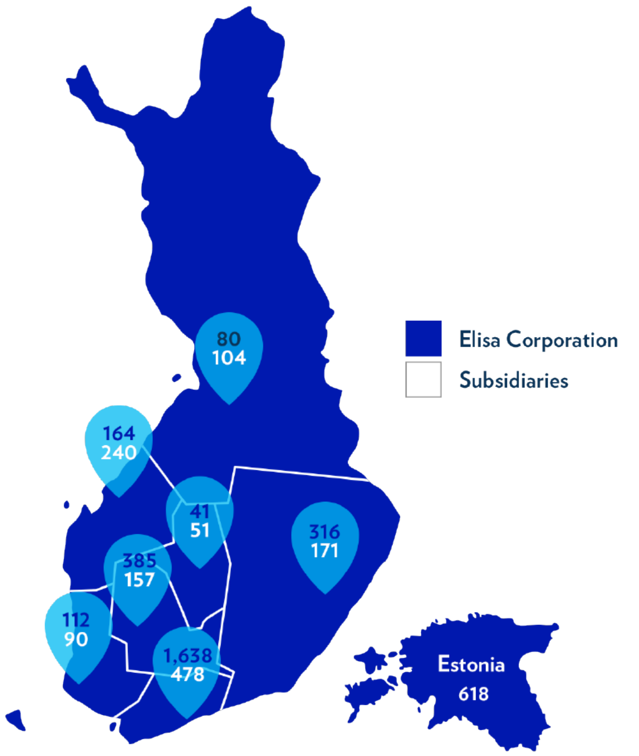
Elisa's operating environment is continuously changing as well, and continuous learning is a prerequisite for success. Our ways of working are based on Elisa's Ideal Work thinking. Elisa Ideal Work encompasses smart working methods in the physical, virtual and social working environment. For more information, please see the Case gallery.

This continuous development and Ideal Work thinking can be seen in our personnel satisfaction survey results. Over the course of more than ten years, our empowerment index has exceeded our goal. The same message was also given by the Trust Index survey of the Great Place to Work Finland survey. We use the results in the continuous improvement of our operations.

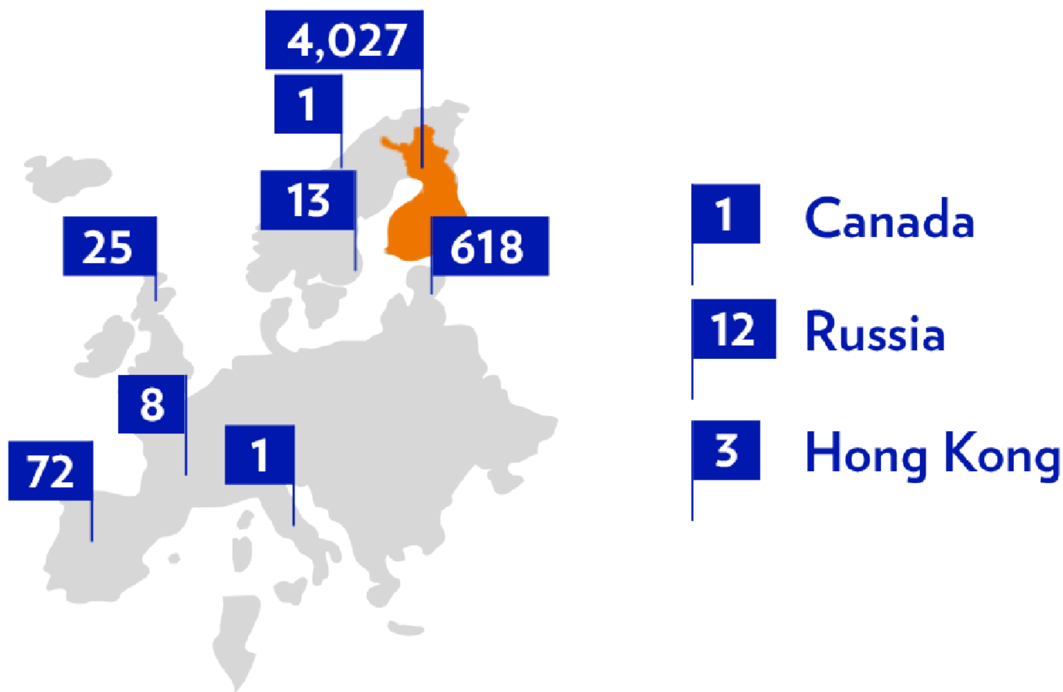
Key measures and their results in 2016

- The empowerment index was 4.1 (3.9) on a scale of 1 to 5.
- Renewal projects in accordance with the Elisa Ideal Work concept continued in the offices.
- Elisa employees spent 77 (75) days per person working remotely, on average.
- Elisa employees participated in 227,556 (211,024) virtual conferences.
- Elisa employees worked in 11 countries.

PERSONNEL IN FINLAND AND ESTONIA 31 DEC 2016



PERSONNEL IN DIFFERENT COUNTRIES



Future expertise through continuous development

Continuous learning is a prerequisite for Elisa's success. Elisa's value of Renewal describes this. We help our employees to develop, grow and promote their careers by, for example:

- Leadership through coaching and teaching them how to continuously improve their work
- Expertise development process
- Training and networks
- Support for career development and job rotation

We develop our personnel according to the 70–20–10 model; in other words, through a combination of learning at work (70%), management based on coaching and learning through networks (20%), and various training and coaching programmes (10%).

A key issue in the continuous development of expertise is that the entire personnel have the capacity and opportunity to take part in developing Elisa's operations and processes. We develop processes under the leadership of process owners in a number of development groups.

We also want to improve and expand our expertise through close cooperation with various educational institutions and scientific communities, through studies, training, practical training, theses, projects and company visits. Most of our cooperation institutions are educational institutions in the fields of technology and business, as well as universities and higher education institutions.

Key measures and their results in 2016

- Over the course of the year, we hired 1,224 new personnel directly in the service of Group companies and through our partners.
- We participated in the Responsible Summer Job 2016 campaign. 156 (180) people worked as summer employees or trainees.
- We continued our cooperation with the student body of Aalto University, with the aim of lowering the boundaries between the corporate and student worlds and telling students about the broad range of job opportunities in the ICT industry.
- Elisa employees spent an average of 14 (10) hours in training.
- Some 517 employees switched positions within Elisa.
- The development of processes and operations was managed in their areas of responsibility by 138 (133) Elisa employees.

Top-quality supervisory work, clear goals and shared values

Learning while doing and experimentation change knowledge into competence. At Elisa, this process is supported by the supervisors' coaching and daily management, continuous improvement practices, "We learn from our mistakes and successes" analyses, and tutors. We continuously develop the operation of our working community on the basis of the results of the regular personnel survey, for example.

Every Elisa employee has the right to have a good supervisor. We offer all supervisors and other employees in influential positions the opportunity to study leadership by coaching.

A key part of our management system is the appraisal and development discussion, which each employee holds with their supervisor twice a year. Between these discussions, supervisors maintain regular, private discussions with their team members. In the actual appraisal and development discussions, we implement our strategy, agree on objectives, assess our operations and performance, and plan our personal development.

Elisa's daily management model is a toolkit of best practices for daily high-quality supervisory work. Supervisors are trained through supervisor induction, voluntary additional training and comprehensive daily management programmes.

Key measures and their results in 2016

- There were 3,711 (2,440) appraisal and development discussions.
- A total of 137 supervisors participated in the five-day Coaching Supervisor training to develop as coaches, feedback givers and challengers.
- We renewed the training system for new supervisors to emphasise our values and the supervisors' duties and the key content of our business units.

Results through personnel wellbeing

Our employees and subcontractors have the right to work in a healthy and safe working environment and the obligation to bear their responsibility for the working community. We promote wellbeing at work and occupational health and safety through good management as part of our daily work.

We have a zero tolerance approach to all forms of workplace discrimination and established grievance mechanism. We support the shift of women into male-dominated duties and vice versa, and we support employees whose working prerequisites require special measures. The realisation of equality is monitored also in personnal enquieries.

We pay attention to wellbeing at work and promote a good work-life balance. As support for our staff to take care of their wellbeing, we offer services safeguarding wellbeing at work, such as sports and hobbies. We have active regionally organised sports and cultural club activities.

We offer high-quality healthcare with services considerably in excess of the statutory requirements. The HR department is responsible for the development of wellbeing at work activities with regard to health, working capacity and the development of the working community. The facilities services and the IT department, in turn, are responsible for working conditions. The working environment committee coordinates the operations of the occupational health and safety organisation. We collaborate within the industry and with our partners to improve the safety both in our own operations and in the industry.

Early intervention has been an essential part of Elisa's daily management for years. It is part of the management of the ability to work procedure, which, in turn, supports Elisa's personnel strategy and business. The goal is systematic management of occupational health and safety issues. Systematic, correctly timed and correctly targeted cooperation in the different sectors of health management guarantees that employees of all ages remain capable of working and increases the personnel's value in the labour market.

We also operate responsibly whenever there is a change that has an impact on the personnel. We consider it important that personnel have the opportunity to influence the content of the change by active participation.

We launch a change planning process every time the business must undergo changes requiring cooperation negotiations that affect the number of employees, job descriptions or other key factors related to work. This operating model clearly exceeds the requirements of the Act on Cooperation within Undertakings.

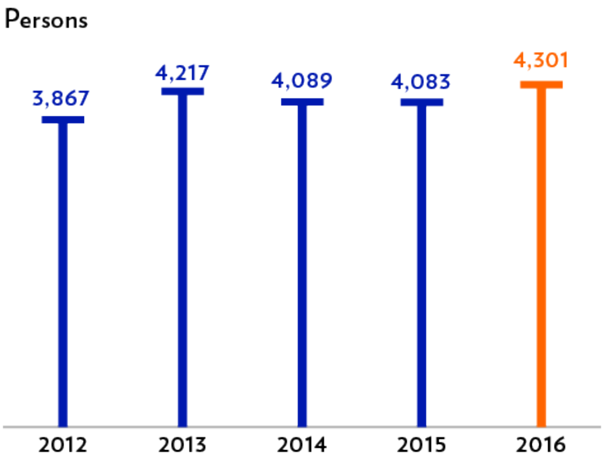
If places cannot be found for personnel in the renewed organisation, we will take care of them in the best possible manner with our partners to make sure that they get retraining or new employment opportunities.

Key measures and their results in 2016

- The number of sick leaves were 2.8 per cent of total working hours.
- Disability payment class 2, sickness absence costs stayed at the same level than in the reference year 2014.
- We updated our equality principles plan to include development measures. The plan was prepared by a group consisting of employer and employee representatives which was coordinated by the equality coordinator designated by the employer.
- On United Nations Day, we arranged a human rights seminar for all of our employees in all countries with the theme of "Opportunities offered by diversity in working life".

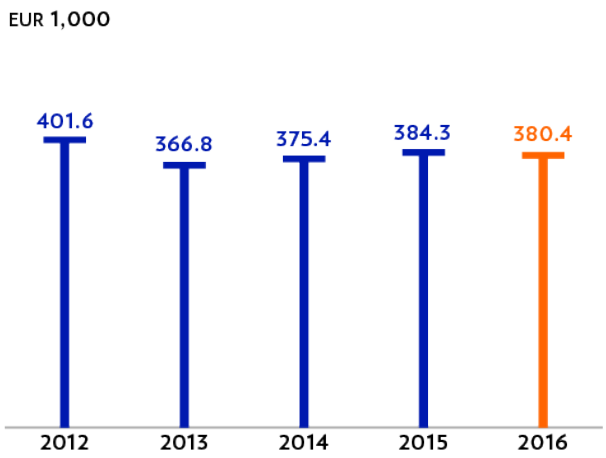
Other personnel key figures

NUMBER OF EMPLOYEES



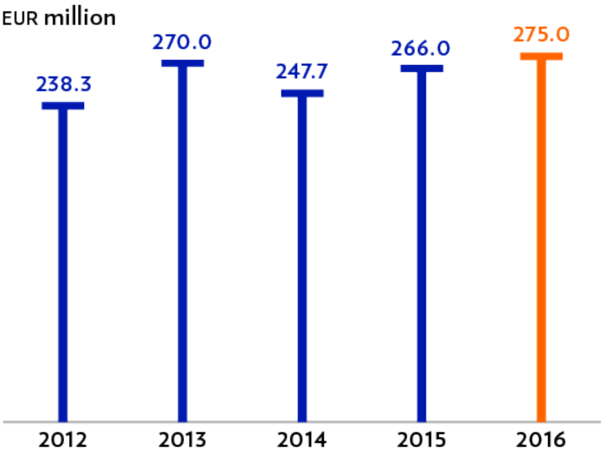
Calculated on the basis of FTE 31.12.2016

REVENUE PER EMPLOYEE

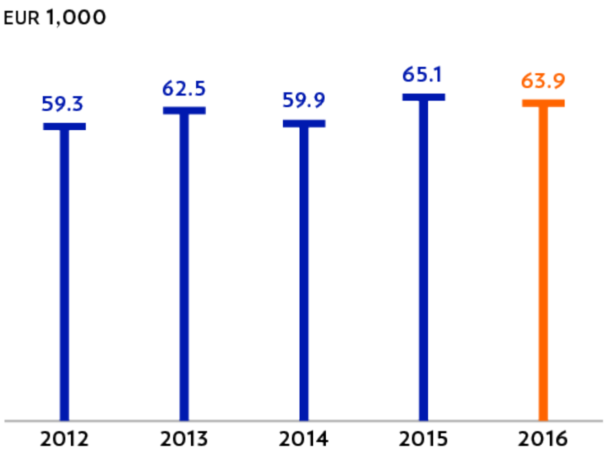


Calculated on the basis of FTE 31.12.2016

PERSONNEL COSTS



PERSONNEL COSTS PER EMPLOYEE



Calculated on the basis of FTE 31.12.2016

GRI-data

Outlook and guidance

The competitive environment has been fierce but stable in Finland. Elisa is the market leader in its industry and successful in competition. Growth has been driven by the growing mobile data and smartphone markets as well as strong investment in new services, among other factors. The majority of the mobile phones sold were smartphones, which further increased the use of mobile data services. The Elisa Viihde IPTV service, with its diverse selection of entertainment, generated growth in the fixed broadband business. ICT services directed towards corporate customers and online services directed towards consumer customers are also growing.

Guidance for 2017

Revenue	At the 2016 level or slightly higher
Comparable EBITDA	At the 2016 level or slightly higher
CAPEX	≤ 13%

Financial targets by the end of 2017

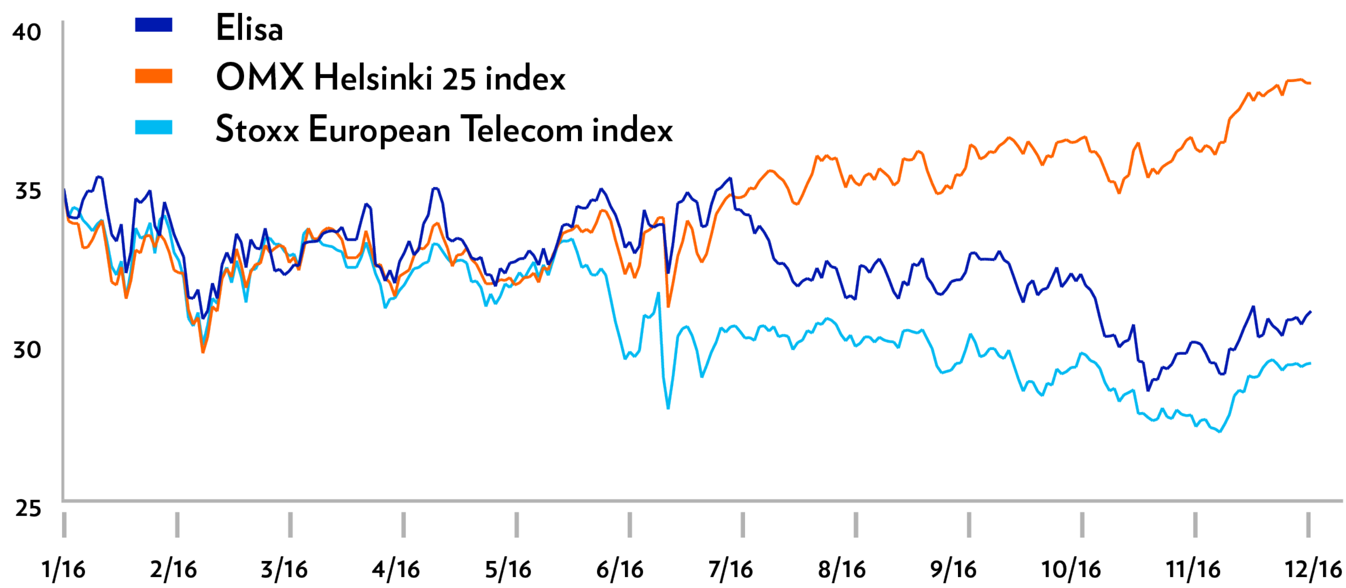
Revenue growth	Above industry average
EBITDA margin	> 37%
CAPEX-to-sales	> 12%
Capital structure	1,5–2x
Net debt/EBITDA Equity ratio	> 35%

Profit distribution policy

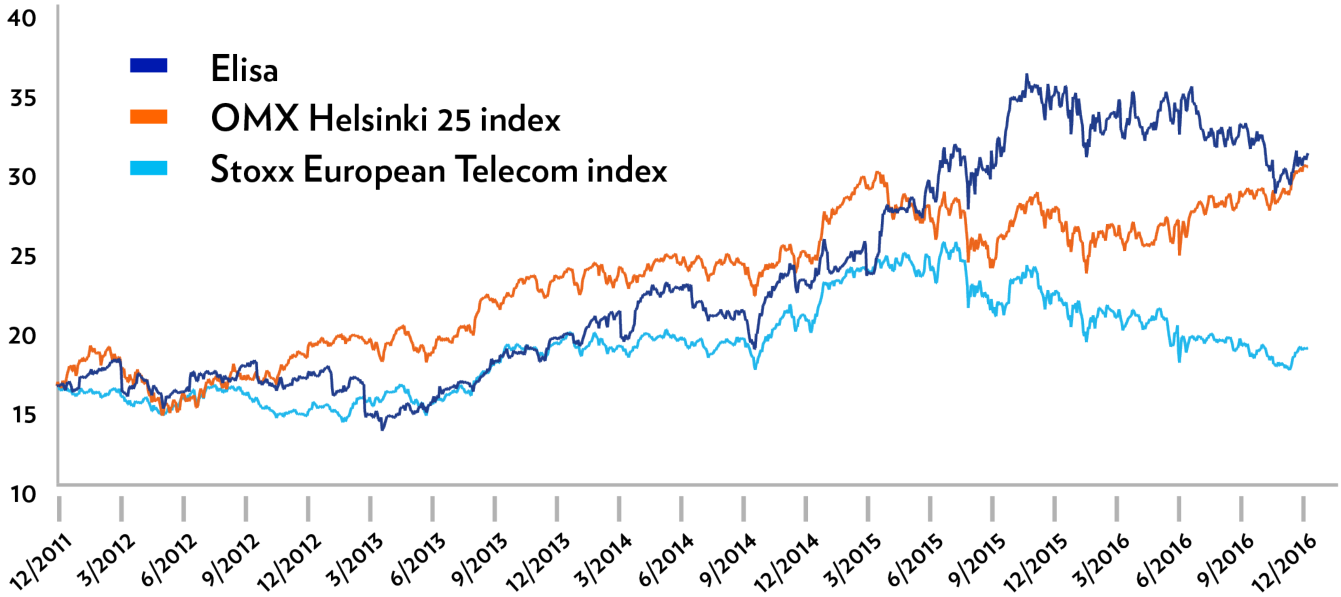
Actual profit distribution is 80–100 per cent of the previous fiscal year's net profit. Distribution of additional profit to shareholders is also an option. Elisa's profit distribution includes the dividend payment, repayment of capital and purchase of treasury shares. Elisa's dividend ratio has averaged over 100 per cent for the past ten years.

In 2016, the distribution of profit included the dividend paid in April of EUR 1.40 per share, a total of EUR 223 million, which corresponded to 92 per cent of the net profit for 2015.

ELISA SHARE PRICE DEVELOPMENT IN 2016



ELISA SHARE PRICE DEVELOPMENT 31 DECEMBER 2011–31 DECEMBER 2016



Shareholder information

Annual General Meeting

Elisa's Annual General Meeting will be held at Messukeskus Helsinki, Expo and Convention Centre, Messuaukio 1, Helsinki, at 2:00 p.m. (EET) on Thursday 4 April 2017.

Every shareholder who is registered in the shareholders' register of the company maintained by Euroclear Finland Ltd on 27 March 2016 has the right to participate in the Annual General Meeting. Shareholders whose shares are registered in their personal Finnish book-entry accounts are registered in the shareholders' register of the company.

Shareholders who wish to participate in the Annual General Meeting must register for the AGM by giving prior notice of participation, which must be received by the company no later than 6:00 pm on 31 March 2017. Such notice may be given:

a) through the Elisa website at www.elisa.com/agm;

b) by e-mail elisa.yhtiokokous@yhteyspalvelut.elisa.fi;

c) by telephone +358 800 0 6242 from Monday to Friday between 8:00 am and 6:00 pm;

d) by fax +358 10 262 2727; or

e) by regular mail to Elisa Corporation, Yhtiökokousilmoittautumiset, PO Box 138, FI-33101 Tampere, Finland.

A holder of nominee-registered shares has the right to participate in the AGM by virtue of such shares based on which they would be entitled to be registered in the shareholders' register of the company maintained by Euroclear Finland Ltd on 27 March 2017. The right to participate in the AGM also requires that the shareholder has, on the basis of such shares, been temporarily registered in the shareholders' register maintained by Euroclear Finland Ltd by 10:00 am on 3 April 2017 at the latest. As regards nominee-registered shares, this constitutes due registration for the AGM.

Pursuant to chapter 5, section 25 of the Finnish Limited Liability Companies Act, a shareholder who is present at the AGM has the right to request information with respect to the matters to be considered at the AGM.

Payment of dividends

The Board of Directors proposes to the AGM that the profit for the financial period 2016 be added to accrued earnings and that a dividend of EUR 1.50 per share be paid based on the adopted balance sheet of 31 December 2016.

The dividend will be paid to all shareholders registered in the shareholders' register maintained by Euroclear Finland Ltd on the dividend payment record date of 10 April 2017. The Board of Directors proposes that the dividend be paid on 19 April 2017.

Important dates related to the AGM and the payment of dividends

Record date of AGM participation	27 March 2017
Registration period ends	31 March 2017 at 6:00 pm
Annual General Meeting	6 April 2017
Record date of dividend payment;	10 April 2017
Date of dividend payment	19 April 2017

Further information is available at www.elisa.com/agm.

Trading in Elisa's shares

Elisa's shares are listed on the Nasdaq Helsinki and are registered in the Finnish book-entry register maintained by Euroclear Finland Ltd.

Financial information

Elisa Corporation publishes its financial reports and bulletins in Finnish and English. The Online Annual Report, Interim Reports, information on the AGM, stock exchange releases and other information for investors, as well as the Disclosure Policy, are available on the Elisa website at www.elisa.com/investors.

Publication dates in 2017

20 April 2017	Interim report for January–March 2016
14 July 2017	Interim report for January–June 2016
18 October 2017	Interim report for January–September 2016

Change of address for shareholders

Shareholders of Elisa Corporation are requested to send a written notice of any change of address to the bank where their book-entry account is held. If your account is held at the account operator Euroclear Finland Ltd (formerly the Finnish Central Securities Depository), please send a written notice to:

Euroclear Finland Oy
PO Box 1110
FI-00101 Helsinki, Finland

The notice must include the shareholder's name, new address and old address, and book-entry account number.

Elisa investor contact

Vesa Sahivirta
IR Director
Tel. +358 50 520 5555
vesa.sahivirta@elisa.fi

Kati Norppa
Communications manager, IR
Tel. +358 50 308 9773
kati.norppa@elisa.fi

www.elisa.fi/investors
investor.relations@elisa.fi

Elisa Ideal Work

The Elisa Ideal Work process started in 2010 when we challenged ourselves to think about how we could improve our profitability in our continuously changing operating environment.

Over the years, we have allowed all of our employees to participate in the process by thinking about how their work could be most reasonably completed, what kind of facilities they need at the workplace and what kind of tools would allow them to be the most profitable. The result of this process is the Ideal Work concept, which aims to make working smarter and more efficient, to create a workplace that is pleasant to come to and work that is meaningful.

Each Elisa employee can choose the way and place of working that best suits them and their work. Elisa will provide the necessary facilities and tools. The choices are always made based on the employee's own needs, as well as the needs of the customer and team. For example, if it snows heavily on Monday morning, staying at home and participating in meetings remotely makes sense, but if you need to create ideas and have a brainstorming session, trying to do it by email does not make any sense.

Due to Ideal Work, Elisa employees no longer have their own workstations; instead, they will find the space that best suits the current phase of the work. The different kinds of working spaces support the different stages and tasks during the working day: virtual, individual and teamwork. There are also meeting places for social interaction. Furthermore, Elisa employees can use a host of solutions that enable flexible working, and they can participate remotely in almost every meeting.

The technology and the facilities are enablers, but they will not change the way of working without a change in management. Elisa has undergone a change of working culture, and the focus is now on monitoring the results achieved. Realistic and measurable goals are the key, and the most important thing is to have strong trust in the employees.

In 2016, Elisa employees worked on average 77 days per person at a location other than an Elisa office. This further reduced the carbon footprint of Elisa's employees. Personnel satisfaction continued to rise, and stood at 4.1.

Seniors involved in digitalisation

The proportion of people over the age of 65 in Finland is continuing to grow, and the older generation is taking major leaps in the use of technology.

According to a survey by the Technology for the Elderly Centre in spring 2016, senior citizens want more advice and guidance from their telecoms operators to support the purchasing and use of mobile devices. We will continue our work of supporting the participation of seniors in digitalisation.

Our employees promote the digitalisation skills of senior citizens in customer service and at events. A good example of this work was Elisa Talks in September 2016, which opened a dialogue with older people about digitalisation. Elisa employees who develop services for senior citizens, customers and experts participated in the panel discussion. The topics included healthcare of the future and digitalisation of social and welfare services. At the same event, Elisa employees assisted senior citizens in updating their subscriptions. In addition, young people from Girls' House Helsinki assisted older people with using Facebook, Instagram, Twitter and Pokémon GO.

In summer 2016, a pilot project was arranged in Elisa stores in the Helsinki metropolitan region, where young people were hired to help older people in the purchase and use of smartphones. The pilot offered employment for the young and increased our understanding of the needs of senior citizens. The Technology for the Elderly Centre of the Finnish Union for Senior Services (Valli) and the ENTER association, which offers IT guidance and peer support to senior citizens, were involved in the project.

We continued to produce online content – text, images and videos – to facilitate people's digital everyday lives. We want to help people of all ages in Finland in the adoption of the digital world. Here is a popular article including a video (in Finnish) where senior citizens compare and assess the usability of phones.

The content is available (in Finnish) on the Elisa Ideas website at elisa.fi/ideat, and the content for companies is available at hub.elisa.fi.

Elisa's digital school

In the digital school, children between the ages of 10 and 12 learn the basics of programming and familiarise themselves with the Internet of Things and digitalisation.

In class, time stops while all our attention and energy are directed towards the students. At Elisa's digital school, we teachers are there to support and spar with the children. We are the aunts and uncles who understand the limitations of the software being used in programming. For children, the only limit is their imagination, which is great!
- Mikko Pukkila, Development Manager in charge of terminal device sales in Elisa's consumer business

Like dozens of Elisa employees, Mikko Pukkila teaches in the digital school for children and adolescents a couple of times a year. In the digital school, children between the ages of 10 and 12 learn the basics of programming and familiarise themselves with the Internet of Things and digitalisation.

We have been arranging dozens of digital schools free of charge annually all around Finland since 2014. In 2016, Elisa's two-day digital school visited 25 schools. The digital schools have been held in Finnish and English, and also in Swedish as of 2016. The digital schools will continue in 2017.

We want to share our knowhow and expertise with children and adolescents, and with society at large to carry our responsibility for Finnish society and its development. In the future, more and more everyday objects will be online. Even if you are not a programmer, you need to understand the operating logic of the networked society. This is us giving it back both at the personal and at the company level.
- Ville Takanen, Technology Manager of Elisa Appelsiini, who has been a teacher at the digital schools since the very beginning

In addition to the digital schools, we have launched an online digital school (in Finnish) with ten episodes that familiarise the participants in the basics of programming with game examples. Click here to read more about the digital schools (in Finnish).

In addition to our digital schools, we supported the Ruby summer school for six-to-ten-year-olds at the Annantalo Youth Culture Centre in Helsinki in June 2016.

Innovation competition

Lukoton is a startup that can make any home a smart home. The company has developed a lock adapter that changes all of a home's locks so that they can be opened with a smartphone.

Lukoton was awarded the first prize of EUR 30,000 in the Elisa Smart Home Innovation Challenge at rhe startup event Slush. The competition sought new smart home solutions for private homes.

"We are truly proud to win Elisa's innovation competition because it shows that our product will be in demand for the doors of Finnish homes. With support from Elisa, we will be able to change a smart lock that can be opened with a smartphone from a luxury product available only to a select few to a standard home accessory", says the happy Ari-Pekka Hietala, one of the founders of Lukoton Experience Oy.

The smart locks will not be available to consumers right away, but Lukoton can now continue its development work. The smart home industry is buzzing right now.

"A smart home is not only for people who are interested in technology: very simple solutions can make the everyday life of anyone easier. In addition to technology, success in this industry requires the ability to resolve problems that bother us all", says director Matias Castrén from Elisa.

Arranged for the second time and expanded into an international event, the Elisa Innovation Challenge had participants from 16 countries this year. There were two series: the IoT Innovation Challenge and the Smart Home Innovation Challenge. Click here to read more about the competition (in Finnish).

Elisa Kulma

Located in the heart of Helsinki, on Aleksanterinkatu street across from Stockmann, Elisa Kulma provides a view of how innovative services can become a part of everyday life in Finland.

Early this summer, we launched a service that has never been seen in Finland. Located in the heart of Helsinki, on Aleksanterinkatu street across from Stockmann, Elisa Kulma literally provides a view of how innovative services can become a part of everyday life in Finland.

Elisa Kulma is a new kind of meeting place that is intended for everyone interested in new things and perspectives. You can participate in the events in person or online. Elisa Kulma is also a store that provides the newest devices, subscriptions and services. You can also order devices or services online and pick them up at Elisa Kulma.

During the first six months of its operations, many things were done in Elisa Kulma for the first time in Europe. The OnePlus 3T smartphone and OURA wellbeing ring were available at Elisa Kulma before they were officially launched in Europe. Furthermore, Kulma was the first to sell UBTECH robots, which teach programming.

Another first in Northern Europe is Pepper, the humanoid robot that serves customers at Elisa Kulma and has a special role for the online store's Click & Collect customers.

Even though Elisa Kulma offers all of the same products and services as the Elisa online store plus products you cannot get anywhere else, it is much more than just a store. Elisa Kulma raises current themes related to recreation, culture and technology, and provides a launching pad for new innovations.

For example, Elisa Kulma's "Tunne peli" (Feel the Game) pilot project was the first project in the world to measure the feelings of football players when they score. The project was concluded at a football match between HIFK and HJK in September. The audience could use a mobile application to see in real-time a visualisation of what was going on in the mind of HIFK Fotboll player Tommi Vesala.

Elisa Kulma's year concluded with a "crazy hologram gig": throughout December, people walking along Aleksanterinkatu could see Mikael Gabriel performing as a hologram in the window of Elisa Kulma.

Elisa Kulma recruited four enthusiastic and imaginative people to assist in finding something new and interesting. The selected advisors will provide us with new content and viewpoints close to the people. Read more here (in Finnish).

To learn more about Elisa Kulma and its events, please visit http://kulma.elisa.fi/ (in Finnish).

Setting records in the mobile network

Elisa's customers used a huge volume of data: the record was broken in August when mobile data customers used on average more than 13 GB.

Several records were broken in the mobile network in 2016. Elisa's customers used huge volume of data and the wolume grew to more than 15 GB per month by November.

Elisa's investments in its networks were also reflected in the research results. In October, European Communications Engineering Ltd (ECE) studied the speed of 4G networks in 35 cities and municipalities. The results showed that Elisa's 4G network is the fastest in Finland.

In addition to expanding its current networks and increasing their capacity, Elisa actively studies and tests new technologies. In August, Elisa was the first operator in Finland to test 5G when a VR game was played via the 5G network in Helsinki.

Elisa also achieved a world record in the autumn: a speed of 1.9 Gbit/s was reached in a 4G test network. The exceptional speed was also noticed globally, and the BBC, among others, published a news story about the world record.

Technology tests are a step towards the 5G network and also an excellent indication of all the opportunities the 4G network still has to offer. The speeds that the 4G network offers are continuously increasing and, probably in the next few years, we will even be able to offer mobile data connections of several gigabits per second to our customers.

Healthcare digitalisation

Remote measuring may offer benefits of millions of euros in the diagnosing of asthma.

The future of healthcare in Finland has remained a hot topic for several years due to the social and welfare reform. It will probably remain a hot topic for several years to come, as the digitalisation of healthcare will change treatment processes, the monitoring of healthcare services and customer interaction in the field of healthcare in many ways.

Elisa has facilitated this digitalisation development by creating several tools to assist healthcare professionals. In 2014, Elisa won the award for Best Mobile Service in Finland 2014 in the series "Best service improving the company's efficiency or productivity" with its Elisa Etämittaus product.

The service enables the completion of different types of measurements related to diagnosing or monitoring a person's health at their home with a digital measuring device and a smartphone application. The Elisa Etämittaus application assists the user in taking the measurements and sends the results in a secure manner directly to the healthcare personnel. Especially good results in the measurement of peak expiratory flow (PEF) when diagnosing asthma have been achieved with the service.

In 2016, Elisa studied the profitability potential of the remote measurement service together with the town of Hämeenlinna. The survey was aimed at determining the financial, environmental and social benefits remote measurement could offer in the care of patients with asthma. Based on the results, 173 patient visits and around 25 man-days of the healthcare personnel's time could be saved annually in the basic healthcare system of the town of Hämeenlinna alone.

Using remote measurements in the care of asthma would, according to the survey, offer savings of at least 27 per cent for the healthcare provider.

Scaled to the level of the whole of Finland, this would mean 1,910 less working days for nurses or physicians, 16,700 hours of patients' time saved, 3,200 kilograms less plastic waste, 25,000 kilograms less CO2 emissions and 97,000 kilowatt-hours less electricity consumed per year. The monetary value of these savings would be around EUR 3.5 million.

In addition to basic healthcare services, Elisa Etämittaus could be used to boost specialist healthcare, private healthcare and occupational healthcare services. Besides measurements for patients with asthma, the service would allow the measuring of blood pressure, blood sugar level, blood oxygen level and weight, for example. Furthermore, new measuring devices are added all the time.

SenCity

Elisa is involved in the SenCity research project.

Elisa is participating in a research project called SenCity, which aims at changing lighting infrastructure into a service platform for a smart lighting system and innovative services in an urban environment.

Lighting is an important service provided by towns and cities. In Europe, lighting amounts on average to 50 per cent of the total electricity consumption. The carbon footprint can be reduced by replacing the light sources with more energy-efficient ones, but a smart control system is also necessary to control the illumination level and the time the lamps are on. LED lamps and a smart control system can reduce the energy consumption of an urban lighting system by up to 70 per cent.

Changing the lighting system into a service platform also enables the provision of new services. The network created by streetlamps can be used as an IoT platform for urban areas in the future: a smart control system means integrating sensors and a wireless communication connection to the lamps, and it can be used to transfer data other than the control data.

In the future, a streetlamp can be a 4G or 5G access point.

The research project carried out by the University of Oulu, the VTT Technical Research Centre of Finland, Finnish towns and cities, and Finnish companies will be completed in 2017. Elisa is providing the project with an Elisa IoT platform, and the cities and towns participating in the project are acting as the pilot sites.

Click here to read more about the Elisa IoT solution (in Finnish).

Click here to read more about Elisa's research and development activities.

Cybersecurity

A project included in Elisa Research projects, Cybersecurity Status for Critical Service Systems, was launched in late 2014 and concluded in March 2016.

Implemented in cooperation with the University of Jyväskylä and JAMK University of Applied Sciences, the project aimed to study and develop for Elisa new cybersecurity status services,

such as applications that study cybersecurity, operation and service models, and technologies. The project focused on products and services that improve cybersecurity as well as procedures to be applied during and after cyberattacks.

Four new cybersecurity services for Elisa were developed:

1) *Elisa Kyberturvakeskus*, a service for Elisa's corporate customers that allows them to proactively manage their information security threats and nonconformances.

2) *Elisa Verkkouhkien hallinta* (NSI), a service that monitors network traffic and uses advanced analytics to provide a view of the environment, threats and systems available to manage the whole.

3) *Elisa Lokienhallinta* (SIEM), a service for Elisa's corporate customers that allows them to manage their information security data and events. The service is meant to be used with the Elisa Kyberturvakeskus service to improve the accuracy and performance of the defence architecture and to be integrated with other protection systems, such as Elisa Kilpi.

4) *Kyberharjoitus*, a service that allows customers to practise together with Elisa the protection of their ICT resources and the related activities in the cyber world.

In 2016, we launched customer pilot projects with these new services. We aim to expand our service offering in a controlled manner. Demand for services that improve cybersecurity has increased, and new employees were recruited during the project period to provide new cybersecurity services for the Elisa portfolio.

Click here to read more about Elisa's cybersecurity services (in Finnish).

Click here to read more about Elisa's research and development activities.

Digitalisation of SMEs

The most important driving forces behind the digitalisation of small and medium-sized enterprises are a willingness to grow and the entrepreneur's own interest in and attitude towards the opportunities that digitalisation offers.

The driving forces behind the digitalisation of small and medium-sized enterprises were revelead in a study by Elisa and the Federation of Finnish Enterprises in autumn 2016.Digitalisation is by no means solely for startup companies in the technology industry: the results show that already-established companies that are seeking growth can best utilise digitalisation.

The digitalisation goals of companies are linked to sales and marketing, the customer experience and the development of their business processes. In addition, SMEs are strongly investing in digital marketing and the social media.

Compared to the past, the use of basic virtual working solutions, such as smartphones, remote access and cloud services, has strongly increased as well.

The study shows that many successful companies that are satisfied with their current status have not kept up with developments in digitalisation. Another alarming finding is that only one in ten companies has studied how digitalisation could provide them with new business opportunities. Previous studies also support this finding.

Elisa and the Federation of Finnish Enterprises ordered the study in August and September 2016 to find out what the attitude is among SMEs towards digitalisation and how the companies utilise a variety of digital tools. 730 entrepreneurs who employ 1–50 people replied to the survey. Read more (in Finnish).

ShedHelsinki

ShedHelsinki is a youth theatre project established in Finland based on an initiative by Elisa where theatre industry professionals create unique musical theatre together with children and young people.

"This is a time when differences are dividing people. We should look at diversity as a richness and resource instead. The starting point for cooperation is respect and valuing other people just the way they are. Diversity and cooperation make us stronger together." Veli-Matti Mattila, CEO, Elisa Corporation

Everyone has the right to be seen just as they are. ShedHelsinki is a youth theatre project established in Finland based on this idea and an initiative by Elisa where theatre industry professionals create unique musical theatre together with children and young people.

ShedHelsinki aims to establish musical theatre that focuses on diversity in Finland and to make Finland a place where people dare to believe in their dreams and become seen just as they are.

During the first year, around 120 children and young people from four schools in Helsinki participated in ShedHelsinki. The year 2016 concluded in December with Peter Pan – an adventure musical, directed by Marco Bjurström.

We want to help ShedHelsinki to continue. We aim to expand the project in the future to other schools and to establish musical theatre where children and young people from different backgrounds can perform – together and safely. ShedHelsinki is based on the Chickenshed theatre company in London, which has been creating art based on diversity with children and young people for more than forty years.

Additional information (in Finnish): www.shedhelsinki.fi

Responsibility at Elisa

As a Finnish pioneer in telecommunication, ICT and online services, Elisa's mission is to promote sustainable digitalisation. For us, this means developing the reliability, accessibility, security, availability and environmental friendliness of our services. The more than 4,300 Elisa employees and our thousands of competent partners engage in this work daily.

Our corporate responsibility is based on Elisa's strategy and core values, which are customer orientation, responsibility, results orientation, renewal and collaboration. Key corporate responsibility sectors include responsibility for the climate, customer satisfaction and personnel satisfaction. These are also measured through scorecards.

Global megatrends that influence Elisa's business are described under Strategy and operating environment. From the viewpoint of corporate responsibility, key megatrends that influence the ICT sector and Elisa's business are:

World of safe connections	**Transfer of financial power**
In the future, ever-present digitalisation and cybersecurity will become necessary features for individuals, services and products.	An increase in the number of Western companies in developing and emerging economies and the increased significance of local digital innovations.
Elisa's material themes: Data security, reliability and reliable services	Elisa's material themes: Availability of services and responsible sourcing chain
Ageing population	**Sustainable development**
The proportion of the elderly (aged over 65) population will grow, and they will enjoy a higher standard of living. Mobile health care, remote measurements and analyses will enable ageing people to continue living at home.	Scarce natural resources and climate change will guide societies towards utilising knowledge and digitalisation more intelligently. Services will be provided more effectively, virtually and through teleworking.
Elisa's material themes: Ease of use and availability of services	Elisa's material themes: Network energy consumption, recycling of devices, the use of renewable energy and requirements posed by environmental legislation

The UN member states have agreed on new sustainability goals that will guide the promotion of sustainable development until 2030. There is still long way to go before we reach these goals. According to studies, solving the social, financial and environmental challenges requires broad utilisation of innovative digital solutions. Thus the ICT sector will have a key role in achieving these ambitious goals by the set deadline. To meet them, we need contributions from all in the ICT industry.

We have identified and prioritised our most important sustainability goals – the ones that we can influence the most either through our own actions (footprint) or through services developed for our customers and other stakeholders (handprint):

Good health and wellbeing	Quality education	Industry, innovation and infrastructure	Actions to benefit the climate	Peace, justice and strong institutions
- Digitalisation of social and welfare services - Wellbeing of employees	- Development of digital services to enable equal lifelong learning and sustainable and equal digitalisation of society - Development of personnel competence	- Investments to ensure comprehensive and reliable mobile and data communication connections	- Renewable energy and services to curb climate change and reduce risks	- Data protection principles & cyber security, network safety

Material issues and mangement of corporate responsibility

In recognising Elisa's material corporate responsibility, we take into account the most important financial, social and environmental effects of our operations, products and services, as well as other significant trends affecting the industry and referenced GRI G4 reporting principles.

To prioritise these aspects of corporate responsibility, we sent an extensive stakeholder questionnaire to all our most important stakeholders in 2015.

The material aspects were reassessed in autumn 2016 with a corporate responsibility survey at our stores and feedback from stakeholders. The importance of the material aspects to the business units was assessed by Elisa's corporate responsibility management team. The results are described on Elisa's corporate responsibility webpage.

Elisa's material corporate responsibility issues and key focus areas guide the content of the corporate responsibility report:

- Data security and privacy protection
- Financial responsibility
- Availability, safety and accessibility of services
- Responsible employer
- Energy efficiency and climate change
- Ensuring operational reliability in society
- Responsible customer communications

The link between material aspects and GRI reporting, and their limitations, are illustrated in the GRI index table.

Corporate responsibility aspects are regularly discussed and approved in the Elisa Executive Board and the Board's audit committee. Chief Financial Officer, Kinnunen Jari, Director of Human Resources, Merja Ranta-aho and Director of administration, Sami Ylikortes account for economic, social and environmental topics in the executive board of Elisa Corporation. The company is managed by the jointly agreed Elisa Code of Conduct, topic-specific policies and operating processes. They promote sustainable and successful business that complies with the expectations of our stakeholders.

Furthermore, Elisa publishes on its website its data security policy, its policy on the processing of communication traffic, a description of its customer register, the Elisa Communications Policy and Elisa's Code of Ethical Purchasing. Other key internal principles include personnel policies (including principles of equality), marketing guidelines, risk management policy and data security policy.

Elisa has signed the following external initiatives:

- UN Global Compact
- Corporate Responsibility Charter of the European Telecommunications Network Operators Association (ETNO)
- Diversity Charter of the FIBS Corporate Responsibility Network
- European Framework for Safer Mobile Use initiative of the European GSM Association

Stakeholder dialogue

Our most important stakeholders are our personnel, customers, owners, social operators[1] and partners. Stakeholders are reviewed annually in Elisa´s corporate responsibility management team as a part of materiality assessment. Active stakeholder dialogue is an important part of the daily development work of Elisa's business operations and corporate responsibility. We engage in active dialogue by means of regular surveys and various studies.

Dialogue with customers and continuous improvement of our understanding of our customers are at the core of our business. Customer orientation is one of Elisa's values, and customer satisfaction is one of the most important scorecard metrics.

The commitment and wellbeing of our employees is one of the cornerstones of our business. We measure personnel satisfaction with a scorecard, and we engage in continuous interaction with our employees. Complying with the Elisa Code of Conduct concerns all of us at Elisa. It is the duty of everyone at Elisa to report known or suspected breaches of the Code at once. The cases are investigated using processes in use and we intervene appropriately in breaches of this Code. Elisa personnel can ask for advice or report breaches of the Code to the following people, also anonymously: own manager, the internal audit function of Elisa Oyj, the Legal Services department of Elisa Oyj, the HR function of Elisa Oyj or by sending an email to codeofconduct@elisa.fi.

As a listed company the objective of Elisa's financial and investor communications is to support the process of establishing the correct value of Elisa's shares by providing the capital market with sufficient, accurate and up-to-date information about the development of the company's business, its strategy and its financial position. Elisa's centralised IR function manages contacts with investors and analysts.

Director of public relations is responsible for development of public relations. We operate as expert representatives in organisations and actively participate in discussions within them. In addition, we influence the development of society through statements and other activity. Elisa has significant memberships in the following organisations, among others:

- Confederation of Finnish Industries EK
- Finland Chamber of Commerce / Finnish Chambers of Commerce
- Service Sector Employers' Association PALTA
- Confederation of Telecommunications and Information Technology (FiCom ry)
- TIEKE Finnish Information Society Development Centre
- Finnish Quality Association
- Finnish Direct Marketing Association
- ICT Producer Co-operative
- Environmental Register of Packaging PYR

[1] Social operators include the authorities, officials, politicians, NGOs and other organisations, as well as research organisations. External stakeholders are examined from the point of view of both customers and influences in society.

ELISA'S STAKEHOLDERS AND INTERACTION

Personnel	Customer	Owners, investors and analysts	Subcontractors, partners	Social operators
Appraisal and development discussions (twice a year)	Customer service channels (continuous)	AGM (annually)	Close cooperation with our partner network (continuous)	Participation in information society projects (several per year) Digitalisation projects in the government programme (several per year)
Intranet, internal newsletter (continuous)	Internet, hub.elisa.fi and social media (continuous)	Investor events (several times per year)	Code of Ethical Purchasing (in connection with renewal of agreements)	Expert activities in industry organisations (several times a year
Daily management (continuous)	Customer satisfaction questionnaires (monthly, annually) and their communication	Stock exchange releases (recurrently)	Customer satisfaction with the operation of subcontractors, Corporate Customers' NPS (continuous)	Meetings and events (several times per year)
Personnel satisfaction surveys (four times a year)				Cooperation with organisations (continuous)
Internal briefings (as necessary)	Cooperation practices that assist in deepening customer relationships			Cooperation with researchers (continuous)

THEMES AND ACTION RAISED BY STAKEHOLDERS IN 2016

Stakeholder	Themes raised during the year	Actions
Personnel	- Management that better takes individual needs into account - More equal sharing of work tasks and better coordination - More support in job rotation	- Development ideas were collected from the personnel though workshops during December 2016 and January 2017 - Update of Diversity and equality plan, and related development actions - Leadership and management trainings
Customers	- Customer and support services (especially waiting times) - Proactive cooperation with customers and customer communication - Better mobile coverage and faster internet connections	- Queuing Time shortening through multi-channel customer service and development of more comprehensive content for product support. For example, by starting up of the chat service and by providing Business Guru usage tips. - Better and clearer description of customer service channels, improvements in reachability of contact persons and confirmed special situation communication - Improvements in optimization of net capacity, improvements in net coverage
Owners, investors and analysts	- Elisa aims to meet with the requirements set by shareholders and investors, responsible behavior	- Annual reporting about material corporate responsibility topics - Updated information in investor web pages about Elisa - Communication in stakeholder meetings with investors, owners and analysts
Subcontractors, partners	- Code of ethical purchasing and procurement operations	- Elisa’s Code of ethical purchasing was updated - Corporate responsibility survey for main suppliers was conducted
Social operators	- Digitalisation of services - Mobile and fixed network coverage - Broadband policy - Roaming policy - Broadband execution programmme was launched by the Ministry of Transport and communication launched	- We have participated in to stakeholder consultations and discussions with both national and EU level decision-makers and other key stakeholders

Targets

CORPORATE RESPONSIBILITY- MID-TERM TARGETS

Topic	Target	Target year	Perfomance 2016
Economic			
Sustainable value for society	Elisa's medium-term financial targets www.elisa.com/investors	2019	www.elisa.com/investors
Social			
Responsible employer and personnel wellbeing	Employee satisfaction: 4.00/5.00	2016	
	New target: % share of teams having employee satisfaction higher than ≥ 3.5	2019	
Information security and privacy	100% share of all Elisa employees have conducted Elisa's Information security training.	2019	(1
Safeguarding functioning society accessibility and ease of use of our services	Target to be set during 2017	n/a	n/a
Responsible customer communication	Customer satisfaction	2019	
Ethical business and anti-corruption	100% of Elisa employees have conducted CoC-trainings	Continuous	
Sustainable supply chain	Target to be set during 2017	n/a	n/a
Environment			
Environmental responsibility and climate change mitigation	Science-based mid- and long-term targets for our carbon footprint will be set during 2017	n/a	n/a
	CO_2 emission savings	2019	

1) Finnish employees

= Target achieved

= More than 50% of the target achieved

= Less than 50% of the target achieved

KEY CORPORATE RESPONSIBILITY ACTIVITIES DURING 2016

Activities in 2016	Plan for 2017
UN Sustainable Development Goals - We mapped and assessed UN SDGs to define the most material targets for our businesses where in we can support common societal value creation and environmental goals the most. - We organised Human Rights and Business training for all Elisa employees.	- We will define mid-term targets to support societal value creations for selected UN SGDs - We will conduct human rights assessment of our operations
Development of corporate responsibility management and reporting - We launched new corporate responsibility data management and reporting tool - We research and analysed societal and environmental impacts of eHealth services	- We will define new energy efficiency targets and joining the Finnish Energy efficiency agreement and commit to improve our use of energy - We will define our mid- and long-term targets for carbon footprint.
Sustainable supply chain: - We updated Code of ethical purchasing and published it in Finnish, English and Estonian - We did corporate responsibility survey to our main suppliers	- We will review and update our supplier auditing practices

Highlights in 2016

Digital schools

We arrange dozens of digital schools free of charge every year to teach 10–12-year-olds the basics of programming. Read more >

Responsible summer job

In summer 2016, we hired 156 young people from all around Finland as summer employees and trainees. Read more >

Seniors involved in digitalisation

In summer 2016, a pilot project was arranged in Elisa stores in the Helsinki metropolitan region where young people were hired to help older people in the purchase and use of smartphones. Read more >

Camping in the digital age

We ensured functional communication connections at the Roihu scout jamboree, with more than 17,000 participants, where digitalisation was strongly present.

FTSE4Good

We were accepted to the index which is designed to measure the performance of companies that meet globally acknowledged corporate standards of responsibility in terms of environmental, social and governance (ESG) practices.

Elisa Talk

The panel discussed digitalisation from the viewpoint of the elderly. The topics included healthcare of the future and digitalisation of social and welfare services.

CDP Index

Our climate report received grade B in CDP's Climate Disclosure Leadership Index, which was one of the best grades received by the Nordic telecom operators. Read more >

Digitalisation of healthcare

We studied the profitability potential of the remote measurement service together with the town of Hämeenlinna, benefits offer potential of millions of euros in the diagnosing of asthma. Read more >

United Nations Day

We celebrated United Nations Day by arranging a human rights seminar. Participants included Elisa employees from all around the world. The theme was diversity in working life.

ShedHelsinki

We are taking part in a music theater project that encourages young people to come as they are.
Read more >

Financial responsibility

As a responsible company, Elisa's duty is to ensure the financial profitability of its operations and its competitive edge so that it can guarantee continuous development of its services, maintenance of its network and the provision of employment. With its R&D activities and by paying taxes, we participate in the development of society as a whole.

For more information on Elisa's strategy and operating environment, please see Business in the annual report.

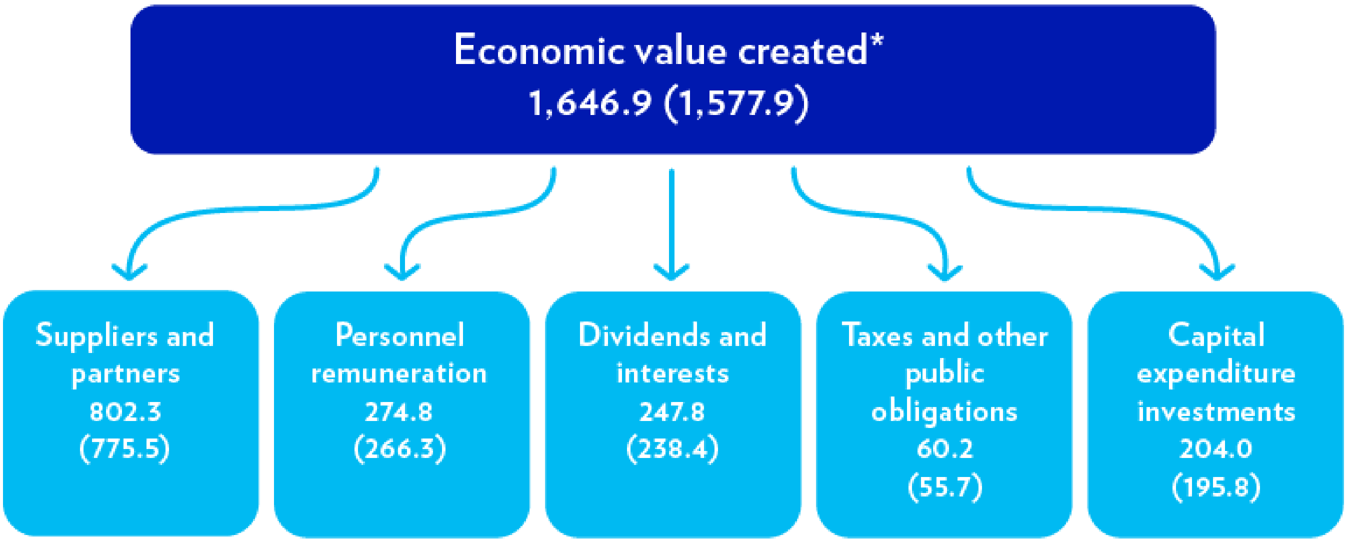
Sustainable results towards the future

Elisa's productive operations produce financial benefits for its shareholders, personnel, partners, subcontractors, resellers and customers, as well as Finnish municipalities and the state. Our objective is that our long-term and consistent strategy will continue to produce added value for our stakeholder groups in the future.

Elisa's shares are listed on the Nasdaq Helsinki. We have around 200,000 shareholders, of whom 27 per cent were Finnish households, 30 per cent were Finnish institutions and 43 per cent were foreign on 31 December 2016.

FINANCIAL EFFECTS

EUR million, (2015 figures)



*incl. financial yields

Figures according to GRI. Capital expenditure investments differs from GRI definition and doesn't include investments in licenses.

Major taxpayer

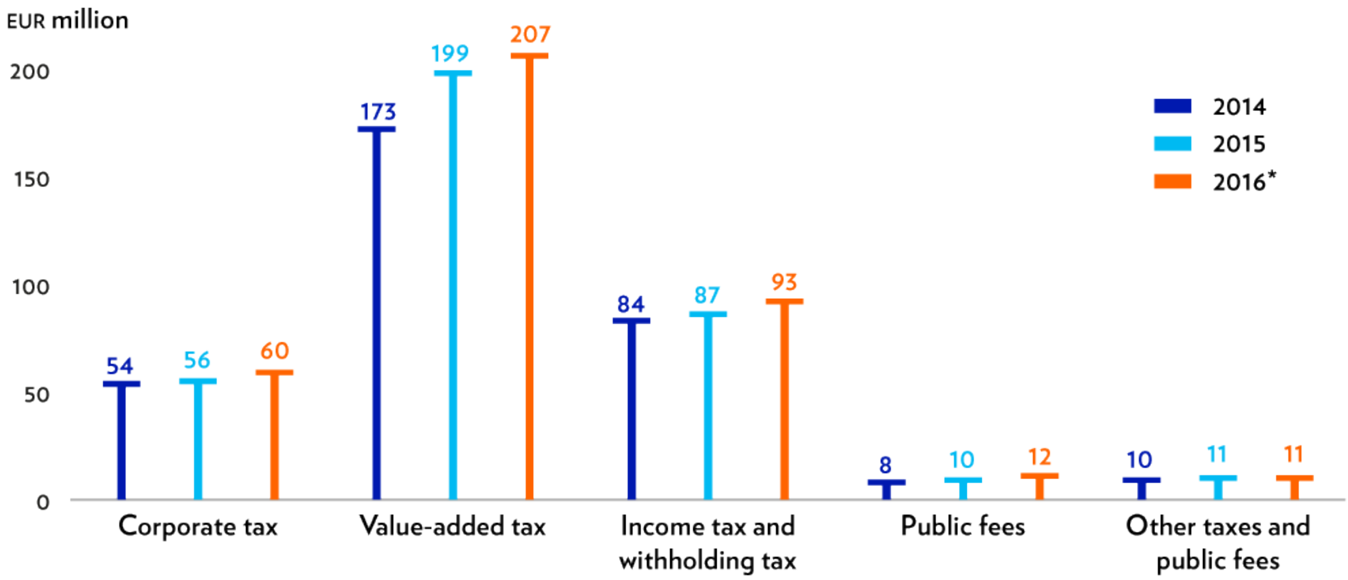
By paying taxes and other public levies, we participate in the development of society as a whole. We are one of Finland's largest payers of corporate income tax. According to 2015 confirmed taxes, Elisa was the eighth largest payer of corporate income tax when measured in a company-specific manner. Elisa paid 90 per cent of all the taxes paid by Finnish telecom operators.

In 2015 Elisa paid EUR 363 million of taxes, of which EUR 56 million was corporate income tax in Finland. Elisa operates throughout Finland, and 36.67 per cent of the corporate income tax was allocated to municipalities, around half of it to municipalities outside the Helsinki metropolitan region.

In Estonia, the company only pays corporate income tax if it pays dividends to its owners. Elisa Estonia has not paid any dividends to its parent company.

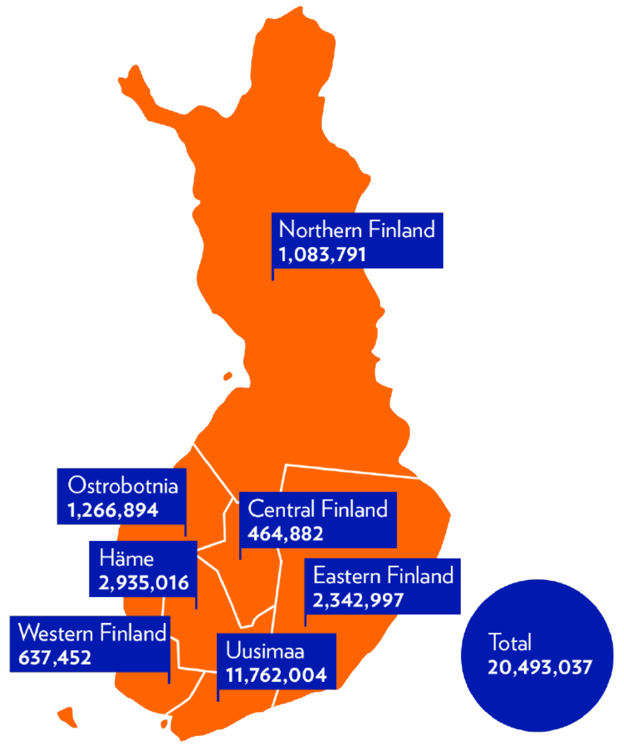
The Research Institute of the Finnish Economy (ETLA) studies annually which companies generate the most added value, i.e. which companies benefit GDP the most. According to the 2015 study, Elisa was among the ten most important companies in Finland.

ELISA'S TAXES



*2016 unconfirmed taxes

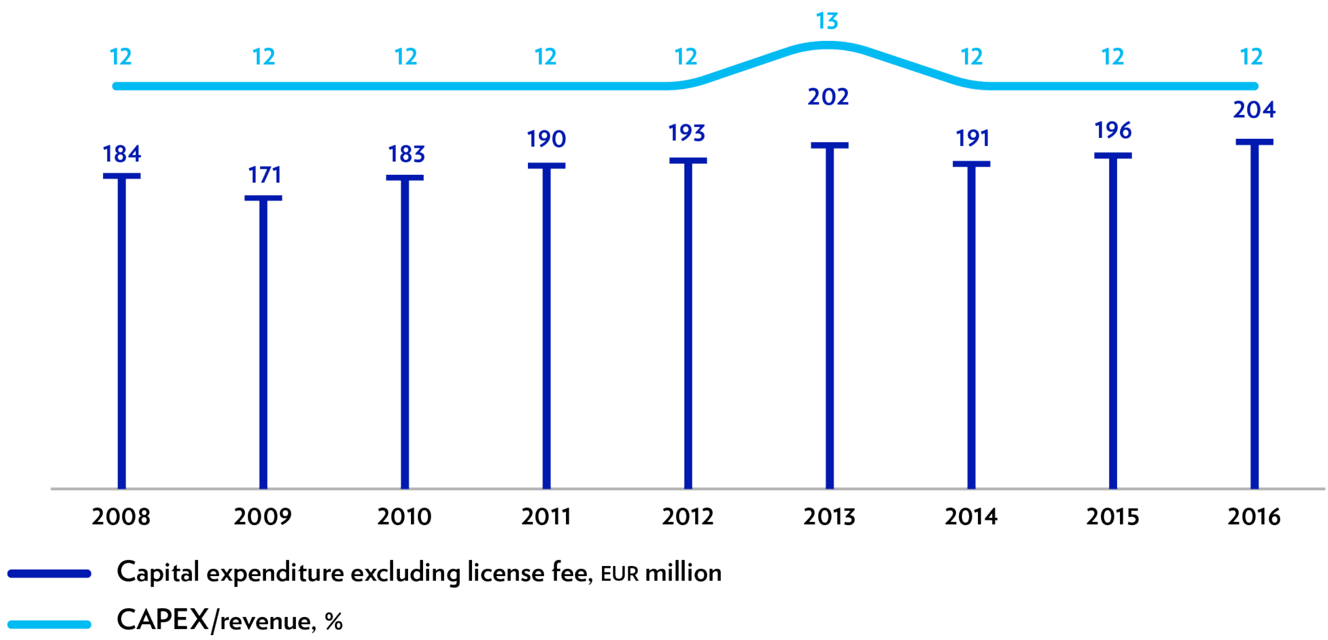
MUNICIPALITIES SHARE OF ELISA´S CORPORATE TAX IN REGIONS IN 2016 (EUR)



Continuous investments

We are the most significant operator investor in Finland by our capital expenditure investments of nearly EUR 200 million. We build and maintain a comprehensive communications network in our main market areas in Finland and Estonia.
In 2016, our capital expenditure investments totalled EUR 226 million. Our investments were again allocated directly to the development of the data communications infrastructure, 4G networks, the fixed trunk network, IT systems and customer terminal equipment.

ELISA'S CAPITAL EXPENDITURE 2015



Research and development

Elisa operates in a sector where future services are created through unconventional testing of new opportunities and cooperation between innovation networks.

We promote the development of digital society by, for instance, our participation in R&D and startups in the sector. Our operations are also centrally related to providing trainee positions for students who have been successful in their studies in higher education institutions.

Promoting top international research

We have established strong cooperation between academic researchers and Elisa's business units. The cooperation promotes our understanding of new scientific breakthroughs and thus promotes our strategic choices. For more information, please see the Case gallery.

We continuously look for new opportunities to cooperate with the best international researchers in different scientific fields. In 2016, Elisa Research brought Elisa employees and over 150 new top researchers from 10 countries together to carry out research in 26 research projects.

In addition, through the HPY Research Foundation, we support scientific research, teaching and development work in Finnish telecommunications technology, telecommunications and data communications. By 2016, the HPY Research Foundation had granted a total of EUR 979,710 in scholarships, mainly to researchers preparing dissertations in different universities. The library of the HPY Research Foundation includes approximately 107 dissertations.

Renewal through startup partnerships

Startup partnerships are an important part of Elisa's continuous development. Over the course of several years, we have introduced to the market several innovations with startup companies, thus promoting the success of new companies.

Over the course of the year, startup companies commended Elisa for being an easily accessible and professional partner. In 2016, Elisa had more than 60 Finnish and international startup partners. We aim for cooperation that benefits the business of both parties, in which we can act as an early phase customer for startups or offer our effective sales channels to our partners.

For the second time, we arranged the Elisa Innovation Challenge to encourage both companies and private persons to create new product and service innovations with the help of network technology. This year, 97 proposals were submitted from 16 countries. The developers of the best products were announced and the awards were handed out at Slush 2016. Elisa was the main cooperation partner of the event for the third year in a row. For more information, please see the Case gallery.

Social responsibility

Elisa's customers include 2.3 million consumers, companies and public administration organisations in Finland, Estonia and around the world. A profound understanding of our customers' needs is a prerequisite for developing our services to comply with their changing needs. Ensuring the confidentiality of communication and protecting the privacy of individuals are crucial issues for Elisa.

For us, social responsibility means bearing our responsibility for our customers and personnel, in particular.

Our **customer orientation** consists of data security, safe and accessible services, a comprehensive network and our supply chain.

Combined with our partner network, our **continuously developing personnel** create a foundation that ensures high-quality services for our customers. For more information on personnel responsibility, please see the Personnel review section of the Elisa 2016 annual report.

Data security and privacy protection

As the world becomes more digital and an ever-increasing number of operations are handled electronically, cybersecurity is absolutely necessary for individuals, services and products alike. The reliability and data security of our ICT services and processes are even more important.

Ensuring the confidentiality of communication, protecting the privacy of individuals and verifying online security are crucial issues for us. We guarantee a high level of data security in all our operations.

Elisa's data security policies define the principles, roles and responsibilities that are followed in data security development, maintenance and monitoring. The policies are binding on Elisa, its subsidiaries and, via agreements, Elisa's suppliers and subcontractors.

The Elisa Group Security Board makes decisions about the security policies and monitors the management of key security risks. Elisa's security organisation consists of the corporate security organisation and the security functions of the business units. The corporate security organisation manages the separate privacy protection, data security and operational security groups that coordinate our security operations.

We perform regular data security scans and inspections of our systems. We seek to identify any attempt to breach data security at the earliest possible phase and to repair recognised vulnerabilities or other threats. We use a separate operating model for the management of data security disturbances and exceptional situations. We communicate any measures related to the data security of our services in the most appropriate manner, on our website or through customer bulletins, for example. We also report incidents to the authorities.

The liability for privacy protection related to products and services and other security aspects rests primarily with the business units. The task of the Privacy Group, in turn, is to provide instructions and supervise issues related to privacy protection, and to ensure, among other things, that statutory information about our customer register is up to date. Processing personal data is strongly regulated under Finnish law and the regulations and guidelines of the relevant authorities. We disclose customer information only to the authorities or other telecommunication companies, and only within the limits of legislation and in accordance with the description of our customer register. Our personnel and partners continuously receive training on data protection and security, and they are bound by confidentiality obligations.

As a producer of national critical infrastructure, we plan our services and implement our systems by also taking account of preparation, continuity and security aspects. We cooperate with the authorities, other companies and business organisations in preparation and the development of cybersecurity.

Key measures and their results in 2016

- The EU General Data Protection Regulation entered into force in 2016 with a transition period of two years. Elisa started preparations for the new requirements in 2013 and proceeded according to schedule, specifying and changing its operations in the necessary manner to ensure compliance with the Regulation.
- The Finnish Communications Regulatory Authority did not issue any requests for clarification on data protection. There may have been some substantiated complaints regarding breaches of customer privacy and losses of customer data in the Elisa Group over the course of the year, but none were reported to the parent company. We are working on improving reporting practices to cover all the substantiated complaints regarding the matter.
- Some of Elisa customers have been subjected to phishing attacks. Phishing is a criminal activity aimed at gathering confidential information, such as email IDs, passwords and payment card details. Elisa has issued instructions to its customers to prevent phishing. The instructions and more information are available on our website.

For more information on the SME data security case, please see the Case gallery.

Accessible and secure services that are easy to use

We continuously develop our products and services based on our customers' needs. Safety, accessibility and ease of use of our inspirational services are the key issues when developing the customer experience.

Our customers are regularly invited to meet Elisa's service designers in order to test our current services and to innovate new ones. During these co-creation sessions we collect valuable insights to be able to react to the changes of the needs, usage patterns and expectations. Elisa's service designers are responsible for analysing the observations and development of services.

Online services are increasingly used with mobile devices. To ensure the best user experience, all Elisa's services are designed first for small screens and after that to be responsive in larger once. To meet the needs of our multi-culture customers we have increased our ability to produce services in different languages.

In the future, the new EU directives will set conditions to accessibility of services and transparency of information. Customers are entitled for example to know what personal information Elisa stores about them.

We follow the law, rules of the sector and good practices in our marketing. The Finnish Competition and Consumer Authority supervises and provides guidelines for marketing in the industry. Our customers have the right to opt out of direct marketing. Our Communications unit handles our marketing.

The Consumer Protection Act, the Personal Data Act and certain other special acts, as well as guidelines and regulations from the authorities, apply to telephone marketing. Elisa's subsidiary Enia is responsible for Elisa's telephone sales service. Its quality monitoring ensures compliance with the agreed rules.

Radiation from base stations and mobile phones and potentially related health problems give rise to concerns from time to time. In Finland, the safety of the mobile phone networks is monitored by the Radiation and Nuclear Safety Authority (STUK), whose decisions and regulations are based on scientific research findings.

We also engage in close cooperation with operators in the industry with regard to electromagnetic fields, and we act as expert members on the Electromagnetic Fields (EMF) advisory board.

With regard to product safety, we act in the manner required by legislation and regulations. At Elisa, the liability for product safety rests with the business unit that put out the product or service in question. We verify compliance with these laws and regulations through subcontracting agreements or by separately contacting the hardware manufacturers.

Key measures and their results in 2016

- In 2016, we invested in many ways in the improvement of multilingual customer service. We made significant improvements to the OmaElisa customer service application, customer service site and invoicing. With the acquisition of Anvia, we strengthened our service resources in Swedish considerably, and we will be able to further improve our multilingual services.
- Several customer groups participated in the design of services in 2016. Slightly more events were arranged for senior citizens than for other groups. The OmaElisa customer service application and its availability were discussed with older people, for example.
- Elisa's Service Design and UNICEF arranged a seminar on how to design services for children, and related practices.
- We continued to invest in digital schools for children and the offering of a service for families to support digital parenting. We cooperated with Save the Children Finland by adding their HelpSome application to our website.

Comprehensive mobile network and fixed network

Our task as part of Finnish society is to ensure comprehensive and reliable mobile and data communication connections. We also play an important role in securing operational reliability in society.

We are bound by a universal service obligation for specific areas in Finland set by the Finnish Communications Regulatory Authority. Universal service means the right of consumers and companies to receive an affordable and faultlessly operating telephone subscription and a 2 Mbit/s broadband connection to their home or the business premises of their company in Finland.

Utilisation of digital services requires a reliable and ever faster nationwide network.

We systematically measure the coverage and availability of our network through a population coverage indicator. We also monitor an independent study by ECE Ltd on the coverage of the operators' networks in Finland.

The construction of masts, base stations and transmission stations requires a municipal permit and good statutory cooperation with both individual housing companies and landowners. In the siting of base stations, we extensively utilise construction sites shared with other operators in the industry. More than half of our base stations are in shared use.

We prepare in advance for disturbances and proactively collect up-to-date information from our network service, analyse it and perform the necessary fault repair measures before a disturbance arises. We measure the reliability of our service with an availability indicator and by monitoring the development of the total number of faults.

We continuously develop a comprehensive fault management process in case of, for instance, extended fault situations caused by exceptional weather conditions. We cooperate with electricity companies to coordinate reserve power needs in risk areas. The units maintaining the networks practise regularly for emergencies.

Key measures and their results in 2016

- The majority of our investments were again directed towards improving the functionality of the fixed and mobile phone networks and extending their coverage. In addition, we completed several pilot projects with new techniques and speeds.
- We managed to continue to decrease the overall number of faults and the number of major disturbances, even though the number of services we offer is continuously growing.
- We continued our investments in proactive, comprehensive communication about disturbances. When an extensive disturbance is observed, communication

to customers about it starts as soon as possible and continues until the fault has been repaired.

Elisa's supply chain

Cooperation with more than 5,500 suppliers and subcontractors is a vital part of the responsible development of our business. We acquire a large part of our services, materials and products from within the EU (92.8%) and some also from outside the EU (7.2%). Active cooperation ensures that the quality and responsibility goals are reached in the different parts of the supply chain.

Responsibility of purchasing is guided by Elisa's Code of Ethical Purchasing, our Code of Conduct, compliance with the Act on Contractor's Obligations and Liability, and Elisa's instructions and principles related to security. Bribery and other inappropriate payments and benefits in business operations are illegal and forbidden. We require compliance with laws and statutes and the prevention of bribery from all of our partners and subcontractors.

When signing an agreement, suppliers must accept Elisa's Code of Ethical Purchasing and commit to complying with international principles and agreements guiding the use of labour and human rights, managing the more efficient use of limited resources and reducing harmful environmental emissions. Suppliers can report any defects or misconduct in the manner laid down in the Elisa Code of Conduct, also anonymously.

We acquire most of our network and data system equipment and phones from well-known international suppliers. We place special emphasis on assessing the energy efficiency, lifecycle and operational reliability of the equipment.

The majority of services are purchased from our operating countries, except for special support and development services, which are purchased from abroad. They comprise 2.7 per cent of all service purchases.

When purchasing services, we pay special attention to information security and data protection.

We perform supplier audits when selecting new suppliers from outside the EU, especially in the case of high-risk countries. To become an Elisa supplier, a company must pass an assessment that complies with Elisa's inspection protocol and be prepared to work on any observed development issues in cooperation with Elisa.

Key measures and their results in 2016

- We updated Elisa's Code of Ethical Purchasing and published it in Finnish, English and Estonian.
- We conducted a total of three subcontractor assessments and selected three of the companies as Elisa suppliers.
- We performed corporate responsibility surveys on 30 of our largest suppliers (45 per cent of the total supply volume) to investigate key responsibility actions in the supply chain.

For further information on responsible purchasing, please see our website.

Environment responsibility

We want to be part of creating a low-carbon society. We are committed to continuously improving the environmental impact of our operations and to promoting environmentally friendly business.

We assist our customers in reducing their carbon footprint by offering services that help them act efficiently and in an environmentally friendly manner.

Furthermore, we continuously optimise and renew our network and purchase renewable energy to make our own carbon footprint as small as possible.

As a service provider, we also reduce the environmental impact by effectively recycling our WEEE waste.

Our environmental responsibility focuses on climate and energy

The ICT industry is a key player in moving operating methods in a more environmentally friendly direction and mitigating climate change. The global carbon footprint can be reduced by as much as 20 per cent with telecom and ICT products and services.

For the ICT industry to be able to effectively reduce the emissions of other industries, it must take care of its own emissions. At present, emissions from the ICT industry are around 2 per cent of global emissions. Emissions from the industry are expected to decrease, even though the amount of data and the number of devices will continue to grow on a global scale.

Elisa's telecommunication networks in Finland and Estonia consume around 240 GWh of electricity. Electricity consumption is responsible for around 98 per cent of Elisa's direct CO_2 emissions.

Reducing our carbon footprint and that of our customers

Elisa has an environmental policy and a management system to continuously decrease its key environmental impacts. The reduction of carbon dioxide emissions has been part of our strategy since 2009. We monitor our objectives every six months through the CO_2 emission savings scorecard. The energy efficiency of our operations is monitored through the sub-metrics of the scorecard.

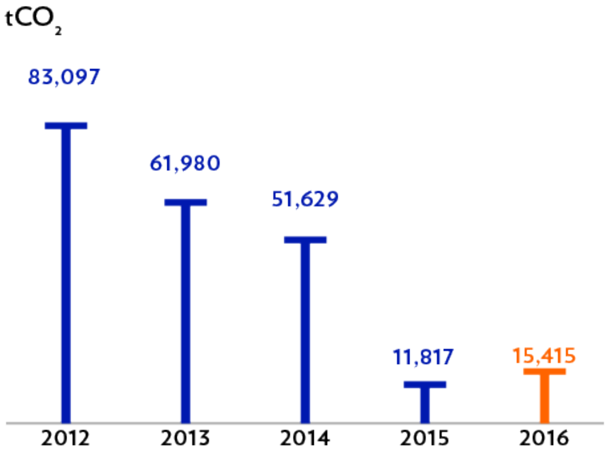
The energy efficiency team meets four times a year to monitor the achievement of our energy efficiency and carbon footprint goals. The EU Energy Efficiency Directive obligates Elisa to perform energy audits at company and target level every four years.

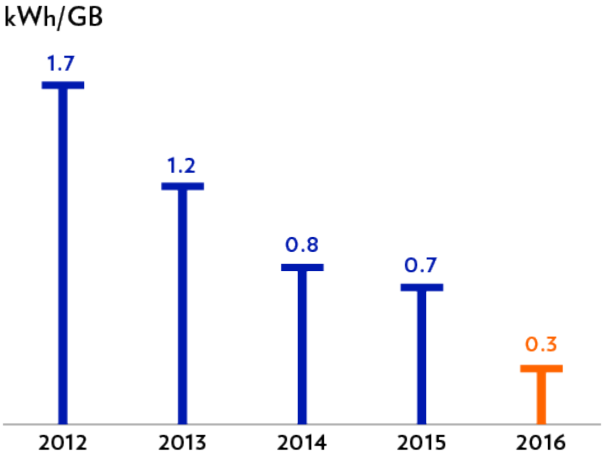
In the case of electronics, batteries, rechargeable batteries and packaging, Elisa is bound by the WEEE Directive. In Finland, our shops have WEEE (waste electrical and electronic equipment) collection receptacles, through which waste is taken for re-processing to become material for new electronic devices. Our shops also have collection boxes for mobile phone batteries and other portable batteries. We provide monetary compensation for any functional phone given to us by a customer who purchases a new one. These phones are sold to be recycled.

In Estonia, Elisa's shops accept used batteries. Used electronics may be returned without charge to Kuusakoski recycling points, for example. Elisa Estonia's own electronics waste is recycled at Kuusakoski in Finland.

We follow statutory regulations and instructions when building our network. We promote product safety by making sure that the products we sell comply with the statutory environmental requirements.

Key measures and their results in 2016





- Almost all of the electricity Elisa used in Finland and Estonia 244,700 MWh (240,050) came from renewable sources.
- Our carbon footprint (Scope 1 and 2) has shrunk by 70 per cent since 2014.
- Since 2014 we have achieved 14,000 MWh savings in our mobile network.
- The waste heat recovered from our data centre in Espoo corresponded to the annual consumption of 82 single-family houses with electric heating.
- 73 per cent of our own servers are virtual, which resulted in energy savings of 31,187 MWh.
- With our solutions, our customers achieved emissions savings of 37,527 tCO_2 (32,313).
- Of the invoices we sent, 70 per cent (65) were electronic.
- The grade of Elisa's environmental report in the CDP Nordic Climate Change 2016 report was B, compared to the average grade of C among Nordic companies.

The calculation basis of Elisa's CO_2 emission indicators and additional information is available on our website.

Other environmental impacts

A significant part of the ICT industry's environmental impact comes from the manufacture of devices. Conflict minerals, such as gold and tin, are also used in the manufacture of these devices. As a service provider, Elisa can reduce the environmental impact from the manufacture of devices by effectively and properly recycling used devices.

Reduced biodiversity and its negative impact on ecosystem services, such as natural resources and regulation mechanisms, poses risks for business. Elisa's business is no different. Our direct impact on biodiversity is very low. We can best protect biodiversity by combating climate change.

We use small amounts of water in our service production. We haven't examined yet our indirect water consumption, but we will do that in the future.

Description of the report

Elisa's annual report consists of four parts: the financial statements, annual review, corporate governance and responsibility. The annual report is published in electronic format in Finnish at www.elisa.fi/vuosikertomus and in English at www.elisa.com/annualreport.

This is Elisa's fourth verified responsibility report, which is published as part of the annual report. It was prepared in compliance with the Global Reporting Initiative GRI G4 Core requirements. The reporting period is the calendar year 2016. The Global Reporting Initiative index for 2016 is part of this report.

Elisa's management has decided to have the corporate responsibility report assured by a third party. The 2016 corporate responsibility report is assured by EY. The assurance covers the responsibility section of Elisa's 2016 annual report and the personnel review.

The reporting of key aspects covers all of the business units: Consumer customers, Corporate customers, Production and Support functions and subsidiaries included in Elisa's consolidated financial statements. Reporting is aligned with Elisa Corporation financials reporting. In specific aspects boundaries are restricted to availability of reliable data. Our aim is to constantly develop the data coverage.

The financial information is from the consolidated financial statements, and it complies with IFRS accounting principles.

With regard to environmental indicators, the most significant environmental impact of the parent company and subsidiaries has been calculated in accordance with the GRI guidelines.

Calculation of carbon dioxide emissions is based on the Greenhouse Gas Protocol (www.ghgprotocol.org) Corporate standard. We apply also the GHG protocol Corporate Value Chain standard. A description of the calculation is available in the responsibility section of our website. The following changes have been made compared to previous years:

- Scope 3 emissions have been reported in 2016 according to GHG protocol Corporate Value Chain -standard as in CDP reporting in previous years.
- In Scope 2 reporting the new GHG protocol Scope 2 guidelines have taken into account.
- In indicator EN17, in Capital goods -section only base stations are reported in year 2016. Other equipment to network will be reported in CDP reporting in June. We are improving the reporting in this during the year 2017.
- The calculation boundary of wastes has been changed. Now a waste figure covers all wastes in Elisa Finland. Waste figures have been calculated retroactively with new boundaries to year 2014.
- Scope 1 emissions have been corrected retroactively to year 2014.

With regard to personnel, figures for both the parent company and subsidiaries are included. No significant changes have been made to the indicators compared to previous years. The structural changes in the Group are presented in more detail in the annual report. The following changes have been made to indicators compared to previous years:

- In indicator G4-10 regarding to part time employees reporting has improved and boundary has been changed. Current figure covers Elisa Corporation. Previously Finnish part time employees covered Elisa parent company´s part time employees.
- In G4-11 indicator boundary has been changed. Current figure covers Elisa Corporation. Previously G4-11 covered only Elisa Finland.
- In indicator LA1 boundary has been changed. Figure 2016 covers Elisa Corporation. Previously LA1 was reported regarding following Finnish operations Elisa parent company, Elisa Appelsiini, Elisa Videra, Elisa Treasure as well as Enia and regarding abroad operations Elisa Estonia and Elisa Videra was included.
- The coverage regarding LA9 has improved and current figure covers Elisa Corporation. Previously it was reported covering Elisa parent company.
- The coverage regarding LA11 has improved and current figure covers Elisa Corporation. Previously it was reported covering Elisa parent company.

The responsibility report is published annually. Previous responsibility reports are available at www.elisa.com. Before 2013, we compiled an index describing responsibility measures based on the GRI's sustainable development reporting guidelines in 2011 and 2012. The 2015 report´s release date was 09.03.2016

Independent Assurance Report

Independent Assurance Report

(Translated from the original Report in Finnish language)

To the Management of Elisa Oyj

At the request of the Management of Elisa Oyj (hereafter Elisa) we have performed a limited assurance engagement on the information presented for the reporting period 1.1.–31.12.2016 in Elisa's Corporate Responsibility Report 2016 (hereafter corporate responsibility information).

Management´s responsibility

The Management of Elisa is responsible for the preparation and presentation of the corporate responsibility information in accordance with the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4*, and Elisa's internal reporting guidelines (hereafter the reporting principles).

Assurance Provider's responsibility

It is our responsibility to present an independent conclusion on the corporate responsibility information based on our work performed. We do not accept nor assume responsibility to anyone else except to Elisa for our work, for the assurance report and for the conclusions that we have reached.

We have conducted the assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'. The ISAE 3000 standard requires compliance with ethical requirements as well as planning and performing the assurance engagement to obtain limited assurance on whether the corporate responsibility information has been prepared, in all material respects, in accordance with the reporting principles.

Assurance Provider's independence and quality assurance

We comply with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the IESBA (International Ethics Standards Board for Accountants). We apply ISQC 1 (International Standard on Quality Control) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Limitations of the Engagement

In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the Assurance Provider's judgment, including an assessment of the risks that the corporate responsibility information would not, in all material respects, comply with the reporting principles. We have planned and performed our engagement to obtain sufficient appropriate evidence on which to base our conclusion.

We have performed, among others, the following procedures:

a. An update of our knowledge and understanding of Elisa's material sustainability reporting topics, organisation and activities,
b. An assessment of suitability and application of the reporting principles regarding the stakeholders' needs for information,
c. Interviews with senior management to understand Elisa's corporate responsibility leadership,
d. Interviews with personnel responsible for gathering and consolidation of the corporate responsibility information to understand the systems, processes and controls related to gathering and consolidating the information,
e. Reviewing corporate responsibility data from internal and external sources and checking the data to reporting information on a sample basis,
f. Performing recalculation of information and reviewing the underlying data which is the basis of narrative disclosures related to the data.

Our assurance report should be read in conjunction with the inherent limitations of accuracy and completeness for corporate responsibility information. This independent assurance report should not be used on its own as a basis for interpreting Elisa's performance in relation to its principles of corporate responsibility.

Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that the corporate responsibility information has not been prepared, in all material respects, in accordance with the reporting principles, or that the Information is not reliable, in all material respects, based on the reporting principles.

Helsinki, 10 March 2017

Ernst & Young Oy

Terhi Mäkinen	Jani Alenius
Partner, Authorized Public Accountant	Leader of Climate Change and Sustainability Services

GRI Index, Core

All indicators and disclosures on management approaches in the index have external assurance.

Please see chapter Independent Assurance Report.

Content	Name	Boundary	UN Global Compact
Strategy and Analysis			
G4-1 CEO's statement	CEO's review	Elisa Corporation	x
G4-2 Risks and opportunities	Responsibility at Elisa; Risks; GRI data	Elisa Corporation	x
Organizational Profile			
G4-3 Name of the Organization	Accounting principles	Elisa Corporation	x
G4-4 Primary Brands, Products and Services	Elisa in brief	Elisa Corporation	x
G4-5 Location of the Organization's Headquarters	Accounting principles	Elisa Corporation	x
G4-6 Number of Countries where the Organization Operates	Expertise	Elisa Corporation	x
G4-7 Nature of Ownership and Legal Form	Shares and shareholders; Financial responsibility	Elisa Corporation	x
G4-8 Market areas	Notes to the financial statements 1.	Elisa Corporation	x
G4-9 Scale of the Organization	The report of the board of directors; Notes to the financial statements 1.	Elisa Corporation	x
G4-10 Total Number of Employees by Employment Contract, Employment Type, Region and Gender	GRI data	Elisa Corporation	x
G4-11 Percentage of Total Employees Covered by Collective Bargaining Agreements	GRI data	Elisa Corporation	x
G4-12 Organization's Supply Chain	Supply chain	Elisa Corporation	x
G4-13 Significant Changes during the Reporting Period Regarding the Organization's Size, Structure, Ownership, or its Supply Chain	Notes to the financial statements 2., 3. and 35.	Elisa Corporation	x
G4-14 Whether and How the Precautionary Approach or Principle is Addressed by the Organization	GRI data	Elisa Corporation	
G4-15 Externally Developed Economic, Environmental and Social Charters, Principles, or Other Initiatives to Which the Organization Subscribes or Which It Endorses	Responsibility at Elisa	Elisa Corporation	
G4-16 Memberships of Associations and National or International Advocacy Organizations	Stakeholder dialogue	Elisa Corporation	
Identified Material Aspects and Boundaries			
G4-17 Entities Included in the Organization's Consolidated Financial Statements	Description of the report	Elisa Corporation	
G4-18 Process for Defining the Report Content	Material issues and management; Description of the report	Elisa Corporation	
G4-19 Material Aspects	Material issues and management; GRI index	Elisa Corporation	

G4-20 List of Entities or Groups of Entities Within the Organization for Which the Aspects Are Material	Material issues and management	Elisa Corporation	
G4-21 List of Entities or Groups of Entities Outside of the Organization for Which the Aspects Are Material	Material issues and management	Elisa Corporation	
G4-22 Effect of any Restatements of Information Provided in Previous Reports, and the Reasons for Such Restatements	Description of the report	Elisa Corporation	
G4-23 Significant Changes from Previous Reporting Periods in the Scope and Aspect Boundaries	Description of the report	Elisa Corporation	

Stakeholder Engagement

G4-24 List of Stakeholder Groups Engaged by the Organization	Stakeholder dialogue	Elisa Corporation	x
G4-25 Basis for Identification and Selection of Stakeholders with whom to Engage	Stakeholder dialogue	Elisa Corporation	x
G4-26 Approach to stakeholder engagement	Stakeholder dialogue	Elisa Corporation	x
G4-27 Key Topics and Concerns that Have Been Raised through Stakeholder Engagement	Stakeholder dialogue	Elisa Corporation	x

Report Profile

G4-28 Reporting Period	Description of the report	Elisa Corporation	x
G4-29 Date of Most Recent Previous Report Report	Description of the report	Elisa Corporation	x
G4-30 Reporting Cycle	Description of the report	Elisa Corporation	x
G4-31 Contact Point for Questions Regarding the Report or its Contents	Contact information	Elisa Corporation	x
G4-32 GRI Content Index	GRI index	Elisa Corporation	x
G4-33 Policy and Current Practice with Regard to Seeking External Assurance	Description of the report	Elisa Corporation	x

Governance

G4-34 Governance structure of the organization, including committees	Governance structure; Material issues and management	Elisa Corporation	x
G4-35 Process for delegating authority for economic, environmental and social topics from the highest governance body	Governance structure; Material issues and management	Elisa Corporation	x
G4-36 Executive level position(s) with responsibility for economic, environmental, and social topics	Material issues and management	Elisa Corporation	x
G4-37 Consultation between stakeholders and the highest governance body	Material issues and management	Elisa Corporation	x
G4-38 Composition of the highest governance body and its committees.	Governance structure	Elisa Corporation	x
G4-39 Indicate whether the Chair of the highest governance body is also an executive officer	Governance structure	Elisa Corporation	x
G4-40 Nomination and selection process for highest governance body and its committees	Governance structure	Elisa Corporation	x
G4-41 Processes in place for the highest governance body to ensure conflicts of interest are avoided and managed	Governance structure	Elisa Corporation	x
G4-42 Governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals	Governance structure	Elisa Corporation	x
G4-44 Processes for evaluation of the highest governance body's performance	Governance structure	Elisa Corporation	x

G4-45 Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	Governance structure	Elisa Corporation	x
G4-46 Highest governance body's role in reviewing the effectiveness of the organization's risk management processes	Descriptions of internal control procedures and main features of risk management systems	Elisa Corporation	x
G4-47 Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	Descriptions of internal control procedures and main features of risk management systems	Elisa Corporation	x
G4-48 Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	Material issues and management	Elisa Corporation	x
G4-49 Report the process for communicating critical concerns to the highest governance body	Governance structure; Stakeholder dialogue	Elisa Corporation	x
G4-51 Remuneration policies for the highest governance body and senior executives	Remuneration statement	Elisa Corporation	x

Ethics

G4-56 Ethics and Integrity	Responsibility at Elisa; Code of conduct	Elisa Corporation	x
G4-58 Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	Stakeholder dialogue	Elisa Corporation	x

Content	Name		UN Global Compact

Economic responsibility

Economic performance, DMA	Financial reponsibility; The report of the board of directors	Elisa Corporation	
EC1 Direct economic value generated and distributed	GRI data	Elisa Corporation	
EC2 Financial implications and other risks and opportunities due to climate change	GRI data	Elisa Corporation	x
Indirect economic impacts, DMA	Financial effects; Research and development	Elisa Corporation	
EC7 Development and impact of infrastructure investments and services supported	GRI data	Elisa Corporation	
EC8 Significant indirect economic impacts, including the extent of impacts	Research and development; Expertise; Networks	Elisa Corporation	

Environmental responsibility

Energy, DMA	Climate and energy; Material issues and management; Targets	Elisa Corporation	x
EN3 Energy consumption within the organization	GRI data	Elisa Corporation	x
EN5 Energy intensity	GRI data	Elisa Corporation	x
EN6 Reduction of energy consumption	GRI data	Elisa Corporation	x
EN7 Reduction in energy requirements of product and services	GRI data	Elisa Corporation	x

Emissions, DMA	Climate and energy; Material issues and management; Targets	Elisa Corporation	x
EN15 Direct greenhouse gas emissions (scope 1)	GRI data	Elisa Corporation	x
EN16 Indirect greenhouse gas emissions (scope 2)	GRI data	Elisa Corporation	x
EN17 Other indirect greenhouse gas emissions (scope 3)	GRI data	Elisa Corporation, A more detailed description at the context of the indicator	x
EN19 Reduction of greenhouse gas emissions	GRI data	Elisa Corporation	x
Effluents and waste, DMA	Climate and energy; Material issues and management; Targets	Elisa Finland	x
EN23 The overall weight of waste by type and disposal method (tonnes)	GRI data	Elisa Finland	x
EN24 Total number and volume of significant spill	GRI data	Elisa Finland	x
Products and services, DMA	Climate and energy; Material issues and management; Targets	Elisa Corporation	x
EN27 Extent of impact mitigation of environmental impacts of products and services	GRI data	Customers	x
Compliance, DMA	Climate and energy; Material issues and management	Elisa Corporation	x
EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	GRI data	Elisa Corporation	x

Social responsibility

Product responsibility

Product and Service Labeling, DMA (G4 standard referenced)	Stakeholder dialogue; Material issues and management; Targets	Elisa Corporation	
PR5 Results of surveys measuring customer satisfaction	Stakeholder dialogue	Elisa Corporation	
Marketing Communications, DMA	Ease of use; Material issues and management; Targets	Elisa Corporation	
PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	GRI data	Elisa Corporation	
Information security and Customer Privacy		Elisa Corporation	
Customer privacy, DMA	Information security; Material issues and management; Targets	Elisa Corporation	
PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	GRI data	Elisa Corporation	
Safety of the products and services		Elisa Corporation	
Customer Health and Safety, DMA	Ease of use; Material issues and management	Elisa Corporation	
PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning the health	GRI data	Elisa Corporation	

and safety impacts of products and services during their life cycle, by type of outcomes			
Labor Practices and Decent Work			
Employment, DMA	Expertise; Material issues and management; Targets	Elisa Corporation	x
LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region	GRI data	Elisa Corporation	x
LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	GRI data	Elisa Corporation	x
Diversity and Equal Opportunity, DMA	Wellbeing; Material issues and management; Targets	Elisa Corporation	x
LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	GRI data	Elisa Corporation	x
Occupational Health and Safety, DMA	Wellbeing; Material issues and management; Targets	Elisa Corporation	x
LA5 Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs	GRI data	Elisa Corporation	x
LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	GRI data	Sick absent rate: Elisa parent company; LTIF: Elisa parent company, Videra, Appelsiini, Sulake	x
Training and Education, DMA	Expertise; Material issues and management; Targets	Elisa Corporation	x
LA9 Average hours of training per year per employee by gender, and by employee category	GRI data	Elisa Corporation	x
LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Expertise	Elisa Corporation	x
LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	GRI data	Elisa Corporation	x
Human Rights			
Non-discrimination, DMA	Wellbeing; Code of conduct; Material issues and management; Targets	Elisa Corporation	x
HR3 Total number of incidents of discrimination and corrective actions taken	GRI data	Elisa Corporation	x
Security Practices, DMA	Information security; Material issuess and management; Targets	Elisa Corporation	x
EN7 Precentage of security personnel trained in the oraganization´s human right policies or prosedures that are relevant to operations	GRI data	Elisa Finland	x
Society			
Anti-corruption, DMA	Supply chain; Code of conduct; Material issues and management; Targets	Elisa Corporation	x

G4-SO4 Communication and training on anti-corruption policies and procedures	GRI data	Elisa Corporation	x
G4-SO5 Confirmed incidents of corruption and actions taken	GRI data	Elisa Corporation	x
Public Policy, DMA	Stakeholder dialogue; Code of conduct; Material issues and mangement	Elisa Corporation	x
G4-SO6 Total value of political contributions by country and recipient/beneficiary	GRI data	Elisa Corporation	x

Contact information

Contact information for Elisa's corporate responsibility and investor relations is available on www.elisa.com

Economic responsibility indicators

EC1 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

	2014	2015	2016
Net sales [1]	1,548	1,578	1,647
Suppliers and partners	776	776	802
Personnel remuneration	248	266	275
Dividends and interests	239	238	248
Taxes and other public oblications	54	56	60
Capital expenditure investments [2]	192	196	204
Taxes	329	363	383
Corporate tax	54	56	60
Value-added tax	173	199	207
Income tax and withholding tax	84	87	93
Public fees	8	10	12
Other taxes and public fees	10	11	11

[1] Incl. financial incomes

[2] Capital expenditure investments differs from GRI definition and doesn't include investments in licenses.

EC2 FINANCIAL IMPLICATIONS AND OTHER RISKS AND OPPORTUNITIES DUE TO CLIMATE CHANGE

Risk	Description	Impact assesment	Risk management/opportunity
Fuel/energy taxes and regulations	Changes caused either directly or indirectly by climate change in the taxation of electricity, taxation of transmission of electricity and any carbon dioxide tax.	Amendments in taxation increase Elisa's costs. For example estimated costs from increased transmission costs are about 200,000 EUR. Estimated implications are less than 1% of the operational costs.	Optimisation of the electricity consumption of the data communications network, introduction of energy efficient solutions. Our customers can act in a more energy efficient way by using our services. For example, based our studies, one virtual server is 95% more energy efficient than one physical server.
General environmental regulations	Finland´s new national Climate Change Act came into force on 06.01.2015. The law provides for climate policy planning system and monitoring the achievement of climate change goals.	It will potentially increase the need for even more detailed measurement and monitoring of energy consumption. This also adds pressures to more ambitious carbon target setting and carbon pricing. Estimated cost for Elisa of carbon pricing is 100,000–200,000 EUR. Estimated implications are less than 1% of operational costs.	We are constantly working on better measurement and calculations, using renewable energy and aiming to set more ambitious mid – and long-term targets to our carbon footprint. Our customers can reduce their own carbon footprint by using digital services, for example our virtual meeting services. Based on our calculations, one virtual meeting will save 25 kg CO_2 per meeting.
Extreme weather phenomena	Climate change causes extreme weather phenomena that are a threat to Elisa's mobile networks. Storms cause power failures and interruptions in Elisa's services.	In 2016, there was one serious disruption caused by weather. The increase in the number of disruptions causes higher personnel costs and costs incurred in replacing broken equipment.	Elisa has in place a real-time, comprehensive monitoring system for network disturbances. This enables identification of disturbances and rapid repairs. The demand for real-time measurement and monitoring services will increase in the future.
Changes in average temperature	Rising average temperatures and heat waves will increase the need for cooling in Elisa's telecommunications and data centres and facilities.	Costs will increase due to the increased electricity consumption incurred from investments in cooling devices. On the other hand, in mobile sites, the technology is moving outside.	Elisa has a data centre in Espoo that uses heat loss energy generated by the data centre servers for district heating in the region.
Growing environmental awareness of our stakeholders	Climate change increases the environmental awareness of Elisa's stakeholder groups. Reporting to stakeholders is increasing, as are the requirements for climate-friendly operations.	Any failure to respond to the growing requirements of stakeholder groups will affect Elisa's reputation.	Elisa's services make it possible to build a lower carbon society. Growth in Elisa's business may also create new business operations. For example, our new Elisa remote measurement service to asthma patients could save CO_2 emissions of 12% and monetary savings of 20% when compared to the old process.

EC7 DEVELOPMENT AND IMPACT OF INFRASTRUCTURE INVESTMENTS AND SERVICES SUPPORTED

	2014	2015	2016
Capital expenditure, EUR million [1]	191	196	204
CAPEX/revenue, %	12	12	13

[1] Investments are mainly commercial investments.

Personnel key figures

OWN INDICATOR: MOBILE WORKS SOLUTIONS AND CO2 SAVINGS IN ELISA

	2014	2015	2016
Virtual meetings	197,138	211,024	227,556
Distance working days/person/year	70	75	77
Carbon dioxide savings (tCO_2)	4,406	8,817	5,101 [1]

[1] Basis of the calculation has changed. Look further from the chapter GRI indicators

PRODUCT RESPONSIBILITY

PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes
No significant violations in 2016

PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes
No significant violations in 2016

PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data
No confirmed complaints in 2016

LABOR PRACTICIES AND DECENT WORK

G4-10 TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT, EMPLOYMENT TYPE, REGION AND GENDER

	2014	2015	2016
Personnel in total, 31.12.2016	4,546	4,545	4,781
Permanent contract	4,431	4,410	4,475
Finland	3,625	3,705	3,838
Estonia	578	538	506
Other Europe	73	111	127
Countries outside Europe			4
Men	2,693	2,790	2,962
Women	1,583	1,564	1,513
Temporary contract	115	153	306
Finland	63	83	189
Estonia	47	65	112
Other Europe	1	3	5
Countries outside Europe	n/a	n/a	0
Men	56	77	192
Women	55	74	114
Full-time employees	3,795	3,753	3,926

Finland	3,002	3,076	3,236
Estonia	583	538	563
Other Europe	73	106	124
Countries outside Europe	n/a	n/a	3
Men	2,303	2,387	2,570
Women	1,355	1,333	1,356
Part-time employees	751	792	855
Finland	139	130	791 [1]
Estonia	38	38	55
Other Europe	0	8	8
Countries outside Europe	n/a	n/a	1
Men	50	41	584
Women	127	135	271

[1] Reporting has improved and boundary has changed. Look further from the chapter GRI indicators

G4-11 PERCENTAGE OF TOTAL EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS

	2015	2016
	95%	82% [1]

[1] Reporting has improved and boundary has changed. Look further from the chapter GRI indicators

LA1 TOTAL NUMBER AND RATES OF NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER BY AGE GROUP, GENDER AND REGION

	2014	2015	2016 [1]
New employee hires	**1,119**	**1,139**	**1,224**
Finland	884	887	922
Estonia	222	194	258
Other Europe	13	58	44
Countries outside Europe	689	709	815
Men	421	430	409
Women	802	819	902
30–39 years	206	193	207
40–49 years	86	82	75
Over 49 years	25	45	40
Terminated employments	**1,127**	**983**	**1,271**
Finland	912	786	950
Estonia	194	193	201
Other Europe	21	4	120
Countries outside Europe	927	558	807
Men	544	425	464
Women	641	659	748
30–39 years	239	166	276
40–49 years	108	81	125
Over 49 years	139	77	122

[1] Reporting boundary has changed. Look further from the chapter GRI indicators

LA2 BENEFITS PROVIDED TO FULL-TIME EMPLOYEES THAT ARE NOT PROVIDED TO TEMPORARY OR PART-TIME EMPLOYEES, BY SIGNIFICANT LOCATIONS OF OPERATION

Based on collective agreements our occupational health, insurance, parental leave or pension benefits are not dependent on the duration or part-time nature of employment.

LA5 PERCENTAGE OF TOTAL WORKFORCE REPRESENTED IN FORMAL JOINT MANAGEMENT–WORKER HEALTH AND SAFETY COMMITTEES THAT HELP MONITOR AND ADVISE ON OCCUPATIONAL HEALTH AND SAFETY PROGRAMS [1]

97% of our employees are represented in occupational health and safety committees through representatives

[1] We have referenced GRI, because data is not fully available. We will expand our reporting.

LA6 TYPE OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND TOTAL NUMBER OF WORK-RELATED FATALITIES, BY REGION AND BY GENDER[1]

	2014	2015	2016
LTIF (Lost time injury frequency)	n/a	n/a	0.4
SAR (Sickness absence per possible working hours)	n/a	n/a	3.6%

[1] We have referenced GRI, because data is not fully available. We will expand our reporting

LA9 AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE BY GENDER, AND BY EMPLOYEE CATEGORY[1]

	2014	2015	2016 [1]
Gender			
Men	n/a	8.98	12.83
Women	n/a	10.86	16.38
Employee category	n/a		
Senior management	n/a	10.90	15.33
Middle management	n/a	8.80	19.92
Other employees	n/a	11.90	12.63

[1] Reporting boundary has changed. Look further from the chapter GRI indicators

LA11 PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS, BY GENDER AND BY EMPLOYEE CATEGORY

	2014	2015	2016[1]
Percentage of employees receiving regular performance and career development reviews	92%	89%	78%
Men	1,594	1,596	2,488
Women	864	844	1,223
Senior management	n/a	n/a	169
Middle management	n/a	n/a	757
Other employees	n/a	n/a	2,785

[1] Reporting boundary has changed. Look further from the chapter GRI indicators

LA12 COMPOSITION OF GOVERNANCE BODIES AND BREAKDOWN OF EMPLOYEES PER EMPLOYEE CATEGORY ACCORDING TO GENDER, AGE GROUP, MINORITY GROUP MEMBERSHIP, AND OTHER INDICATORS OF DIVERSITY

	2014	2015	2016
Elisa's Executive Board	9	9	9
Women	2	2	2
Under 30 years	0	0	0
30–39 years	0	0	0
40–49 years	5	4	3
Over 49 years	4	5	6
Board of Directors	7	6	7
Women	3	2	3
Under 30 years	0	0	0
30–39 years	0	0	0
40–49 years	1	1	2
Over 49 years	6	5	5
Management teams of business units	79	79	79
Women	33	32	32
Under 30 years	1	1	0
30–39 years	11	10	8
40–49 years	46	43	42
Over 49 years	21	25	29
Managerial board for corporate responsibility	10	10	10
Women	4	4	4
Under 30 years	0	0	0
30–39 years	1	1	1
40–49 years	5	5	6
Over 49 years	4	4	3
Breakdown of personnel by gender			
Men	67.2%	63.6%	66.0%
Women	37.3%	36.4%	34.0%
Breakdown of personnel by age			
Under 30 years	26.6%	25.3%	25.9%
30–39 years	33.6%	33.0%	31.5%
40–49 years	24.1%	24.8%	25.0%
Over 49 years	15.8%	16.9%	17.5%

HUMAN RIGHTS

HR3 TOTAL NUMBER OF INCIDENTS OF DISCRIMINATION AND CORRECTIVE ACTIONS TAKEN

No incidents in 2016

HR7 PRECENTAGE OF SECURITY PERSONNEL TRAINED IN THE ORAGANISATION´S HUMAN RIGHT POLICIES OR PROCEDURES THAT ARE RELEVANT TO OPERATIONS

All security personnel working permanently in Elisa (100%) have conducted statutory training according to Finnish law and in addition they have been trained to Elisa Code of Conduct.

G4-SO4 COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES

	2014	2015	2016
Code of conduct trainings	n/a	n/a	79%

G4-SO5 CONFIRMED INCIDENTS OF CORRUPTION AND ACTIONS TAKEN

No incidents in 2016

SOCIETY

G4-SO6 TOTAL VALUE OF POLITICAL CONTRIBUTIONS BY COUNTRY AND RECIPIENT/BENEFICIARY

We have not made any political contributions in 2016

Environmental responsibility indicators

G4-14 WHETHER AND HOW THE PRECAUTIONARY APPROACH OR PRINCIPLE IS ADDRESSED BY THE ORGANISATION

The precautionary principle has been taken into account in accordance with statutory requirements

EN3 ENERGY CONSUMPTION WITHIN THE ORGANISATION (GJ, GIGAJOULE)

Direct energy consumption by primary energy source

	2014	2015	2016
Usage of diesel and petrol	3,042	2,435	2,261
Usage of oil	32,866	35,325	34,350 [1]
Total	**35,908**	**37,761**	**36,611**

[1] Figure has been revised retrospectively, please see the chapter 'Description of the report'

Indirect energy consumption by primary sources

	2014	2015	2016
Electricity	860,214	920,134 [1]	964,550
Heating	101,447	59,361	59,671
Coolng	15,828	16,797	18,021
Total	**977,489**	**947,551**	**1,024,307**
Renewable energy (electricity) (water)	460,800	864,180	880,920

[1] Reporting has focused, year 2015 figure updated

EN5 ENERGY INTENSITY

Energy consumption of transferred gigabyte (kWh)	2014	2015	2016
	0.8	0.7 [1]	0.3

[1] Reporting has focused, year 2015 figure updated

EN6 ENERGY SAVED DUE TO CONSERVATION AND EFFICIENCY IMPROVEMENTS (GJ, GIGAJOULE) [1]

	2014	2015	2016
Ideal work office spaces (electricity and heating)	28,720	39,832	52 286
Energy efficiency in server environments (electricity)	18,623	26,010	37,955
Reuse of server generated heat (electricity)	15,869	16,913	17,950
Energy efficiency in mobile networks (electricity)	n/a	n/a	24,630
Total	**63,212**	**82,754**	**132,821**

[1] Additional information and calculation principles for Elisa's environmental responsibility report are available at: **http://elisa.com/corporate-responsibility/environment/emission-savings**

EN7 REDUCTION IN ENERGY REQUIREMENTS OF PRODUCT AND SERVICES (GJ) [1]

	2014	2015	2016
Transfer to virtual servers (electricity)	61,718	85,026	73,975

[1] Additional information and calculation principles for Elisa's environmental responsibility report are available at: **http://elisa.com/corporate-responsibility/environment/emission-savings**

EN15 AND EN16 TOTAL DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS BY WEIGHT (TCO_2, TONNES OF CARBON DIOXIDE)

	2014	2015	2016
Scope 1, Direct greenhouse gas emissions	2,488	2,745	2,664 [1]
Scope 2, Indirect greenhouse gas emissions, market-based	49,141	9,071 [1]	12,751
Scope 2, Indirect greenhouse gas emissions, location-based	n/a	75,859 [2]	79,292

[1] Figure has been revised retrospectively, please see the chapter '**Description of the report**'

[2] Reporting has focused, year 2015 figure updated

EN17 OTHER RELEVANT INDIRECT GREENHOUSE GAS EMISSIONS BY WEIGHT (TCO_2, TONNES OF CARBON DIOXIDE)

Sources of Scope 3 emissions	2014	2015	2016	Description	Figure includes:
Purchased good and services	94,695	86,338	85,195	Relevant, calculated	Elisa Finland and Elisa Estonia, paper- and e-bills, office paper, purchased products to sell and services
Capital goods	23,264	16,872	3,781 [1]	Relevant, calculated	Elisa Finland, purchased base stations
Fuel-and energy-related activities	8,813	5,228	5,117	Relevant, calculated	Elisa Finland and Elisa Estonia, emissions of fuel production of electricity used
Upstream transportation and distribution	1,469	554	1,456	Not relevant, calculated	Transportation of goods to Elisa and to our customers
Waste generated in operations	481	612 [2]	868	Not relevant, calculated	Elisa Finland wastes
Business travel	1,925	1,579	1,998	Relevant, calculated	Elisa
Employee commuting	3,001	3,054	2,541	Relevant, calculated	Elisa
Upstream leased assets	0	0	0	Not relevant, explanation provided	Consumption in rented sites is calculated in Scope 2
Downstream transportation and distribution	0	0	0	Not relevant, explanation provided	Not relevant, Elisa is not selling transportation services
Processing of sold product	0	0	0	Not relevant, explanation provided	Not relevant, no processing of products
Use of sold product	22,828	11,483	13,935	Relevant, calculated	Energy consuption of customer´s devices. Electricity consuption of services is reported in Scope 2
End-of-life treatment of sold products	712	672	624	Relevant, calculated	End of life treatment of Elisa´s sold products
Downstream leased assets	3,415	4,277	5,603	Relevant, calculated	Elisa Finland, operators in leased
Franchises	0	0	0	Not relevant, explanation provided	Not relevant, no franchises
Investment	0	0	0	Not relevant, explanation provided	Not relevant, no significant credit management

[1] Only base stations to network is reported. The rest of the network equipments are reported in June to CDP report, please see the chapter 'Description of the report'

[2] The boundary of the calculation has changed, please see the chapter 'Description of the report'

EN19 REDUCTION OF GREENHOUSE GAS EMISSIONS [1] (TCO_2)

	2014	2015	2016
Emission reductions in service production	**19,525**	**49,633**	**118,560**
Ideal work solutions, scope 3	4,406	8,817	5,101
Computer rooms, scope 2	5,029	6,075	5,197
Reuse of products, scope 3	1,300	1,496	1,939
Electronic invoicing, scope 3	823	914	937
Emission savings in mobile network, scope 2	7,967	32,331	2,756
Usage of renewal energy, scope 2	n/a	n/a	102,630

[1] Additional information and calculation principles for Elisa's environmental responsibility report are available at: http://elisa.com/corporate-responsibility/environment/emission-savings

EN23 THE OVERALL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD (TONNES)

	2014	2015	2016
Total waste amount [1]	878	964	1,339
Hazardous waste [1]	46	102	257
WEEE (Waste Electrical and Electronic Equipment) [1]	271	275	397
Recycling %	87%	83%	92.7%
Recovery %	13%	17%	7.2%
Landfill %	0%	0%	0.2%

[1] Amounts not available for Elisa Estonia

EN24 TOTAL NUMBER AND VOLUME OF SIGNIFICANT SPILLS

No spills in 2016

EN27 EXTENT OF IMPACT MITIGATION OF ENVIRONMENTAL IMPACTS OF PRODUCTS AND SERVICES (TCO_2)

	2014	2015	2016
Reduced customer CO_2 emissions [1]	**30,971**	**32,313**	**37,527**
Virtual conferencing	26,921	26,447	30,221
Cloud services	4,001	5,563	7,166
Reuse of mobile devices	49	303	140

[1] Additional information and calculation principles for Elisa's environmental responsibility report are available at: http://elisa.com/corporate-responsibility/environment/emission-savings

EN29 MONETARY VALUE OF SIGNIFICANT FINES AND TOTAL NUMBER OF NON-MONETARY SANCTIONS FOR NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

No non-compliances in 2016

Corporate Governance Statement

Elisa Corporation observes the recommendations of the Finnish Corporate Governance Code, which entered into force on 1 January 2016. Elisa departs in no respect from the recommendations of the Code. The Corporate Governance Statement has been prepared in accordance with the Corporate Governance Code. The Finnish Corporate Governance Code is available at cgfinland.fi/en/.

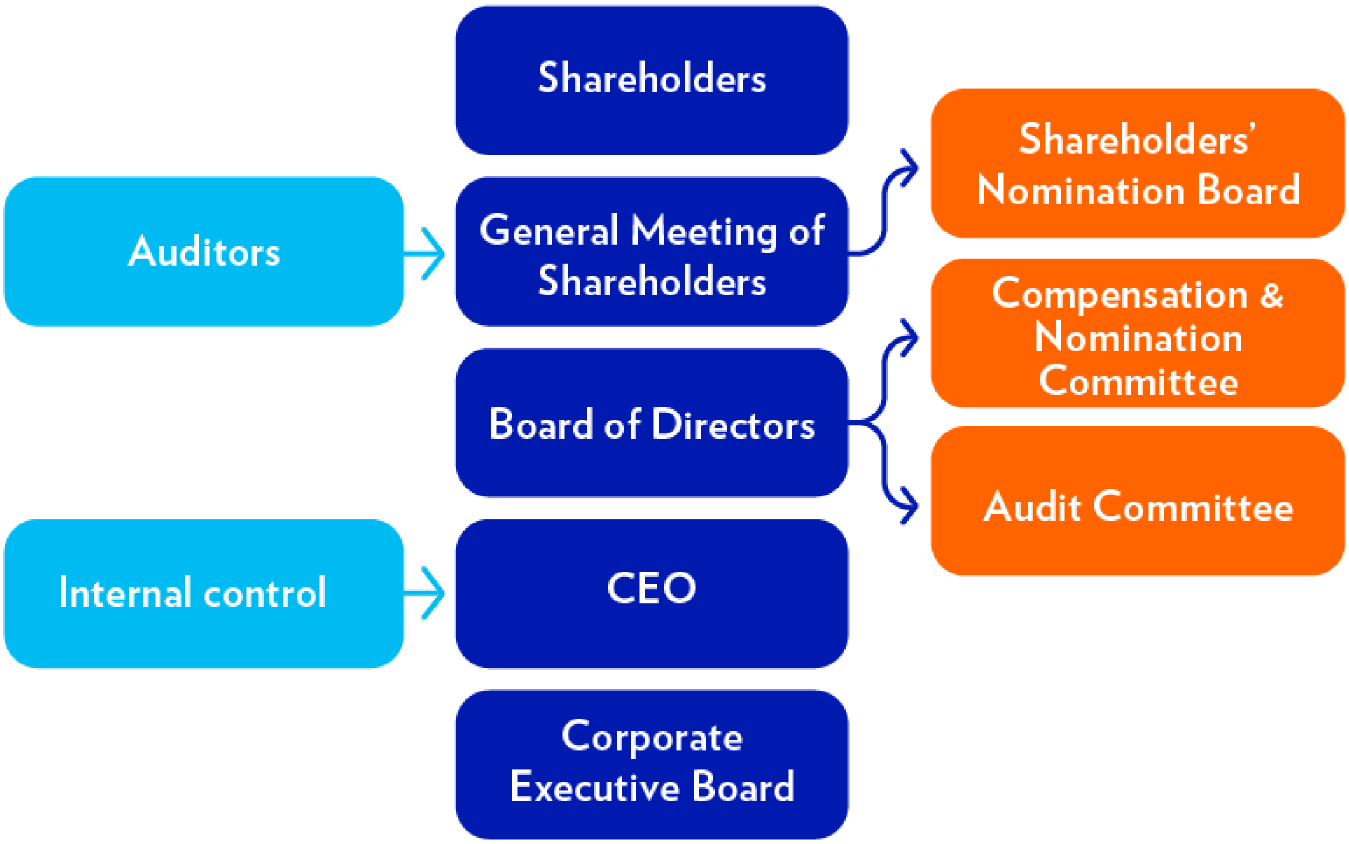
Elisa publishes its Corporate Governance Statement as part of the report of its Board of Directors, and also as a separate document published alongside it. The Corporate Governance Statement also includes a Remuneration Statement.

Elisa’s financial statements, including a report on operations, are published on Elisa's website at www.elisa.com.

The Audit Committee of Elisa's Board has examined the Statement, and the Board of Directors has approved it. The Statement is not updated during the financial year, but topical information is updated on Elisa's website at www.elisa.com/investors.

Descriptions of governance

ELISA'S GOVERNANCE STRUCTURE



General Meeting of Shareholders and Articles of Association

The General Meeting of Shareholders is Elisa's highest decision-making body. It approves, among other things, the income statement and balance sheet. It also declares the profit distribution according to the proposal of the Board of Directors, appoints members to the Board of Directors and the auditors, and approves the discharge from liability.

Notices of General Meetings of Shareholders are posted on Elisa's website, and information about the time and place, as well as the website address, is provided by announcing it in at least one Finnish newspaper no later than 21 days prior to the meeting, as required by the Articles of Association. A stock exchange release is also issued for each notice and can be found on Elisa's website. The agenda of the meeting is specified in the notice. Proposals from the Board of Directors for the meeting may be viewed on Elisa's website prior to the meeting.

Elisa's Articles of Association may be examined on Elisa's website at www.elisa.com. Any decisions to amend the Articles of Association are taken by a General Meeting of Shareholders.

Elisa's Annual General Meeting 2017 will be held at Messukeskus, Expo and Convention Centre, Messuaukio 1, Helsinki, at 2:00 pm (EET) on Thursday 6 April 2017.

Shareholders' nomination board

Elisa's annual general meeting decided in 2012 to establish a shareholders' nomination board, which is the body with responsibility for preparing the proposals to the annual general meeting for the election and remuneration of the members of the Board of Directors of Elisa, and it also accepted a charter for the nomination board. The shareholders' nomination board has been established for the time being. The term of each nomination board expires when the next shareholders' nomination board has been appointed.

The biggest shareholders were determined according to the shareholder register of Elisa on 31 August 2016, and they named the members of the nomination board. The composition of the nomination board since September 2016 has been as follows:

- Mr Kari Järvinen, Chief Executive Officer, nominated by Solidium Oy
- Mr Reima Rytsölä, Chief Investment Officer, nominated by Varma Mutual Pension Insurance Company
- Mr Timo Ritakallio, Chief Executive Officer, nominated by Ilmarinen Mutual Pension Insurance Company
- Ms Hanna Hiidenpalo, Chief Investment Officer, nominated by Elo Mutual Pension Insurance Company
- Mr Raimo Lind, Chairman of Elisa's Board of Directors

The shareholders' nomination board nominated in September 2016 convened three times before making its proposals in January 2017. In addition, the member candidates were interviewed between the meetings. The nomination board discussed the size of the Board, its composition and diversity, and the areas of expertise that are seen as best for the company. The nomination board also examined the remuneration of Board members.

On 24 January 2017, the nomination board announced its proposal to Elisa's Board for the notice of the Annual General Meeting.

The nomination board proposes the following to the Annual General Meeting:

- The remuneration for the members of the Board of Directors remains unchanged. The monthly remuneration is paid in two parts in order to acquire shares after the publication of the first- and third- quarter interim reports.
- The number of Board members is to be seven (7).
- Of the current members of the Board Ms Clarisse Berggårdh, Mr Raimo Lind, Mr Petteri Koponen, Ms Leena Niemistö, Ms Seija Turunen and Mr Mika Vehviläinen are to be re-elected.
- Mr Antti Vasara is proposed as a new member to be elected.

Composition and operations of the Board of Directors

According to Elisa's Articles of Association, the Board of Directors comprises a minimum of five and a maximum of nine members. The members of the Board are appointed at the Annual General Meeting for a one-year term of office starting at the close of the relevant General Meeting, and ending at the close of the next General Meeting. The Board of Directors elects a chairman and deputy chairman from among its members.

At its organising meeting, the Board of Directors annually decides upon committees, their chairs and members. In 2016, the acting committees were: the Compensation and Nomination Committee and the Audit Committee. The duties and charters of the committees are adopted by the Board of Directors.

Information on Board members

At the Annual General Meeting of 31 March 2016, seven (7) members were elected to the Board of Directors. Mr Raimo Lind, Mr Petteri Koponen, Ms Leena Niemistö, Ms Seija Turunen, Mr Jaakko Uotila and Mr Mika Vehviläinen were re-elected as members of the Board of Directors and Ms Clarisse Berggårdh as a new member of the Board of Directors.

Back from the left: Petteri Koponen, Jaakko Uotila, Leena Niemistö and Mika Vehviläinen
Front from the left: Clarisse Berggårdh, Chairman of the Board Raimo Lind and Seija Turunen

Mr Raimo Lind

b. 1953, M.Sc. (Econ.) Member since 2009 and chairman since 2012.

Key employment history: Wärtsilä, Senior Executive Vice President and deputy to the CEO 2005–2013, CFO 1998–2013; Tamrock; Coal division president, Service division president, CFO 1992–1997; Scantrailer, MD, 1990–91; Wärtsilä, Service division, Vice president, Wartsila Singapore Ltd, MD, Diesel division, VP Group Controller 1976–1989.

Main Board memberships and public duties currently undertaken: Chairman of the Board: Evac Group Oy and Nest Capital. Member of the Board: HiQ AB and Nokian Tyres.

Mr Mika Vehviläinen

b. 1961, M.Sc. (Econ and BA) Helsinki School of Economics 1986. Member since 2012 and Deputy Chairman since 2014.

Key employment history: CEO, Cargotec from 1 March 2013. CEO, Finnair, 2010–2013. COO and member of the executive team of Nokia Siemens Networks, 2007–2010. Nokia Oyj, various positions in the group, 1992–2006.

Ms Clarisse Berggårdh

b. 1967, M.Sc (Econ.), Svenska Handelshögskolan Helsinki. Member since 2016.

Key employment history: Pohjoisranta Burson-Marsteller, CEO 2016–; IUM Finland, CEO 2014–2016; Sanoma Magazines Finland, CEO 2010–2013; Advertising Sales Director 2006–2010; Dagmar Media Agency, Client Director 2003–2006; Codetoys, Business Director 2001–2003; Valio, Marketing manager 1994–2000.

Main Board memberships and public duties currently undertaken: Member of the Board: Fingertip Ltd since 2013–; Member of the Board, Suomen Mentorit since 2014–.

Mr Petteri Koponen

b. 1970. Member since 2014.

Key employment history: Founding partner, Lifeline Ventures 2009–. Business development positions Google Inc. 2007–2009. Founder and CEO Jaiku Ltd, 2006–2007. Founder, CEO and later CTO First Hop 1997–2005. Other positions: Blyk.

Main Board memberships and public duties currently undertaken: Chairman of the Board: Grand Cru Oy, Mindfield Games Oy, Everywear Games Oy, Onemind Dogs Oy and Kontena Oy. Member of the Board: Smartly.io Solutions Oy. Member: DigiNYT-seurantaryhmä.

Ms Leena Niemistö

b. 1963, MD, PhD, Specialist in Physical and Rehabilitation Medicine, University of Helsinki. Member since 2010.

Key employment history: Pihlajalinna Oyj, Senior advisor 2016–. Dextra Oy, CEO 2003–2016. Pihlajalinna Oyj, Vice President, 2013–2016.

Main Board memberships and public duties currently undertaken: Deputy Chairman of the Board of Pihlajalinna Oyj and Stockmann Oyj. Member of the board of Suomen Messut Osuuskunta. Chairman of the Board of The Finnish National Opera Ballet, HLD Healthy Life Devices Oy and BN Clarity Inc. Chairman of the prize committee of Ars Fennica. Member of the Board of Maanpuolustuskurssiyhdistys.

Ms Seija Turunen

b. 1953, M.Sc. (Econ.) graduated 1976 from Helsinki School of Economics and Business Administration, and with M.Sc. (Econ.) in 1978. Member since 2014.

Key employment history: Advisor to the Board Finnlines Oyj 2013–2014. Vice President and CFO Finnlines Oyj 2007–2013, and Director of Harbour Functions and CEO of harbour companies (Finnsteve-yhtiöt) 2010–2013. Director of Finance Finnlines Oyj 1992–2007. Other positions before 1992: Kansallis-Osake-Pankki, Midland Montagu, Finca, Enso-Gutzeit.

Main Board memberships and public duties currently undertaken: Chairwoman of the Board of Finnpilot Pilotage Oy. Member of the Board and Chairwoman of the Audit Committee of Pihlajalinna Oyj.

Mr Jaakko Uotila

b. 1949, M.Sc, Pharmaceutics, Helsinki University 1977 and M.Sc. of Management, California American University 1990. Member since 2013.

Key employment history: CEO Alko Oy 2001–2012. CEO Yliopiston Apteekki 1996–2001. Deputy CEO Orion-Farmos 1994–1996. Orion-yhtymä Oy various positions 1977–1994.

Independence of Board members

All Board members are independent of the company and of the company's major shareholders.

ELISA HOLDINGS OF THE BOARD MEMBERS

Elisa holdings of Elisa's current Board members and corporations in which they exercise control	Number of shares, 31 December 2016
Raimo Lind, Chairman	14 493
Mika Vehviläinen, Deputy Chairman	4 578
Clarisse Berggårdh, member	572
Petteri Koponen, member	2 181
Leena Niemistö, member	8 020
Seija Turunen, member	2 404
Jaakko Uotila, member	3 508

Charter of the Board of Directors

The Board attends to the administration and proper organisation of the company's operations in accordance with the Finnish Limited Liability Companies Act and other regulations. The Board decides on matters that under law are subject to decision by the Board. The company's Board of Directors has adopted a charter for itself.

The charter tasks the Board with determining the company's strategic guidelines and the targets for Elisa's management, and with monitoring their achievement. The Board must also appoint the CEO and decide on the composition of the Executive Board. The Board of Directors regularly monitors financial performance and the development of the company's financial standing on the basis of management reports. The Board also supervises the compliance of Elisa's administration, and the management of business and other risks. The Board addresses major investments in and disposal of businesses or assets, and also sets the boundaries for the company's management in executing operational investments and financial arrangements.

According to the charter, the following are particularly subject to the Board's decision:

- Elisa's strategic guidelines
- distribution policy
- convening General Meetings and submitting proposals

- matters having to do with Elisa's stock and Elisa shareholders
- major mergers and acquisitions, as well as investments
- financial statements and interim reports
- appointment, dismissal and terms of employment of the CEO and members of the Executive Board.

The charter also specifies other matters to be addressed by the Board, such as adopting the annual financial plan, the principles of the company's organisation and the main business policies. The Board conducts an annual self-evaluation of its activities executed in the form of a questionnaire. Members of the Board of Directors are not allowed to participate in decision-making for which they must legally disqualify themselves due to conflict of interests.

ATTENDANCE AT MEETINGS BY THE BOARD MEMBERS

Attendance at meetings by Elisa's Board members in 2016	Attendance/meetings
Raimo Lind, Chairman	18/18
Mika Vehviläinen, Deputy Chairman	17/18
Clarisse Berggårdh, member since 31 March 2016	16/16
Petteri Koponen, member	18/18
Leena Niemistö, member	18/18
Seija Turunen, member	18/18
Jaakko Uotila, member	18/18

Appointment and diversity principles for Board members

The company adapted diversity principles for Board members at the Annual General Meeting 2016.

At Elisa, diversity is seen as an essential part of corporate responsibility and as a factor in success that enables achievement of strategic targets and continuous improvement of customer intimacy.

In planning the composition of the Board of Directors, the shareholders' nomination board takes into account the requirements of Elisa's business operations, the phase of development and the competence requirements of the Board committees. In appointing members of the Board the target is to ensure that the Board as a whole supports the development of Elisa's current and future business operations. Diversity plays a part in supporting this goal.

Diversity is considered from different perspectives. From Elisa's point of view it is important to have Board members with diverse backgrounds in terms of competence, training, and experience of differing business operations, of varying stages of business development, and of leadership as well as diverse personal characteristics. Experience of international business environments and different cultures in addition to consideration of age and gender will support the diversity of the Board. The objective is to have at least two representatives of both genders.

A person elected as an Elisa Board member must have the competence required for the position and be able to devote a sufficient amount of time to the duties required. In forming the composition of the Board long-term needs and successor planning will be taken into account.

According to the Articles of Association, Elisa's Board of Directors comprises a minimum of five and a maximum of nine members. The composition of the Board and the number of members shall be such that they enable the Board to perform its duties efficiently. Elisa's Shareholders' Nomination Board prepares the proposal for both the number of members of the Board of Directors and its composition. The members of the Board are appointed annually at Elisa's Annual General Meeting.

In 2016 at the Annual General Meeting seven members were elected to the Board of Directors. The competence, training, experience and personal characeristics of the Board of Directors are different and complement each other. The Board of Directors consists of 3 women and 4 men between 46 and 67 years of age. The composition of the Board of Directors as a whole is in accordance with Elisa's diversity principles.

The principles concerning the election of the Board and its diversity are available on the company's website at www.elisa.com.

Board committees

Compensation and Nomination Committee

According to its charter, the Compensation and Nomination Committee deals with and prepares the appointment and dismissal of persons within management, management succession planning and development, matters associated with long-term incentive schemes applicable to management, and other matters relating to the remuneration of management. The Committee also deals with incentive schemes for Elisa's personnel.

In 2016, the Compensation and Nomination Committee comprised the Chairman of the Board, Mr Raimo Lind (Committee Chairman), and members Mr Petteri Koponen (since 31 March 2016),
Ms Leena Niemistö and Mr Mika Vehviläinen.

Audit Committee

The Audit Committee is tasked with supervising the proper organisation of the company's accounting and financial administration, financing, internal and financial auditing, and risk management. According to its charter, the following in particular shall be addressed and prepared by the Audit Committee:

- significant changes in recognition principles
- significant changes in items measured on the balance sheet
- follow-up to ensure the independence of the auditor
- matters reported by internal auditing
- financial statements, interim reports and Corporate Governance Statement
- risk reports and organisation of risk management
- organisation of financial administration and financing.

The Committee also regularly reviews reports from internal auditing and the financial auditors, and prepares proposals on the audit.

In 2016, the Chairwoman of the Audit Committee was Ms Seija Turunen and the members were Ms Clarisse Berggårdh (since 31 March 2016) and Mr Jaakko Uotila, and Mr Petteri Koponen (until 31 March 2016). The principal auditor also attends Committee meetings.

ATTENDANCE AT COMMITTEE MEETINGS BY ELISA'S BOARD MEMBERS IN 2016

	Compensation and Nomination Committee	Audit Committee
Raimo Lind	3/3	
Mika Vehviläinen	3/3	
Clarisse Berggårdh, member since 31 March 2016		5/5
Petteri Koponen	2/2	1/1
Leena Niemistö	3/3	
Seija Turunen		6/6
Jaakko Uotila		6/6

CEO and Executive Board

CEO and their duties

Elisa's Chief Executive Officer (CEO) is responsible for the day-to-day business activities and administration of the company in accordance with instructions and orders from the Board of Directors and with the Finnish Limited Liability Companies Act. The CEO is also responsible for ensuring that the company's accounting practices comply with the law and that financial matters are handled in a reliable manner. The CEO is appointed by the Board of Directors. Mr Veli-Matti Mattila served as CEO in 2016.

Mr Veli-Matti Mattila
Chief Executive Officer

- b. 1961, M.Sc. (Tech.), MBA, joined the company in 2003
- Key employment history: CEO of Oy LM Ericsson Ab from 1997 to 2003. He has held various positions in the Ericsson Group in Finland and the USA since 1986. Mr Mattila's previous career also includes expert advisory tasks at the Swiss firm Ascom Hasler AG.
- Main Board memberships and public duties currently undertaken: Chairman of the Board and the Representative Assembly of the Confederation of Finnish Industries EK, ;Member of the Board of Directors of Sampo plc, Member of the Board of Directors of the Research Institute of the Finnish Economy (Etla) and

the Finnish Business and Policy Forum EVA, Member of the Supervisory Board of the Finnish Fair Association.

Holdings in Elisa of the CEO and and persons closely associated	Number of shares, 31 December 2016
Mr Veli-Matti Mattila, CEO	62.146

Other management

Elisa's Executive Board prepares the company strategy, directs the company's regular operations, monitors the development of results and deals with issues having substantial financial or other impact on Elisa, including i.e. significant mergers and acquisitions, as well as organisational changes. In addition, the Executive Board monitors risk management and is responsible for the proper organisation of administration in the CEO's guidance. Matters stipulated in the charter of the Board as requiring a decision by the Board of Directors are submitted for decision-making by the Board.

Members of Elisa's Executive Board

Mr Timo Katajisto

b. 1968, M.Sc. (Tech.)
Joined the company joined the company and the Executive Board in 2008

Main occupation: Executive Vice President, Corporate Customers

Key employment history: Executive Vice President, Production at Elisa 2008–2014. Member of the Executive Board, Nokia Siemens Networks 2007, responsible for strategic projects and quality. Member of the Executive Board of Nokia Networks 2005–2007, responsible for production and network installation. Various positions at Nokia Networks and its predecessor Nokia Telecommunications 1992–2005.

Mr Jari Kinnunen

b. 1962, M.Sc. (Bus. Finance and Accounting)
Joined the company in 1999, member of the Executive Board since 2005

Main occupation: Chief Financial Officer

Key employment history: CEO and President of Yomi Plc, 2004. CFO of Elisa Kommunikation GmbH in Germany 1999–2004. Managing Director of Polar International Ltd 1996–1999 and Controller 1990–1996. Controller at Oy Alftan Ab 1987–1990.

Mr Asko Känsälä

b. 1957, M.Sc. (Tech.)
Joined the company and the Executive Board in 2003, Deputy CEO since 2016

Main occupation: Deputy CEO and Executive Vice President, Consumer Customers

Key employment history: Executive Vice President, Corporate Customers at Elisa 2005–2007. Executive Vice President, Development at Elisa 2003–2005. Sales Director, Nordic and Baltic sales unit, Ericsson Group and member of the management group 2001–2003. Sales director, Oy LM Ericsson Ab 1996–2001. Counsellor, Industry and Technology at Tekes, the Finnish Funding Agency for Technology and Innovation 1993–1996. Sales Manager at Hewlett Packard Oy 1987–1993.

Mr Pasi Mäenpää

b. 1965, Diploma in Computer Science, MBA
Joined the company and the Executive Board in 2006

Main occupation: Executive Vice President, New Business Development

Key employment history: Executive Vice President, Corporate Customers at Elisa 2007–2014. CEO of Cisco Systems Finland Oy 2002–2006. Regional Manager for Central Europe at Netigy Corporation 2000–2002. Vice President, Sales, Europe and USA at Fujitsu 1999–2000. Sales and Country Manager, Northern, Central and Eastern Europe at Oracle Corporation 1990–1999.

Mr Vesa-Pekka Nikula

b. 1964, M.Sc. (Tech.), MBA
Joined the company in 2009, member of the Executive Board since 2014

Main occupation: Executive Vice President, Production

Key employment history: Director of Consumer Customer services at Elisa 2010–2014 and Director, development 2009–2010. Director of Managed Services business West South Europe at Nokia Siemens Networks 2007–2009. Director of Managed Services business, EMEA (Europe, Middle East, Africa) at Nokia Networks 2005–2007. Ericsson, several positions in Finland, the Netherlands and Great Britain 1994–2005.

Ms Merja Ranta-aho

b. 1966, M.Sc. (Psychology) Lic.Techn. (Work and organisation psychology)
Joined the company in 2001, member of the Executive Board since 2014

Main occupation: Executive Vice President, HR

Key employment history: Vice President, HR, Elisa Consumer Customers Business 2009–2013. Various positions in Elisa and Radiolinja human resources development 2001–2009. Helsinki University of Technology, researcher and teacher 1992–2001 and positions in communication 1990–2001.

Main Board memberships and public duties currently undertaken: Member of the Labour Market Committee of the Service Sector Employers' Association PALTA.

Ms Katiye Vuorela

b. 1968, M.Sc. (Econ. & Bus. Adm.)
Joined the company and the Executive Board in 2008

Main occupation: Executive Vice President, Corporate Communications

Key employment history: Paroc Group Holding Oy, Vice President, Communications 2000–2008. Lotus Development Finland Oy (an IBM subsidiary), Marketing and Communications Manager 1998–2000. Nokia Telecommunications (predecessor of Nokia Siemens Networks), Dedicated Networks business unit, Marketing Communications Manager 1994–1998.

Mr Sami Ylikortes

b. 1967, M.Sc.(Econ. & Bus. Adm.), LL.M.
Joined the company in 1996, member of the Executive Board since 2003.

Main occupation: Executive Vice President, Administration

Key employment history: Positions in accounting management at Unilever Finland Oy 1991–1996.

Main Board memberships and public duties currently undertaken: Member of Industrial Policy Committee of Service Sector Employers' Association PALTA.

Elisa holdings of Elisa's Board members and persons closely associated	**Number of shares, 31 December 2016**
Timo Katajisto, Executive Vice President, Production	2.000
Jari Kinnunen, Chief Financial Officer	35.511
Asko Känsälä, Executive Vice President, Consumer Customers	27.114
Pasi Mäenpää, Executive Vice President, New Business Development	16.406
Vesa-Pekka Nikula, Executive Vice President, Production	11.145
Merja Ranta-aho, Executive Vice President, HR	2.080
Katiye Vuorela, Executive Vice President, Corporate Communications	645
Sami Ylikortes, Executive Vice President, Administration	14.085

Descriptions of internal control procedures and main features of risk management systems

The objective of the internal control and risk management systems associated with Elisa's financial reporting process is to obtain reasonable assurance that the company's financial statements and financial reporting are reliable, that they have been prepared in compliance with laws, regulations and generally accepted accounting principles, and that they provide a true and fair view of the financial situation of the company. Internal control and risk management procedures are integrated into the company's operations and processes. Elisa's internal control can be described using the international COSO framework.

Control environment

Elisa's control environment is based on the company's values, policies, guidelines and practices, as well as goal-oriented management. Elisa's key processes have been documented, and they are both controlled and developed systematically.

Annual business and strategy planning processes and targets, as well as rolling monthly financial forecasts, represent a key element in Elisa's business and performance management. Financial results are assessed against the forecast, the annual plan, the previous year's results and the strategic plan.

Targets are set for the Elisa Group and for each unit, and individual targets are specified in semi-annual appraisals based on the scorecard and performance-based bonus system.

Risk assessment

Risk assessment is an integral part of Elisa's planning process. The purpose of risk assessment is to identify and analyse risks that could affect the achievement of specified targets and to identify measures to reduce those risks.

The key risks associated with the accuracy of financial reporting have been identified in a process-specific risk analysis. Risk assessment also covers risks related to misuse and the resulting financial losses, as well as the misappropriation of the company's other assets.

Controls

Control measures consist of automatic and manual reconciliation, control and instructions integrated into the processes, with the objective of ensuring the accuracy of financial reporting and the management of the risks involved. The reporting control mechanism processes have been documented. Key control mechanisms also include access rights management of information systems, authorisation, and the controlled and tested implementation of information system changes.

The financial development of business operations is constantly monitored on a unit basis. Financial management discusses any exceptional items and recognitions at its meetings and investigates the causes and reasons for any changes in the rolling monthly forecasts. Financial reporting is also ensured by comprehensive and analytical reporting of operative metrics, drivers and key figures, and continuous development of the reporting.

Auditing

The Board of Directors' Audit Committee is tasked with supervising the proper organisation of the company's accounting and financial administration, internal and financial auditing, and risk management. Elisa's Board of Directors reviews and approves the interim reports and financial statement releases. Elisa's Board of Directors and Executive Board monitor the Group's and the business units' results and performance on a monthly basis.

Elisa's Finance unit is responsible for the internal auditing of the financial reporting and continuously evaluates the functionality of controls. In addition, Elisa's internal auditing function controls the reliability of financial reporting within the framework of its annual audit plan.

Risk management

The company classifies risks into strategic, operational, insurable and financial risks. Insurable risks are identified, and insurance is taken out through an external insurance broker to deal with these risks. The insurance broker assists the company when the amount and likelihood of insurable risks are estimated.

Financial communication and training

Key instructions, policies and procedures are available to the personnel on the company's intranet and through other shared media. In addition, regular information and training are provided to the financial organisation, particularly regarding any changes in accounting, reporting and disclosure requirements.

Elisa's valid Disclosure Policy is available on the company's website at www.elisa.com

Internal auditing

The purpose of internal auditing is to estimate the appropriateness and profitability of the company's internal control system and risk management, as well as the management and administration processes. Internal auditing supports the development of the organisation and improves the management of the supervision obligation of the Board of Directors.

Internal auditing is also intended to support the organisation in achieving its goals by evaluating and investigating its functions and by monitoring compliance with corporate regulations. For this purpose, internal auditing produces analyses, assessments, recommendations and information for use by the company's senior management. Reports on completed audits are submitted to the CEO and the management of the unit audited, as well as to the Audit Committee, when necessary.

Internal auditing is based on international internal auditing standards (IIA). Internal auditing is independent of the rest of the organisation. The starting point for internal auditing is business management, and the work is coordinated with financial auditing. An annual auditing plan and auditing report are presented to the Board of Directors' Audit Committee. Internal auditing may also carry out separately agreed audits on specific issues at the request of the Board of Directors and Elisa's Executive Board.

Company insiders and insider management

Elisa complies with Nasdaq Helsinki Ltd's guidelines for insiders in force at any given time. In addition, Elisa's Board of Directors has approved insider guidelines for Elisa Group to complement Nasdaq Helsinki Ltd's guidelines for insiders.

According to the Market Abuse Regulation ((EU) N:o 596/2014, "MAR"), the members of Elisa's Board of Directors and Elisa's Corporate Executive Board are defined as persons discharging managerial responsibilities within Elisa. A person discharging managerial responsibilities within Elisa shall not conduct any transactions relating to Elisa's shares or other financial instruments during a closed period of 30 calendar days before the announcement of an interim financial report or a year-end report. It is advisable for a person discharging managerial responsibilities to make long-term investments in Elisa and conduct the transactions after the publication of Elisa's financial results.

Insider lists contain persons who have access to specific inside information (insider projects). A person listed in the insider lists must not make any transactions in Elisa's shares or other financial instruments during the time they are registered in the list.

Elisa's Legal Affairs department monitors compliance with insider guidelines and maintains the list of persons discharging managerial responsibilities and persons closely associated with them as well as the insider lists.

Auditors

The auditors' principal duty is to ensure that the financial statements have been prepared in accordance with valid regulations and give a true and fair view of the company's performance and financial position, as well as other necessary information, to the company's stakeholders.

Other main targets are to ensure that internal auditing and risk management has been properly organised and that the organisation operates in compliance with instructions and within the framework of issued authorisations. The division of labour between external and internal auditing is organised so that internal auditing ensures that the organisation operates in accordance with the company's internal guidelines.

In accordance with the Articles of Association, the company must have at least one and no more than two regular auditors. The auditing company must be duly authorised by the Finland Chamber of Commerce. The auditors' term of office is the current financial period for which they are appointed. The duties of the auditors end at the close of the first Annual General Meeting following the expiration of their term of office.

In 2016, the company had one regular auditor. In the year under review, Elisa's auditor was KPMG Oy Ab, authorised public accountants, with Mr Esa Kalliala (APA) serving as the principal auditor.

For the 2016 financial period, the auditing fees of the Finnish group companies totalled EUR 265,215.00, of which the parent company accounted for EUR 189,354.00. The auditing fees for the foreign group companies were EUR 51,000.00.

The auditing firm has been paid fees of EUR 298,795.00 for services not associated with auditing. These services had to do with mergers and acquisitions, tax services, a review of regulation accounting, information security auditing and other expert services.

Decision-making procedure

Elisa's General Meeting of Shareholders annually decides on the remuneration of Board members on the basis of the proposal prepared by the shareholders' nomination board.

The salaries and other remuneration of the CEO and other members of the Executive Board, as well as their long-term incentive plans, are decided by the Board of Directors. The Board of Directors also decides on the short-term incentive plan for the CEO. In addition, the Board decides on the maximum limits of the short-term incentive plan for the Executive Board. The Compensation and Nomination Committee prepares the aforementioned matters to be decided by the Board with the assistance of independent external experts, as necessary. The CEO decides on the targets for the short-term incentive plan for the Executive Board.

On 31 March 2016, Elisa's General Meeting of Shareholders authorised the Board to decide on a share issue and the issue of special rights giving entitlement to shares and the acquisition of treasury shares and the aquisition of the company's own shares. The authorisations are valid until 30 June 2017, and the Board may also use them for remuneration.

Main principles of remuneration

Remuneration of Board members

Board members are paid monthly remuneration fees and meeting remuneration fees for attending Board and committee meetings. The monthly remuneration fees (minus tax withheld at the calculated rate of 60%) are used to purchase Elisa shares every quarter. At the Annual General Meeting of 2016, it was decided to pay the following remuneration fees to Board members:

- monthly remuneration fee for the Chairman of EUR 9,000 per month
- monthly remuneration fee for the Chairwoman and Deputy Chairman of the Audit Committee of EUR 6,000 per month
- monthly remuneration fee for the members of EUR 5,000 per month
- meeting remuneration fee of EUR 500 per meeting for each participant.

Elisa's shareholders' nomination board requires that members of the Board have shareholdings in the company. A four-year assignment limit applies to shares acquired with the remuneration fees during the first quarter of 2014 and prior to it; this limit will, however, end earlier if the term of office of the member of the Board ends.

The Chairman of the Board of Directors is not paid any remuneration fees for attending the meetings of Elisa's shareholders' nomination board.

Chief Executive Officer

Annual salary

The total salary of the CEO consists of a fixed monetary salary and taxable benefits. The fixed salary totals EUR 515,700.00 per year (not including bonus holiday pay), and the taxable fringe benefits total EUR 12,300.00 per year. The total remuneration of the CEO includes also short- and long-term incentive bonuses.

Short- and long-term incentive plans

The CEO is paid a performance-based bonus based on financial targets set by the company's Board of Directors. The target period of this short-term incentive plan is six months, and any bonuses are paid every six months.

The long-term incentive plan of the CEO consists of share-based incentive plans. The key targets of the currently valid share-based incentive plan are described in the section 'Share-based incentive plans for key personnel'. The maximum bonus limits are described in Table 1.

Pensions and terms and conditions related to contract termination

According to the CEO's contract, the contractual relationship with the CEO ends with a pension when he turns 60 years of age. The supplementary pension is based on a defined contribution plan. Elisa's CEO is entitled to a paid-up pension.

The period of notice for the CEO is six months from Elisa's side and three months from the CEO's side. Should the contract be terminated by Elisa, the CEO is entitled to receive a severance payment that equals the total salary of 24 months minus his salary for the period of notice.

Other members of Elisa's Executive Board

Annual salary

Members of the Executive Board are paid a total salary that includes a fixed monetary salary and taxable benefits. In addition, members of the Executive Board fall within the scope of the short- and long-term incentive plans. The fixed monetary salary of members of the Executive Board totals EUR 1,743,900.00 per year, and the taxable fringe benefits total EUR 44,100.00 per year (the figures do not include bonus holiday pay, the CEO's salary and taxable fringe benefits).

Short- and long-term incentive plans

As a short-term incentive for Elisa's Executive Board, Elisa pays a performance-based bonus, which is based on achieving the financial and operational targets in the scorecards of Elisa and its units. The target period is six months, and any performance-based bonus is paid every six months.

Elisa's Executive Board also falls within the scope of the company's long-term incentive plan, i.e. the share-based incentive plan (see 'Share-based incentive plans for key personnel'). The maximum limits for bonuses are stated in Table 1.

Pensions and terms and conditions related to contract termination

The contractual relationship with the company of members who started on Elisa's Executive Board before 2013 will terminate when the member turns 62 years of age. They have a defined contribution supplementary pension plan concluded with a pension insurance company, which includes a paid-up pension. The right to a pension will start at the age of 62.

The period of notice for members of the Executive Board is six months from Elisa's side and three months from the member's side. Should the contract be terminated by Elisa, the member of the Executive Board has the right to receive an amount corresponding to nine months' total salary from Elisa.

TABLE 1. MAXIMUM LIMITS FOR THE BONUSES UNDER THE SHORT- AND LONG-TERM INCENTIVE PLANS

	Short-term incentive plan	Long-term incentive plans				
	Performance-based bonus scheme 2015 and 2016, %*	Share based incentive commitment plan 2011, shares Earnings periods 13.12.2016–13.12.2017 and 13.12.2016–13.12.2018	Share based incentive plan 2011, shares (maximum) Earnings period 2014–2016	Share based incentive plan 2014, shares (maximum) Earnings period 2015–2017	Share based incentive plan 2014, shares (maximum) Earnings period 2016–2018	Share based incentive plan 2014, shares (maximum) Earnings period 2017–2019
CEO	90%	4,000	83,000	55,000	42,000	45,000
Other members of the Executive Board	73.2%**	--	268,000	160,000	125,000	132,000

* The maximum limits are presented as percentages of the fixed earnings for the target period

** Average for the other members of the Executive Board.

Share-based incentive plans for key personnel

Share-based incentive plan 2014

On 11 December 2014, Elisa's Board of Directors decided to implement two new, share-based incentive plans for key personnel in the Elisa Group. The plan is designed to align the goals of shareholders and key personnel in increasing the value of the company, to secure the commitment of key employees to the company and to offer them a competitive compensation plan that is based on holding shares in the company. The target group of the incentive plan covers no more than 200 employees.

There are three 3-year earnings periods in the share-based incentive plan, the calendar years of 2015–2017, 2016–2018 and 2017–2019. Elisa's Board of Directors will decide on the plan's performance criteria and their targets at the beginning of each earnings period.

Any bonus from the the plan from the earnings periods 2015–2017 and 2016–2018 will be based on earnings per share (EPS), the revenues of new business operations and other key targets.

The bonuses to be paid through the incentive plan for the earnings period 2015–2017 will equal at most the value of around 700,000 shares in Elisa (including the portion payable in cash). Any bonus for the 2015–2017 earnings period will be paid in 2018, partly in company shares and partly in cash.

The bonuses to be paid through the share-based incentive plan for the earnings period 2016–2018 will equal at most the value of around 480,000 shares in Elisa (including the portion payable in cash). Any bonus for the 2016–2018 earnings period will be paid in 2019, partly in company shares and partly in cash.

The bonuses to be paid through the share-based incentive plan for the earnings period 2017–2019 correspond to the value of an approximate maximum total of 495,664 Elisa shares (including the proportion to be paid in cash). The potential reward on the basis the performance period 2017–2019 will be paid partly in shares and partly in cash in 2020.

The cash payments are intended to cover any taxes and tax-like costs arising from the bonus for the participant. As a rule, no bonus is paid if a key person's employment ends before the bonus payment.

Share-based incentive plan 2011

On 19 December 2011, Elisa's Board of Directors decided to implement a share-based incentive plan for key personnel in the Elisa Group.

The performance-based incentive plan includes three earnings periods: the calendar years of 2012−2014, 2013−2015 and 2014−2016. The bonuses will equal at most the value of some 3.3 million shares in Elisa. The Board of Directors will decide on the performance criteria and their targets at the beginning of each earnings period. The first earnings period of 2012–2014 was realised as share-based bonuses in 2015 and the second earnings period of 2013–2015 in 2016.

Any bonuses for the earnings periods of 2012−2014, 2013−2015 and 2014−2016 will be based on increases in new business revenue in the Consumer Customer and Corporate Customer segments and on Elisa's earnings per share (EPS). For the realised earnings period of 2012–2014, bonuses were paid in February 2015, partly in the company's shares and partly in cash, and for the earnings period 2013–2015 in January 2016. Any implementation of the future earnings periods will follow the same principle. The portion payable in cash will cover the taxes and tax-like costs arising from the bonus. As a rule, no bonus is paid if a key person's employment ends before the bonus payment. The target group of the share-based incentive plan consists of about 160 people, and the bonuses will equal at most the value of around one million shares in Elisa, including the portion payable in cash.

Share-based incentive commitment plan 2011

On 19 December 2011, Elisa's Board of Directors decided to implement a share-based incentive commitment plan that covers the years 2012–2018. Any bonus will be paid only if a key person's employment is valid when the bonus is due to be paid. The bonuses to be paid through this incentive plan will equal at most the value of around 0.5 million shares in Elisa, including the portion payable in cash.

On 11 December 2014, Elisa's Board of Directors decided to adopt the share-based incentive plan in question with periods of one year and two years. The share-based bonus of the first commitment period was paid in November 2015 and of the second commitment period in November 2016.

On 16 December 2016, Elisa's Board of Directors decided on new earning periods for the Restricted Stock Plan. The lock-up period of the rewards to be granted on the basis of the plan consists of one-year and two-year periods.

Remuneration statement

Board of Directors

The monthly remuneration fees for Board members, the number of shares acquired and the meeting remuneration fees for the Board and its Committees are presented in the table below.

TABLE 2. REMUNERATION FEES OF BOARD MEMBERS IN 2016

	Position on the Board	Fixed monthly remuneration fees, total, EUR*	Meeting remuneration fees, EUR***	Committee meeting remuneration fees, EUR***	Total remuneration fees, EUR	Elisa's shares acquired with fixed monthly remuneration fees, number of shares*	Share holdings of the Board on 31 December 2016, number of shares**
Raimo Lind	Chairman	108,000	7,500	1,500	117,000	1,311	14,493
Mika Vehviläinen	Deputy Chairman	72,000	7,000	1,500	80,500	874	4,578
Clarisse Berggårdh	Member since 31 March 2016	45,000	6,500	2,500	54,000	552	572
Petteri Koponen	Member	60,000	7,500	1,500	69,000	727	2,181
Leena Niemistö	Member	60,000	7,500	1,500	69,000	727	8,020
Seija Turunen	Member, Chairwoman of the Audit Comittee	72,000	7,500	3,000	82,500	874	2,404
Jaakko Uotila	Member	60,000	7,500	3,000	70,500	727	3,508
Total		**477,000**	**51,000**	**14,500**	**542,500**	**5,792**	**35,756**

* The monthly remuneration fees (minus tax withheld at the calculated rate of 60%) have been used for purchases of Elisa shares every quarter.

** Shareholdings on 31 December 2016 also include the shares owned by the related parties of Board members and persons closesly associated. The shares purchased by the current members of Elisa's Board of Directors on 30 December 2016 were not registered in the members' book-entry accounts before 3 January 2017 and are thus not included in the figures below. Up-to-date information on changes in the shareholdings are available on Elisa's Management Transactions releases.

*** Based on the number of meetings.

CEO and the Executive Board

TABLE 3. SALARIES AND FINANCIAL BENEFITS PAID TO THE CEO AND THE COMPANY'S OTHER EXECUTIVE BOARD MEMBERS IN 2016

	Monetary salaries, EUR	Taxable fringe benefits, EUR	Performance - based bonuses, EUR	Total value of the share-based bonus, EUR	Total, EUR	Share of the share-based bonus paid in shares, number of shares
CEO	546,781.94	9,132.16	351,260.80	947,863.27*	1,855,038.17	13.573
Other members of Elisa's Executive Board	1,694,420.00	58,377.06	699,219.34	2,667,400.29**	5,119,416.69	37.838
Total	**2,241,201.94**	**67,509.22**	**1,050,480.14**	**3,615,263.56**	**6,974,454,86**	**51.411**

* According to the stock exchange prices of the assignment dates of 29 January 2016 and 7 November 2016.

** According to the stock exchange price of the assignment date of 29 January 2016.

The CEO's accrued supplementary pension for his 60th and 61st years of age was covered by a provision of EUR 214,884 on the balance sheet, and for the 62nd year of age with an insurance premium that equalled EUR 156,700.39. With regard to the Executive Board, annual supplementary pension insurance premium totalled EUR 130,623.93.

The report of the Board of Directors 2016

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 during 2016, characterised by some campaigning and investments in customer acquisition. The smartphone market grew, and the usage of data services continued to evolve favourably. Approximately 93 per cent of the mobile handsets sold in 2016 were smartphones.

Another factor contributing to mobile market growth has been the increased network coverage and capacity of new 4G speeds. The competition in the fixed broadband market has been intense in multi-dwelling units. The number and usage of traditional fixed network subscriptions is decreasing.

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

Revenue, earnings and financial position

REVENUE AND EARNINGS

EUR million	2016	2015	2014
Revenue	1,636	1,569	1,535
EBITDA	563	532	520
Comparable EBITDA [1]	564	536	520
EBITDA-%	34.4	33.9	33.8
Comparable EBITDA-%	34.5	34.1	33.8
EBIT	339	312	305
Comparable EBIT [2]	349	322	305
EBIT-%	20.7	19.9	19.9
Comparable EBIT-%	21.4	20.5	19.9
Return on equity, %	27.1	27.0	25.6

1) 2016 EBITDA includes transfer tax of EUR 1.7m relating to the Anvia acquisition and a capital gain of EUR 0.6m from the sale of Tansec shares.

2) 2016 EBIT includes, in addition to the preceding, a EUR 9m goodwill impairment write-down relating to the Habbo service.

Revenue increased by 4 per cent. The Anvia consolidation, 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.

Reported EBITDA includes a non-recurring item of EUR 1 million, which relates to transfer tax of EUR 1.7 million relating to the Anvia acquisition and a capital gain of EUR 0.6 million from the sale of Tansec shares. Comparable EBITDA increased by 5 per cent, mainly due to the Anvia consolidation, revenue growth and productivity improvement measures. Comparable EBIT increased by 9 per cent. Depreciation includes a non-recurring EUR 9 million goodwill impairment write-down relating to the Habbo service.

Net financial income and expenses decreased to EUR -18 million (-24), mainly due to a non-recurring EUR 3 million return relating to unclaimed shares in Elisa's listing and lower interest rates. Income taxes in the income statement increased to EUR -63 million (-47), mainly due to improved profit before tax and tax asset booking in the previous year. Elisa's net profit was EUR 257 million (244). Comparable net profit was EUR 265 million (246). The Group's earnings per share amounted to EUR 1.61 (1.52) and comparable EPS to EUR 1.66 (1.54).

FINANCIAL POSITION

EUR million	End 2016	End 2015	End 2014
Net debt	1,124	962	1,001
Net debt / EBITDA (1	2.0	1.8	1.9
Gearing ratio, %	115.7	103.9	114.0
Equity ratio, %	38.5	41.4	39.4

EUR million	2016	2015	2014
Cash flow after investments	65	253	185
Cash flow after investments excluding investments in shares (2	281	266	224

1) (interest-bearing debt – financial assets) / (four previous quarters' EBITDA exclusive of non-recurring items)

2) Includes a EUR 167m loan arrangement relating to the Starman acquisition

Cash flow after investments was EUR 65 million (253), and excluding investment in shares it was EUR 281 million (266). Cash flow excluding investments in shares grew, mainly due to increased EBITDA and improved net working capital change.

The financial and liquidity positions are good. Net debt increased to EUR 1,124 (962) million, mainly as a result of a loan arrangement relating to the Starman acquisition. Cash and undrawn committed loans and credit lines totalled EUR 214 (479) million at the end of the year.

Changes in corporate structure

On 29 June, an Extraordinary General Meeting of Anvia Oyj approved the sale of Anvia's ICT businesses to Elisa. The transaction was executed on 1 July 2016, when the acquired companies, Anvia Telecom Oy, Anvia IT-palvelut Oy, Anvia Hosting Oy, Anvia TV Oy and Watson Nordic Oy, were consolidated into Elisa. The acquisition price was EUR 107 million, of which EUR 78 million was paid with Anvia shares, EUR 28 million with cash and EUR 1 million with shares in the subsidiary company Tansec Oy.

Arediv Oy merged into the parent company Elisa Oyj on 30 June 2016.

On 1 July 2016, Elisa sold its fully owned subsidiary Elisa Rahoitus Oy to Aktia Bank plc.

On 13 December 2016, Elisa signed an agreement in which Elisa acquired cable TV operator Starman's Estonian business. The transaction is subject to the approval of the Estonian competition authority as well as other usual terms and conditions related to acquisitions. The Estonian competition authority has opened phase II proceedings. Elisa estimates that the deal will be closed during the first quarter of 2017.

Consumer Customers business

EUR million	2016	2015
Revenue	1,029	983
EBITDA	369	348
Comparable EBITDA	370	349
EBITDA-%	35.9	35.4
Comparable EBITDA-%	35.9	35.5
EBIT	241	221
Comparable EBIT	250	229
CAPEX	126	111

Revenue increased by 5 per cent. Anvia consolidation, 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.

Reported EBITDA includes a non-recurring item of EUR 1 million, which relates to Anvia transaction. Comparable EBITDA increased by 6 per cent, mainly due to the Anvia consolidation, revenue growth and productivity improvement measures.

Corporate Customers business

EUR million	2016	2015
Revenue	606	586
EBITDA	194	185
Comparable EBITDA	194	187
EBITDA-%	31.9	31.5
Comparable EBITDA-%	32.0	31.9
EBIT	99	91
Comparable EBIT	99	93
CAPEX	100	85

Revenue increased by 3 per cent. The Anvia consolidation, 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 4 per cent, mainly due to the Anvia consolidation, revenue growth and productivity improvement measures.

Personnel

In 2016, the average number of personnel at Elisa was 4,247 (4,146). Employee expenses increased to EUR 275 million (266), mainly due to the Anvia consolidation and changes in collective labour agreements. Personnel at the end of 2016 amounted to 4,301 (4,083). Personnel by segment at the end of the period:

	End 2016	End 2015
Consumer Customers	2,424	2,290
Corporate Customers	1,877	1,793
Total	4,301	4,083

Investments

EUR million	2016	2015
Capital expenditure, of which	226	196
Consumer Customers	126	111
Corporate Customers	100	85
Shares	108	18
Total	334	213

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 2016
Committed credit lines	300	130
Commercial paper programme [1]	150	199
EMTN programme [2]	1,000	600

1) Domestic commercial paper programme, not committed

2) Euro Medium Term Note programme, not committed

LONG-TERM CREDIT RATINGS

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

The Group’s cash and undrawn committed loans and credit lines totalled EUR 214 million (479) on 31 December 2016.

Standard & Poor's affirmed Elisa’s rating as ‘BBB+’ and the outlook as stable on 8 March 2016. Moody's Investors Service affirmed Elisa's rating as Baa2 and the outlook as stable on 20 April 2016.

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	2016	2015
Nasdaq Helsinki, millions	105.5	113.3
Other marketplaces, millions [1]	190.6	172.9
Total volume, millions	296.2	286.2
Value, EUR million	9577,1	8,121.2
% of shares	177,0	171,0

Shares and market values	End 2016	End 2015
Total number of shares	167,335,073	167,335,073
Treasury shares	7,715,129	7,851,006
Outstanding shares	159,619,944	159,484,067
Closing price, EUR	30.93	34.79
Market capitalisation, EUR million	5,176	5,822
Treasury shares, %	4.61	4.69

1) Other marketplaces based on the Fidessa Fragmentation Index

Number of shares	Total number of shares	Treasury shares	Outstanding shares
Shares at 31 Dec 2015	167,335,073	7,851,006	159,484,067
Performance Share Plan 29.1.2016 [1]		-134,037	134,037
Restricted Share Plan 7.11.2016 [2]		-1,840	1,840
Shares at 31 Dec 2016	167,335,073	7,715,129	159,619,944

1) Stock exchange bulletin, 29 January 2016

2) Stock exchange bulletin, 7 November 2016

Research and development

The majority of the service development occurs during the ordinary course of business and is accounted for as a normal operating expense. Elisa invested EUR 11 million (EUR 15 million in 2015 and EUR 13 million in 2013) in research and development, corresponding to 0.7 per cent of revenue (0.9 per cent in 2015 and 0.8 per cent in 2014). EUR 10 million of the expenses was capitalised in 2016 (EUR 13 million in 2015 and EUR 11 million in 2014).

Annual General Meeting and Board of Directors´ organising meeting

On 31 March 2016, Elisa's Annual General Meeting decided to pay a dividend of EUR 1.40 per share based on the 2015 financial statements. The dividend was paid to shareholders on 12 April 2016.

The Annual General Meeting adopted the financial statements for 2015. The members of the Board of Directors and the CEO were discharged from liability for 2015.

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

KPMG Oy Ab, authorised public accountants, was appointed the company's auditor. Mr Esa Kailiala, APA, is the responsible auditor.

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 Jaakko Uotila were appointed to the Audit Committee.

Board of Directors' authorisations

The Annual General Meeting decided to authorise the Board of Directors to resolve to repurchase or accept as pledge the company's own shares. The repurchase may be directed. The amount of shares under this authorisation is 5 million shares at maximum. The authorisation is effective until 30 June 2017.

The Annual General Meeting 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 authorisation. The authorisation is effective until 30 June 2018.

Elisa Shareholders' Nomination Board

As of 2 September 2016, the composition of Elisa's Shareholders' Nomination Board is as follows:

- Mr Kari Järvinen, 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 Kari Järvinen as the chair.

The shareholders' Nomination Board was established in 2012 by 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 new EU "Roam like at Home" regulation is coming into force on 15 June 2017. The EU Commission has adopted a proposal to lower the current maximum wholesale roaming charges. The Commission proposed on 15 June 2016 that the maximum wholesale roaming charges in the

EU would be EUR 0.0085 per MB, EUR 0.04 per minute and EUR 0.01 per SMS. The proposed maximum wholesale charges may still change during the legislative procedure in the EU. On 15 December 2016, the EU Commission decided on the detailed rules of fair usage policy and the sustainability mechanism. These mechanisms are designed to ensure the sustainability of domestic charging models.

The EU has adopted the General Data Protection Regulation (GDPR), which concerns all processing of personal data. The GDPR comes into force on 25 May 2018.

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

The auction for the Finnish 700 MHz 4G spectrum ended on 24 November 2016. Elisa won 2×10 MHz of spectrum according to its target. The fee for Elisa's spectrum is EUR 22.0 million and it will be paid in five annual instalments in 2017–2021. The license is valid from 1 February 2017 to 31 December 2033. The 700 MHz frequencies will be in mobile broadband use in 2017.

Substantial risks and uncertainties associated with Elisa's operations

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

Strategic and operational risks

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

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

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

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

Hazard risks

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

Financial risks

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

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

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

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

A detailed description of financial risk management can be found in Note 34 to the consolidated financial statements.

Corporate responsibility

Elisa has an important role in society in promoting sustainable digitalisation by continuously improving the reliability, safety, availability and environmental impacts of its services. Elisa is committed to the UN Global Compact and supports the UN Sustainable Development Goals.

Customer demand for environmentally friendly ICT and online services continued to increase in 2016, resulting in a further reduction of our customers' carbon footprint. The total reduction was 37,527 tCO_2 (32,313), being 14 per cent better than 2015.

Elisa is a pioneer in changing working culture and engaging teleworking. In 2016, employees teleworked on average 77 (75) days and participated in 227,556 (211,014) virtual meetings. Modern ways of working and investments in daily management showed as high scores in the Great Place to Work Trust Index and in Elisa's personnel satisfaction survey, which improved once again for the thirteenth year in a row.

As a result of Elisa's energy efficiency initiatives and usage of renewable electricity we achieved savings of 118,560 tCO_2 (41,633). All electricity consumed by Elisa in Finland and Estonia was renewable in 2016. Optimisation, modernisation and virtualisation of mobile networks and data centres resulted in savings of 7,953 tCO_2 (6,919). Elisa saved 937 tCO_2 (914) through e-billing.

Elisa reports its carbon footprint annually in the CDP Climate Change Report. Elisa's climate report for investors and global markets has been annually rated among the best of Nordic telecom companies.

In 2016, Elisa was included in the globally recognised FTSE4Good Index. The index is designed to measure the performance of companies that meet globally acknowledged corporate standards of responsibility in terms of environmental, social and governance (ESG) practices.

Elisa will publish its fourth online responsibility report as part of the Annual Report 2016. The responsibility report is prepared according the GRI G4 Core requirements.

Corporate Governance Statement

Elisa has published a Corporate Governance Statement on 27 January 2017.

Events after the financial period

On 24 January 2017, the Shareholders' Nomination Board announced its proposal to Elisa's board for the notice of the Annual General Meeting. The nomination board proposes that the number of members of the Board of Directors be seven. The Nomination Board also proposes that Mr Raimo Lind, Ms Clarisse Berggårdh, Mr Petteri Koponen, Ms Leena Niemistö, Ms Seija Turunen and Mr Mika Vehviläinen be re-elected as members of the Board. The Nomination Board proposes further that Mr Antti Vasara is elected as a new member of the Board. Mr Jaakko Uotila has announced that he is not available for re-election at the 2017 Annual General Meeting.

On 19 January 2017, Anvia's Extraordinary General Meeting approved the interim financial statements. Hence, Elisa can carry out the Anvia transaction at the final purchase price with the remaining share transfers.

Outlook and guidance for 2017

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

Full-year guidance does not include the Starman acquisition. Revenue is estimated to be at the same level or slightly higher than in 2016. 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 2016. Capital expenditure is expected to be a maximum of 13 per cent of revenue. The mid-term target of a maximum of 12 per cent is still valid. Elisa's financial position and liquidity are good.

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

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

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 1.50 per share. The dividend payment corresponds to 93 per cent of the financial period's net profit.

Shareholders who are listed in the company's register of shareholders maintained by Euroclear Finland Ltd on 10 April 2017 are entitled to funds distributed by the General Meeting. The Board of Directors proposes that the payment date be 19 April 2017. 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.

Consolidated income statement

EUR million	Note	2016	2015
Revenue	1, 4	1,635.7	1,569.5
Other operating income	5	4.4	4.8
Materials and services	6	-626.4	-609.0
Employee expenses	7, 27	-274.8	-266.3
Other operating expenses	8	-175.9	-166.5
EBITDA	1	563.0	532.5
Depreciation, amortisation and impairment	1, 10	-223.8	-220.4
EBIT	1	339.3	312.1
Financial income	11	6.8	3.6
Financial expenses	11	-24.6	-27.4
Share of associated companies' profit		-1.4	2.3
Profit before tax		320.0	290.6
Income taxes	12	-62.6	-47.1
Profit for the period		257.4	243.5
Attributable to:			
Equity holders of the parent		257.1	243.1
Non-controlling interests		0.3	0.4
		257.4	243.5
Earnings per share (EUR/share):			
Basic	13	1.61	1.52
Diluted	13	1.61	1.52
Average number of outstanding shares (1,000 shares):			
Basic	13	159,608	159,470
Diluted	13	159,608	159,470

Consolidated statement of comprehensive income

EUR million	Note	2016	2015
Profit for the period		257.4	243.5
Other comprehensive income, net of tax			
Items which may be reclassified subsequently to profit or loss:			
Financial assets available-for-sale	19	7.7	12.0
Cash flow hedging		0.5	-0.9
Translation differences		-0.0	0.0
		8.3	11.1
Items which are not reclassified subsequently to profit or loss:			
Remeasurements of the net defined benefit liability	28	-0.3	1.8
Total comprehensive income		265.4	256.5
Total comprehensive income attributable to:			
Equity holders of the parent		265.1	256.1
Non-controlling interests		0.3	0.4
		265.4	256.5

Consolidated statement of financial position

EUR million	Note	31 Dec. 2016	31 Dec. 2015
ASSETS			
Non-current assets			
Property, plant and equipment	14	713.9	677.4
Goodwill	15	879.8	830.1
Other intangible assets	15	160.0	134.8
Investments in associated companies	16, 35	2.2	59.5
Financial assets available-for-sale	17–19	38.9	30.3
Deferred tax assets	21	24.6	23.3
Trade and other receivables	17, 18, 20, 25	74.8	73.7
		1,894.3	1,829.1
Current assets			
Inventories	22	55.0	54.8
Trade and other receivables	23	537.0	333.4
Tax receivables		2.2	0.2
Cash and cash equivalents	24	44.5	29.1
		638.7	417.5
TOTAL ASSETS	1	2,533.0	2,246.6
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		83.0	83.0
Treasury shares		-142.9	-145.5
Reserve for invested non-restricted equity		90.9	90.9
Contingency reserve		3.4	3.4
Fair value reserve		21.3	13.3
Other funds		381.0	381.0
Retained earnings		534.1	499.3
Equity attributable to equity holders of the parent	26, 27	970.8	925.4
Non-controlling interests		0.5	0.5
TOTAL SHAREHOLDERS' EQUITY		971.3	925.9
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	21	28.5	22.7
Pension obligations	28	16.6	15.6
Provisions	29	3.5	3.4
Financial liabilities	30	827.3	686.0
Trade payables and other liabilities	31	34.0	23.9
		909.8	751.6
Current liabilities			
Trade and other payables	31	307.7	255.5
Tax liabilities		0.0	2.9
Provisions	29	2.9	5.4
Financial liabilities	30	341.2	305.2
		651.9	569.1
TOTAL LIABILITIES		1,561.7	1,320.7
TOTAL EQUITY AND LIABILITIES		2,533.0	2,246.6

Consolidated statement of cash flows

EUR million	Note	2016	2015
Cash flow from operating activities			
Profit before tax		320.0	290.6
Adjustments			
Depreciation, amortisation and impairment	10	223.8	220.4
Financial income (-) and expenses (+)		17.8	23.8
Gains (-) and losses (+) on the disposal of fixed assets		-0.7	-2.9
Increase (+) / decrease (-) in provisions in the income statement		-2.8	2.0
Other adjustments		0.4	-0.2
		238.5	243.0
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables		-3.0	-1.6
Increase (-) / decrease (+) in inventories		0.6	-5.6
Increase (+) / decrease (-) in trade and other payables		11.9	6.9
		9.4	-0.4
Dividends received		3.5	2.9
Interest received		2.2	2.4
Interest paid		-22.0	-23.8
Taxes paid		-65.1	-52.0
Net cash flow from operating activities		486.5	462.8
Cash flow from investing activities			
Investment in shares and business combinations		-25.0	-2.9
Investment in associates		-23.9	-11.1
Contingent consideration of subsidiaries		-0.2	1.3
Capital expenditure		-208.9	-199.8
Proceeds from disposal of subsidiaries and businesses		2.4	
Proceeds from sale of financial assets available-for-sale		0.4	1.5
Proceeds from disposal of tangible and intangible assets		1.0	1.1
Loans granted		-167.0	
Repayment of loan assets			0.1
Net cash flow used in investing activities		-421.3	-209.8
Cash flow before financing activities		65.2	253.0
Cash flow from financing activities			
Proceeds from long-term borrowings		150.0	0.2
Repayment of long-term borrowings		-130.8	-10.7
Increase (+) / decrease (-) in short-term borrowings		158.5	-39.5
Repayment of finance lease liabilities		-4.4	-4.8
Dividends paid		-223.2	-210.3
Net cash used in financing activities		-49.9	-265.2
Change in cash and cash equivalents		15.3	-12.2
Cash and cash equivalents at the beginning of the period		29.1	41.3
Cash and cash equivalents at the end of the period	24	44.5	29.1

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. 2015	83.0	-148.2	90.9	384.8	467.5	878.0	0.6	878.6
Profit for the period					243.1	243.1	0.4	243.5
Translation differences					0.0	0.0		0.0
Financial assets available-for-sale				12.0		12.0		12.0
Cash flow hedge				-0.9		-0.9		-0.9
Remeasurements of the net defined benefit liability				1.8		1.8		1.8
Total comprehensive income				12.9	243.1	256.1	0.4	256.5
Dividend distribution					-210.5	-210.5	-0.5	-211.0
Share-based compensation		2.7			1.5	4.2		4.2
Other changes					-2.3	-2.3		-2.3
Balance at 31 Dec. 2015	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

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 26 January 2017 Elisa'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 2016. 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 2016 did not have an impact on the consolidated financial statement.

Consolidated accounting principles

Combination principles

Subsidiaries

The consolidated financial statements include the parent company, Elisa Corporation, and those subsidiaries in 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 parent'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 company becomes an associated company and divested companies are consolidated until the date of disposal.

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.

Conversion of items denominated in a foreign currency

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 programmes 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 programmes.

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 is 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	5–10 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	1–4 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 loss 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.

Elisa started hedge electricity purchases by derivatives during 2014. Derivative contracts are treated 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 Interest rate and currency swap and 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

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 equalling 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 company 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 entity. 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 company'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 879.8 million on 31 December 2016. 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. Share-based compensation expenses were EUR 8.3 million in 2016 and the liability relating to share-based incentive plans as at 31 December 2016 was EUR 10.7 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 2016, the Group had EUR 24.6 million deferred tax receivables.

Application of new and revised accounting pronouncements under IFRS

On 1 January 2018, the Group will adopt the following new standards, providing these are approved by the EU by the planned date of adoption.

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

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

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

  According to the current recognition principles, service agreements valid until further notice are recognised monthly, and sales revenue is recognised less any granted discounts. According to the current recognition principles, 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. In accordance with the standard, financial assets are measured at fair value unless certain conditions require measurement at amortised cost. The measurement models have also been simplified. The standard will change hedge accounting and offer a new way of assessing impairments. The recognition of expected impairments happens at the beginning of the contract. The change does not have a significant impact on the Group's financial statements.

On 1 January 2019, the Group will adopt the following new standard, providing it is approved by the EU by the planned date of adoption.

- 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 off-balance sheet liabilities on 31 December 2016 was EUR 93.0 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 centre 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 taxes, 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

2016

EUR million	Consumer Customers	Corporate Customers	Unallocated items	Group total
Revenue	1,029.3	606.4		1,635.7
EBITDA	369.4	193.6		563.0
Depreciation, amortisation and impairment	-128.7	-95.1		-223.8
EBIT	240.7	98.6		339.3
Financial income			6.8	6.8
Financial expenses			-24.6	-24.6
Share of associated companies' profit			-1.4	-1.4
Profit before tax				320.0
Investments	125.7	100.2		226.0
Assets	1,365.9	886.0	281.1	2,533.0

2015

EUR million	Consumer Customers	Corporate Customers	Unallocated items	Group total
Revenue	983.2	586.3		1,569.5
EBITDA	347.7	184.8		532.5
Depreciation, amortisation and impairment	-126.3	-94.2		-220.4
EBIT	221.5	90.6		312.1
Financial income			3.6	3.6
Financial expense			-27.4	-27.4
Share of associated companies' profit			2.3	2.3
Profit before tax				290.6
Investments	110.6	85.2		195.8
Assets	1,271.6	832.1	143.0	2,246.6

Product and service information

2016

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

2015

EUR million	Mobile communications	Fixed network and other	Group total
Revenue	988.4	581.1	1,569.5

Geographical information

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

2015

EUR million	Finland	Rest of Europe	Other countries	Eliminations	Group total
Revenue	1,437.7	133.9	5.1	-7.2	1,569.5
Assets	2,164.5	80.7	1.4		2,246.6

2. ACQUISITIONS

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 this 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 customerships and is amortised over five years, and EUR 0.7 million is allocated to IT customership and is amortised over 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 company at the time of the acquisition that should be 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 writedown is 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 be 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

Acquisitions in 2015

Acquisition of Banana Fingers Ltd

Elisa acquired all shares of Banana Fingers Ltd, which is a part of the EpicTV business. The purchase price was EUR 3.3 million, including a contingent consideration of EUR 1.4 million. The business combination resulted in goodwill of EUR 2.9 million. The goodwill resulted from the acquisition of e-commerce know-how and a business concept, and faster access to the sports equipment e-commerce market for consumer customers. Goodwill is not tax deductible.

Banana Fingers is consolidated from 1 January 2015 onwards.

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

Analysis of net assets acquired

EUR million	Carrying amount
Inventories	0.3
Cash and cash equivalents	0.3
Trade payables and other current liabilities	-0.2
	0.4

Effects of acquisition on cash flow

EUR million	
Purchase price paid in cash	-1.9
Cash and cash equivalents of the acquired entity	0.3
	-1.6

Acquisition of Datawell Oy’s MDM (Master Data Management) business

On 31 August 2015, Elisa Appelsiini acquired Datawell Oy's MDM business. The purchase price was EUR 2.0 million. The business combination resulted in goodwill of EUR 0.8 million. The acquisition strengthens the supply of Elisa's digital healthcare services and supports the development of new services. Goodwill is not tax deductible.

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

Analysis of net assets acquired

EUR million	Carrying amount
Contract base	1.5
Current assets	0.1
Deferred tax liabilities	-0.3
Accruals and other current liabilities	-0.1
	1.2

Effects of acquisition on cash flow

EUR million	
Purchase price paid in cash	-2.0

Acquisition of Fonum Oy

On 7 September 2015, Elisa acquired all shares of Fonum Oy. The purchase price was EUR 0.6 million. The business combination resulted in EUR 0.4 million goodwill relating to market access in the mobile phone service and repair business. Goodwill is not tax deductible.

Fonum is consolidated from 1 September 2015 onwards.

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

Analysis of net assets acquired

EUR million	Carrying amount
Intangible assets	0.1
Property, plant and equipment	0.0
Inventories	0.1
Trade and other receivables	0.0
Cash and cash equivalents	0.1
Accruals and other liabilities	-0.2
	0.2

Effects of acquisition on cash flow

EUR million	
Purchase price paid in cash	-0.6
Cash and cash equivalents of the acquired entity	0.1
	-0.5

Acquisition of Livezhat business

On 31 October 2015, Elisa acquired ZEF Oy's Livezhat service business. The purchase price was EUR 0.5 million. The business combination resulted in EUR 0.3 million goodwill relating to the improvement of the range of services for corporate customers. Goodwill is not tax deductible.

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

Analysis of net assets acquired

EUR million	Carrying amount
Customer base	0.2
Deferred tax liabilities	-0.0
	0.2

Effects of acquisition on cash flow

EUR million	
Purchase price paid in cash	-0.5

3. DISPOSALS

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 in the consolidated income statement.

Effects of disposal on cash flow

EUR million	
Sales price received in cash	0.5

Disposals in 2015

There were no disposals during 2015.

4. REVENUE

EUR million	2016	2015
Rendering of services	1,408.8	1,354.6
Equipment sales	226.9	214.9
	1,635.7	1,569.5

5. OTHER OPERATING INCOME

EUR million	2016	2015
Gain on disposals of property, plant and equipment	0.7	2.9
Gains on disposal of investments	1.1	
Government grants	0.2	0.1
Other items[1]	2.5	1.8
	4.4	4.8

[1] Other items include rental income from real estate and other income items not associated with ordinary operating activities.

6. MATERIALS AND SERVICES

EUR million	2016	2015
Purchases of materials, supplies and goods	371.9	363.8
Change in inventories	1.7	2.1
External services	252.8	243.0
	626.4	609.0

7. EMPLOYEE EXPENSES

EUR million	2016	2015
Salaries and wages	215.3	210.4
Share-based compensation	8.3	6.7
Pension expenses – defined contribution plans	35.9	35.6
Pension expenses – defined benefit plans	0.5	0.5
Other employee costs	14.7	13.1
	274.8	266.3
Average number of personnel	4,247	4,146

A more detailed analysis of defined benefit pension plans is included in Note 28.

Management remuneration

EUR million	2016	2015
Managing Directors	2.8	2.3
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 60–63 years.

Employment benefits for key management

Key management consists of Elisa's Board of Directors, the CEO and the Executive Board.

Benefits paid

EUR million	2016	2015
Board of Directors	0.5	0.5
CEO	0.9	0.8
Executive Board	2.5	2.3
Share-based compensation (1	3.6	2.6
	7.5	6.2

1) The award paid to the CEO under the share-based compensation plans was EUR 0.9 (0.7) million and to the Executive Board members EUR 2.7 (1.9) million.

Annual expenses

EUR million	2016	2015
Remunerations and other short-term employee benefits	3.9	3.6
Post-employment benefits	0.5	0.3
Share-based compensation [2]	3.2	2.6
	7.6	6.5

[2)] The share-based compensation expenses in 2016 are EUR 8.3 (6.7) million, of which EUR 0.8 (0.8) million is allocated to the CEO and EUR 2.3 (1.9) million to the Executive Board. The terms and conditions of share-based incentive plans are described under Note 27.

Management remuneration is descibed under parent company's Note 4.

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. The CEO's pension arrangement is a cash-based plan. The pension benefit includes vested rights. The company is liable for the pension at the age of 60 and 61 and the related accumulated liability EUR 1.0 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). 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 executive agreements of the members of the Executive Board, appointed before year 2013, expire at the age of 62, when they have 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 2016, the award paid to the CEO under the 2011 share-based compensation plan's 2013–2015 vesting period equals the value of 28,702 shares and to the Executive Board 79,665 shares.

The maximum award granted to the CEO under the 2011 plan's 2014–16 vesting period equals the value of 83,000 shares and for the rest of the Executive Board 303,000 shares. The award will be paid after the publication of 2016 financial statements.

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 160,000 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 125,000 shares. The award will be paid after the publication of 2018 financial statements.

In 2016, the award paid for the CEO under the committing share-based compensation plan's 2014–2016 vesting period equals the value of 4,000 shares. The maximum award granted for the CEO under the committing share-based compensation plan's 2016–2017 vesting period equals the value of 5,000 shares. The award will be paid at the end of the vesting period in 2017. The maximum award granted for the CEO under the 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 206,888 shares and votes, corresponding to 0.12 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 in within the share-based compensation plan in 2016.

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) and revenue increase of new services. 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 either the share incentive plan or the stock option plan. EUR 2.2 (2.0) million was recorded in the personnel fund in 2016.

Share-based incentive plan

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	2016	2015
Auditing	0.3	0.3
Tax advisory services	0.1	0.1
Education services		0.0
Other services	0.2	0.2
	0.6	0.6

9. RESEARCH AND DEVELOPMENT COSTS

EUR million	2016	2015
Research and development costs recognised as expenses	1.6	1.6
Capitalised development costs	9.7	13.2
	11.3	14.8

Focus areas for research and development activities in 2016 included development of customer management and invoicing systems as well as developing a contact centre system.

10. DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR million	2016	2015
Depreciation of tangible assets		
Buildings and constructions		
Owned buildings and constructions	11.6	11.0
Buildings and constructions on finance lease	0.4	0.4
Telecom devices, machines and equipment		
Owned telecom devices, machines and equipment	156.7	155.3
Assets on finance lease	3.1	3.2
Other tangible assets	0.1	0.1
	171.8	170.0
Amortisation of intangible assets		
Goodwill	9.0	6.0
Customer base	2.3	1.2
Other intangible assets	40.7	43.2
	51.9	50.4
	223.8	220.4

EUR 11.7 (7.0) million in asset impairments was recognised, of which EUR 9.0 (6.0) million related to goodwill.

11. FINANCIAL INCOME AND EXPENSE

EUR million	2016	2015
Financial income		
Dividend income from financial assets available-for-sale	0.5	0.5
Interest and financial income from loans and other receivables	2.2	2.3
Gains on disposal of investments	0.5	
Other financial income [1]	3.7	0.8
	6.8	3.6
Financial expense		
Interest expenses on financial liabilities measured at amortised cost	-22.4	-24.0
Other financial expenses on financial liabilities measured at amortised cost	-1.5	-1.6
Loss on disposal of investments	-0.1	-0.8
Other interest expenses	0.0	-0.3
Impairment of financial assets available-for-sale		0.0
Other financial expenses	-0.5	-0.7
	-24.6	-27.4

1) Includes returns of EUR 3.4 million from shares that have not been transferred to the owners book-entry account

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

12. INCOME TAXES

EUR million	2016	2015
Taxes for the period	-60.2	-55.9
Taxes for previous periods	0.1	0.2
Deferred taxes	-2.5	8.7
	-62.6	-47.1

Income taxes recognised directly in comprehensive income:

	2016			2015		
EUR million	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
Remeasurements of the net defined benefit liability	-0.3	0.1	-0.3	2.3	-0.5	1.8
Cash flow hedge	0.7	-0.1	0.5	-1.1	0.2	-0.9
	0.3	-0.1	0.3	1.2	-0.2	0.9

The other comprehensive income items consist of changes in the fair value of financial assets available-for-sale and translation differences. Other comprehensive income items do not include taxes. The change in fair value do not include taxes because the Group's ownership of the company exceeds 10 per cent.

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

EUR million	2016	2015
Profit before tax	320.0	290.6
Tax according to the domestic tax rate	-64.0	-58.1
Tax effects of the following:		
Tax-free income	0.6	0.1
Non-deductible expenses	-2.9	-1.7
Tax effects of foreign subsidiaries	5.2	4.1
Tax losses for which no deferred tax assets was recognised	-1.4	1.4
Deferred tax asset for tax losses carry-forward		6.1
Taxes for previous periods	0.1	0.2
Other items	-0.1	0.8
Taxes in the income statement	-62.6	-47.1
Effective tax rate, %	19.6	16.2

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.

	2016	2015
Profit for the period attributable to the equity holders of the parent (EUR million)	257.1	243.1
Weighted average number of shares during the financial year (1,000 pcs)	159,608	159,470
Undiluted earnings per share (EUR/share)	1.61	1.52

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.

	2016	2015
Profit for the period for the purpose of calculating EPS adjusted for dilution (EUR million)	257.1	243.1
Weighted average number of shares during the financial year (1,000 pcs)	159,608	159,470
Impact of stock options (1,000 pcs)		
Weighted average number of shares for the purpose of calculating EPS adjusted for dilution (1,000 pcs)	159,608	159,470
Earnings per share adjusted for dilution (EUR/share)	1.61	1.52

14. PROPERTY, PLANT AND EQUIPMENT

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

2015

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. 2015	7.7	242.7	2,950.4	35.7	20.5	3,257.1
Business acquisitions			0.0			0.0
Additions	0.2	8.4	124.6	0.0	22.5	155.6
Disposals	0.0	0.0	-25.5			-25.6
Reclassifications	0.0	2.3	17.3		-19.9	-0.3
Translation differences		0.0	0.0		0.0	0.0
Acquisition cost at 31 Dec. 2015	7.9	253.4	3,066.8	35.7	23.0	3,386.8
Accumulated depreciation and impairment at 1 Jan. 2015		117.4	2,412.9	34.9		2,565.1
Depreciation and impairment		11.4	158.5	0.1		170.0
Accumulated depreciation on disposals and reclassifications		0.0	-25.6			-25.7
Translation differences			0.0			0.0
Accumulated depreciation and impairment at 31 Dec. 2015		128.8	2,545.7	34.9		2,709.4
Book value at 1 Jan. 2015	7.7	125.3	537.5	0.9	20.5	692.0
Book value at 31 Dec. 2015	7.9	124.6	521.1	0.8	23.0	677.4

Commitments to purchase property, plant and equipment and intangible assets at 31 December 2016 were EUR 47.2 (46.1) million.

Additions in 2016 include EUR 2.5 (1.8) million of property, plant and equipment leased under finance lease agreements.

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

2016

EUR million	Buildings and constructions	Machinery and equipment	Total
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

2015

EUR million	Buildings and constructions	Machinery and equipment	Total
Acquisition cost	17.4	113.6	131.0
Accumulated depreciation	5.3	105.3	110.6
Book value at 31 Dec. 2015	12.1	8.3	20.4

15. INTANGIBLE ASSETS

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

2015

EUR million	Goodwill	Customer base	Other intangible assets	Intangible assets under construction	Total
Acquisition cost at 1 Jan. 2015	831.5	87.7	493.2	15.7	1,428.1
Business acquisitions	4.6	1.7	0.1		6.4
Additions			23.9	16.3	40.2
Disposals			-0.3	0.0	-0.3
Reclassifications			7.1	-7.2	-0.1
Translation differences			0.0		0.0
Acquisition cost at 31 Dec. 2015	836.1	89.4	524.0	24.8	1,474.4
Accumulated amortisation and impairment at 1 Jan. 2015		84.2	375.4		459.6
Amortisation and impairment	6.0	1.2	43.1	0.1	50.4
Accumulated amortisation on disposal and reclassifications			-0.6		-0.6
Translation differences			0.0		0.0
Accumulated amortisation and impairment at 31 Dec. 2015	6.0	85.4	417.9	0.1	509.5
Book value at 1 Jan. 2015	831.5	3.5	117.8	15.7	968.5
Book value at 31 Dec. 2015	830.1	4.0	106.1 (1	24.7	964.9

1) Includes IT software for a book value of EUR 74.6 (55.5) 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	2016	2015
Consumer Customers	530.9	500.3
Corporate Customers	348.9	329.8
	879.8	830.1

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.

Recognised impairment losses:

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.

Sulake Corporation Oy was acquired in 2013, and the business combination resulted in goodwill of EUR 15.0 million. After the recognition of the impairment writedown, there is no remaining goodwill.

Based on the impairment test, a EUR 2.0 million impairment writedown was recognised in Sulake Corporation's development costs. After the recognition of the impairment writedown, there are no remaining development costs.

The main cause of the impairment was a lower future revenue than previously expected.

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 5.22 per cent. Cash flows after five years have been projected by estimating the change in future cash flows as zero.

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.

Sensitivity analysis

Projection parameters applied	Consumer Customers 2016	Corporate Customers 2016	Consumer Customers 2015	Corporate Customers 2015
Amount in excess of CGU carrying value, EUR million	3,908 [2]	1,809	2,811 [2]	1,238
EBITDA margin on average, % [1]	36.9	33.4	36.8	32.9
Horizon growth, %	0.0	0.0	0.0	0.0
Pre-tax discount rate, %	5.2	5.2	6.4	6.4

1) On average during a five-year projection period

2) After the goodwill writedown, relating to Habbo Hotel business, the amount with which the Consumer Customers units book value is exceeded is EUR 3,917 (2,817) million.

Change in projection parameters that makes the fair value equal to book value	Consumer Customers 2016	Corporate Customers 2016	Consumer Customers 2015	Corporate Customers 2015
EBITDA margin on average, %	-19,8 [3]	-14.7	-18,1 [3]	-12.1
Horizon growth, %	-42,9 [3]	-27.6	-37,9 [3]	-19.5
Pre-tax discount rate, %	19,1 [3]	15.3	17,6 [3]	12.3

3) After the writedown of the goodwill relating to the Habbo Hotel business the change in EBITDA margin should be approximately -19.8 (-18.1) per cent, the change in horizon growth -44.0 (-38.6) per cent, and the change in pre-tax discount rate 19.3 (17.7) per cent.

16. INVESTMENTS IN ASSOCIATED COMPANIES

EUR million	2016	2015
At the beginning of the period	59.5	48.8
Share of periods profit	-1.4	2.3
Dividends received	-3.1	-2.4
Additions	25.2	11.0
Disposals	-77.9	-0.2
Reclassification	-0.0	
At the end of period	2.2	59.5

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

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.

Softera Oy was divested on 3 February 2016.

17. FINANCIAL ASSETS AND LIABILITIES RECOGNISED AT FAIR VALUE

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

EUR million	2015	Level 1	Level 2	Level 3
Financial assets/liabilities recognised at fair value (1	-1.9		-1.9	
Financial assets available-for-sale (2	26.2	26.2		
Other liabilities (3	-1.8			-1.8
	22.5	26.2	-1.9	-1.8

1) Interest rate and currency swap and 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	2016	2015
At the beginning of the period	1.8	1.2
Increase of contingent consideration	0.0	1.6
Payment of contingent consideration	-0.4	-1.0
Translation differences	-0.2	
At the end of the period	1.2	1.8

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

2016

EUR million	Financial assets available-for-sale	Loans and receivables	Financial assets/ liabilities recognised at fair value through profit or loss (1	Financial liabilities measured at amortised cost	Book 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

2015

EUR million	Financial assets available-for-sale	Loans and receivables	Financial assets/ liabilities recognised at fair value through profit or loss (1	Financial liabilities measured at amortised cost	Book value	Fair value	Note
Non-current financial assets							
Financial assets available-for-sale	4.1		26.2		30.3	30.3	19
Trade and other receivables		73.7			73.7	73.7	20
Current financial assets							
Trade and other receivables		333.4			333.4	333.4	23
	4.1	407.1	26.2		437.4	437.4	
Non-current financial liabilities							
Financial liabilities				686.0	686.0	731.8	30
Trade payables and other liabilities (2			3.6	14.8	18.5	18.5	31
Current financial liabilities							
Financial liabilities				305.2	305.2	305.2	30
Trade and other payables (2				251.6	251.6	251.6	31
			3.6	1,257.6	1,261.2	1,307.1	

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	2016	2015
Publicly listed shares	33.9	26.2
Unlisted shares	5.0	4.1
	38.9	30.3

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 7.7 (12.0) million have been recognised in other comprehensive income.

20. NON-CURRENT RECEIVABLES

EUR million	2016	2015
Loan receivables	0.1	0.1
Receivables from associated companies		0.6
Trade receivables	60.3	55.7
Finance lease receivables	4.7	6.1
Prepayments and accrued income	9.6	9.6
Other non-current receivables	0.2	1.6
	74.8	73.7

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	2016	2015
Not later than one year	5.6	9.1
Later than one year not later than five years	4.7	6.1
Later than five years	0.0	0.2
	10.3	15.4
Unearned finance income	0.0	-0.6
Present value of finance lease receivables	10.2	14.9

Maturity of present value of future minimun lease payment receivables

EUR million	2016	2015
Not later than one year	5.6	8.7
Later than one year not later than five years	4.7	5.9
Later than five years	0.0	0.2
	10.2	14.9

Elisa acts as a lessor in finance lease arrangements concerning videoconference 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 2016

Deferred tax assets

EUR million	1 Jan. 2016	Recognised in income statement	Recognised in consolidated statement of comprehensive income	Business combinations	31 Dec. 2016
Provisions	1.8	-0.5			1.3
Tax losses carry-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

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 3.9 million (6.1) on 31 December 2016, and these relate to losses carried forward that expire in 2021–2024.

The Group had EUR 23.0 (22.3) million of unused tax losses at 31 December 2016, for which no tax assets have been recognised. These losses expire in 2017–2025.

No tax liability has been recognised for the untaxed retained earnings EUR 211.3 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 2015

Deferred tax assets

EUR million	1 Jan. 2015	Recognised in income statement	Recognised in consolidated statement of comprehensive income	31 Dec. 2015
Provisions	1.4	0.5		1.8
Tax losses carried forward		6.1		6.1
Finance lease agreements	0.9	3.3		4.2
Internal margins	3.8	-0.3		3.5
Share-based incentive plans	1.3	0.8		2.2
Pension obligations	4.1		-0.5	3.7
Other temporary differences	2.1	-0.3	0.2	2.0
	13.5	10.0	-0.2	23.3

Deferred tax liabilities

EUR million	1 Jan. 2015	Recognised in income statement	Business combinations	31 Dec. 2015
Fair value measurement of tangible and intangible assets in business combinations	1.6	-1.0	0.4	1.0
Accumulated depreciation differences	16.9	0.7		17.6
Finance lease agreements	1.2	1.7		2.9
Other temporary differences	1.3	0.0		1.3
	21.0	1.4	0.4	22.7

22. INVENTORIES

EUR million	2016	2015
Materials and supplies	13.1	9.9
Finished goods	42.0	44.9
	55.0	54.8

An impairment of EUR 0.8 (4.5) million on inventories was recognised during the period.

23. TRADE AND OTHER RECEIVABLES

EUR million	2016	2015
Trade receivables	316.4	302.0
Impaired trade receivables	-6.5	-5.7
Finance lease receivables	5.6	8.7
Prepayments and accrued income	27.9	22.3
Loan receivables [1]	168.7	1.6
Receivables from associated companies	0.2	0.2
Other receivables	24.8	4.3
	537.0	333.4

1) 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	2016	2015
Not due	283.2	263.0
Overdue		
Less than 30 days	21.2	24.8
31–60 days	3.5	4.7
61–90 days	1.4	2.3
More than 90 days	0.6	1.6
	309.9	296.3

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 309.9 million.

24. CASH AND CASH EQUIVALENTS

EUR million	2016	2015
Cash assets	44.5	29.1
	44.5	29.1

25. DERIVATIVE INSTRUMENTS

Nominal values of derivatives

	2016			2015		
	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
Interest rate and currency swap				1.5		
Electricity derivatives	2.1	2.2		0.9	4.7	

Fair values of derivatives

	2016			2015		
EUR million	Positive fair value	Negative fair value	Total	Positive fair value	Negative fair value	Total
Interest rate and currency swap					-0.1	-0.1
Electricity derivatives		-0.8	-0.8		-1.8	-1.8

Determination of fair value

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 categorized 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. 2015	167,335	83.0	-148.2
Disposal of treasury shares			2.7
31 Dec. 2015	167,335	83.0	-145.5
Disposal of treasury shares			2.7
31 Dec. 2016	167,335	83.0	-142.9

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. 2015	7,986,043	3,962,734	4.77
Disposal of treasury shares	-135,037		
Treasury shares held by the Group at 31 Dec. 2015	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

Other reserves

EUR million	Reserve for invested non-restricted equity	Contingency reserve	Fair value reserve	Other reserves	Total
1 Jan. 2015	90.9	3.4	0.4	381.0	475.7
Financial assets available-for-sale			12.0		12.0
Remeasurements of the net defined benefit liability			1.8		1.8
Cash flow hedge			-0.9		-0.9
31 Dec. 2015	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

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 21.3 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 2014

On 11 December 2014, Elisa's Board of Directors decided on the implementation of a share-based incentive plan.

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 166, and the maximum award equals the value of 495,664 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 157, and the maximum award equals the value of 438,350 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 145, and the maximum award equals the value of 617,000 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	495,664	438,350	617,000
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, %	50	50	73
Number of participants in the plan at the closing date	166	157	145

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

The second 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 are based on revenue growth of new business operations and earnings per share. The number of key personnel participating in the 2014–2016 plan is 139, and the maximum award equals the value of 996,500 Elisa shares.

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
Estimated realisation of earnings criteria at the closing date, %	27		
Realisation of earnings criteria, %		29	29
Distributed number		134,037	133,197
Share price, EUR		33.23	23.34
Distributed number of shares out of the maximum number of share awards granted, %		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

The third committing share incentive plan covers calendar years 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	100		
Realisation of earnings criteria, %			100	100
Distributed number			1,840	1,840
Share price, EUR			29.97	34.49
Distributed number out of the maximum number of share awards granted, %			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 8.3 (6.7) million in 2016.

28. PENSION OBLIGATIONS

Pension schemes for Elisa's personnel in Finland are arranged through pension insurance companies for statutory pension insurance (TyEL) and mainly through life insurance companies 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 and Anvia Telecom (acquired in 2016) have 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 to refrain from compensating the increase in the statutory retirement age with additional pension.

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

EUR million	2016	2015
Present value of unfunded obligations	-2.4	-2.1
Present value of funded obligations	-72.8	-68.0
Fair value of plan assets	58.6	54.5
Net pension liability (-) / receivable (+) in the statement of financial position	-16.6	-15.6

Pension expenses recognised in the statement of comprehensive income:

EUR million	2016	2015
Expense recognised in profit or loss		
Service cost	0.2	0.3
Net interest	0.3	0.4
Settlements	0.0	-0.1
	0.5	0.5
Remeasurements	0.3	-2.3
Tax effect of the remeasurements	-0.1	0.5
	0.3	-1.8

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

EUR million	2016	2015
Net defined benefit obligation at the beginning of the period	15.6	18.2
Pension expenses recognised in the statement of comprehensive income	0.5	0.5
Remeasurements	0.3	-2.3
Contributions paid by employer	-0.4	-0.8
Business acquisitions	0.4	
Net defined benefit obligation at the end of period	16.6	15.6

Changes in the present value of the obligation:

EUR million	2016	2015
Obligation at the beginning of the period	-70.1	-76.0
Current service cost	-0.2	-0.3
Interest expenses	-1.4	-1.6
Remeasurements		
Actuarial gain (+) or loss (-) arising from changes in demographic assumptions	0.0	1.4
Actuarial gain (+) or loss (-) arising from changes in economical assumptions	-6.8	1.5
Gain (+) or loss (-) arising from experience adjustments	-1.0	-0.7
Benefits paid	5.1	5.1
Settlements	0.0	0.4
Business acquisitions	-0.8	
Obligation at the end of period	-75.2	-70.1

Changes in the fair value of plan assets:

EUR million	2016	2015
Fair value of plan assets at the beginning of the period	54.5	57.9
Interest incomes	1.1	1.2
Remeasurements, gain (+) or loss (-)	7.4	0.1
Benefits paid	-5.1	-5.1
Contributions paid by employer	0.4	0.8
Settlements	0.0	-0.3
Business acquisitions	0.4	
Fair value of plan assets at the end of period	58.6	54.5

The principal actuarial assumptions used:	2016	2015
Discount rate, %	1.10	2.00
Future salary increase, %	2.70	2.70
Future pension increase, %	1.60	1.70

Sensitivity analysis of net defined benefit obligation:

	Effect on the net defined benefit obligation, EUR million	
Change in actuarial assumptions	2016	2015
Discount rate + 0.5 %	-1.6	-1.3
Future pension increase +0.5 %	4.9	4.1
Expected mortality +1 year	1.0	0.8

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 14.7 (14.6) years.

The Group expects to contribute EUR 0.4 (0.8) million to defined benefit pension plans in 2017.

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

29. PROVISIONS

EUR million	Termination benefits	Other	Total
1 Jan. 2015	4.4	2.5	6.8
Increases in provisions	5.6		5.6
Reversals of unused provisions	-0.3		-0.3
Utilised provisions	-3.0	-0.4	-3.4
31 Dec. 2015	6.8	2.1	8.9
Increases in provisions	2.8		2.8
Business acquisitions		0.3	0.3
Reversals of unused provisions	-1.5		-1.5
Utilised provisions	-3.9	-0.0	-4.0
31 Dec. 2016	4.1	2.3	6.4

EUR million	2016	2015
Long-term provisions	3.5	3.4
Short-term provisions	2.9	5.4
	6.4	8.9

Termination benefits

As a part of the Group's rationalisation Elisa has carried out statutory employee negotiations leading to personnel reductions in 2016. The restructuring provision includes provisions for both unemployment pensions and other expenses due to redundancies. The provisions associated with redundancies will be realised in 2017, and the provision associated with unemployment pensions will be realised in 2017–2019.

Other provisions

Other provisions include environmental provisions made for telephone poles and sold properties.

30. FINANCIAL LIABILITIES

	2016		2015	
EUR million	Balance sheet values	Fair values	Balance sheet values	Fair values
Non-current				
Bonds	594.5	646.0	592.5	638.4
Bank loans	209.2	209.2	68.5	68.5
Loans from pension funds	1.0	1.0	1.0	1.0
Capital loans	0.1	0.1	0.1	0.1
Finance lease liabilities	22.5	22.5	23.9	23.9
	827.3	878.8	686.0	731.8
Current				
Bank loans	139.2	139.2	130.7	130.7
Finance lease liabilities	3.1	3.1	3.9	3.9
Commercial paper	199.0	199.0	170.5	170.5
	341.2	341.2	305.2	305.2
	1,168.6	1,220.1	991.1	1,037.0

Interest-bearing liabilities include a total of EUR 25.6 (27.8) 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 3.9 (4.2) years and the effective average rate of interest was 2.1 (2.3) per cent.

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

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

2015 EUR million	2016	2017	2018	2019	2020	2021-	Total
Bonds	15.0	15.0	15.0	315.0	8.3	308.3	676.5
Financial costs	15.0	15.0	15.0	15.0	8.3	8.3	76.5
Repayments				300.0		300.0	600.0
Bank loans	133.7	9.9	59.7	0.0	0.0		203.3
Financial costs	3.0	0.6	0.6	0.0	0.0		4.2
Repayments	130.6	9.3	59.1	0.0	0.0		199.1
Committed credit limits	0.1						0.1
Repayments	0.1						0.1
Commercial paper	170.5						170.5
Financial costs	0.4						0.4
Repayments	170.1						170.1
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						0.1	0.1
Repayments						0.1	0.1
Finance lease liabilities	6.1	4.4	3.1	3.1	3.1	51.7	71.5
Financial costs	2.1	2.0	1.6	1.7	1.6	34.7	43.7
Repayments	3.9	2.4	1.5	1.4	1.5	17.1	27.8
Electricity derivatives	0.0	0.2	0.2	0.2			0.6
Expected payments	0.0	0.2	0.2	0.2			0.6
Interest rate and currency swap	0.0						0.0
Trade payables	130.5						130.5
Financial costs	20.6	17.8	17.3	17.0	9.9	43.0	125.6
Repayments	435.2	11.8	60.8	301.5	1.6	317.7	1,128.7
Total	455.9	29.6	78.1	318.5	11.5	360.8	1,254.3

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 2018 and EUR 130 million in 2019.

At the end of the year, EUR 130 million was drawn with less than one year maturity with floating interest.

Bonds

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

	31 Dec. 2016					
	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	316.9	295.2	300.0	2.250	2.403	4.10.2019
I/2013	329.1	299.3	300.0	2.750	2.785	22.1.2021
	646.0	594.5	600.0			

The fair value of bonds is based on market quotes.

Gross finance lease liabilities –maturity of minimum lease payments

EUR million	2016	2015
Not later than one year	5.1	6.1
Later than one year but not later than five years	12.9	14.0
Later than five years	49.2	51.5
	67.2	71.5
Future financial charges	-41.6	-43.7
Present value of finance lease liabilities	25.6	27.8

Maturity of present value of finance lease liabilities

EUR million	2016	2015
Not later than one year	3.1	3.9
Later than one year but not later than five years	6.3	6.8
Later than five years	16.3	17.1
	25.6	27.8

The Group leases telecom facilities, mobile and optical fibre networks, servers and workstations as well as videoconferencing equipment and infrastructure 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	2016	2015
Non-current		
Advances received	5.2	5.4
Derivative instruments	0.8	3.6
Other liabilities (1	28.0	14.8
	34.0	23.9
Current		
Trade payables (1	150.5	130.5
Advances received	4.1	3.9
Accrued employee-related expenses	55.2	54.8
Other accruals	18.5	15.9
Liabilities to associated companies	0.5	0.3
Other liabilities	78.8	50.1
	307.7	255.5
	341.7	279.4

1) Includes non-current liabilities of EUR 0.0 (6.7) million related to the 800 MHz spectrum license and EUR 17.6 (0.0) million related to the 700 MHz spectrum license. The current liability of EUR 11.1 (6.7) 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	2016	2015
Not later than one year	29.6	29.0
Later than one year but not later than five years	36.7	42.3
Later than five years	26.6	28.0
	93.0	99.4

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 56.3 (55.8) million was paid as lease expenses on the basis of other lease contracts and recognised through profit or loss in 2016.

Group as a lessor

Future minimum lease payments under non-cancellable operating leases:

EUR million	2016	2015
Not later than one year	2.9	2.7
Later than one year but not later than five years	0.5	0.4
	3.4	3.2

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	2016	2015
On behalf of own commitments		
Mortgages	1.2	2.3
Pledged securities	0.1	0.1
Deposits	0.7	0.7
Guarantees	1.1	1.1
On behalf of others		
Guarantees[1]	0.5	0.5
Other	0.0	
	3.6	4.8
Other contractual obligations		
Repurchase obligations	0.0	0.1
Letter of credit	0.1	0.1
Unrecognised interest payable on capital loan	0.0	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 2016.

Real estate investments

Real estate investments VAT refund liability is EUR 30.5 (31.7) million at 31 December 2016.

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. 2016, 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	199.0			199.0
Bank loans	198.3			198.3
Finance lease liabilities	3.1			3.1
Fixed-rate financing instruments				
Bonds		600.0		600.0
Bank loans			150.0	150.0
Loans from pension funds	1.0			1.0
Capital loans	0.1			0.1
Finance lease liabilities		6.3	16.3	22.5
	401.5	606.3	166.3	1,174.0

The Group's interest-bearing financial assets as at 31 December 2016 consisted of commercial papers and bank deposits amounting to EUR 0.0 million and cash in bank amounting to EUR 44.5 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.

	2016		2015	
EUR million	Income statement	Shareholders' equity	Income statement	Shareholders' equity
Change in interest rate level +/- 1%	+/- 4,0		+/- 2,5	

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) 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 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	
SEK	0.1	0.1

Foreign exchange exposure 31 December 2015

EUR million	Trade receivables	Trade payables
USD	0.6	2.0
GBP	0.8	0.3
SDR	0.4	0.8
RUB	0.2	
SEK	0.3	0.0

A change of twenty percentage points in USD would impact consolidated profit before tax by EUR +/- 0.4 (+/- 0.3) million, EUR +/- 0.1 (+/- 0.1) million for GPB, EUR +/- 0.0 (+/- 0.1) million for SDR, EUR +/- 0.0 (+/- 0.0) million for RUB, and EUR +/- 0.0 (+/-0.1) 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 600.0 million. Furthermore, the company has a EUR 250 million commercial paper programme and committed credit limits of EUR 300 million: EUR 130 million had been raised from a credit limit of EUR 170 million that will fall due on 3 June 2018, and a EUR 130 million credit limit that will fall due on 11 June 2021 was fully unclaimed on 31 December 2016. 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 in hand and at banks, and unused committed limits

EUR million	2016	2015
Cash in hand and at bank	44.5	29.1
Credit limits	170.0	450.0
	214.5	479.1

Cash in hand and at bank as well as unused committed credit limits less commercial papers issued by Elisa amounted to EUR 15.5 (308.6) million on 31 December 2016.

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 6.5 (5.7) 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 2016 is the value of trade receivables: EUR 309.9 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 0.4 (0.1) million.

The hedging rate for purchases in the following years,%

	2016	2015
0–1 years	91.3	62.9
1–2 years	46.6	43.2
2–3 years	17.5	24.7
3–4 years	0.0	18.5
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 2016), it would contribute EUR +/- 0.0 (0.0) million to the 2017 income statement and EUR +/- 0.4 (0.6) million to equity. The impact has been calculated before tax.

Other price risk

Elisa's financial assets available-for-sale consist mostly of publicly listed shares in Comptel Corporation. The sensitivity analysis includes shares at the balance sheet date. The analysis assumes a change of twenty percentage points in the share price.

	2016		2015	
EUR million	Income statement	Shareholders’ equity	Income statement	Shareholders’ equity
Change in Comptel share price +/- 20%		+/- 3,4		+/- 5,2

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 net debt / EBITDA 1.5 to 2.0. The net debt / EBITDA indicator is calculated exclusive of non-recurring items.

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	2016	2015
Interest-bearing net debt	1,124.1	962.0
Total equity	971.3	925.9
Total capital	2,095.4	1,887.9
Gearing ratio, %	115.7	103.9
Net debt / EBITDA	2.0	1.8
Equity ratio, %	38.5	41.4

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 2016, the authorisation has been used in executing share based incentive plans.

Shareholders' equity	2016	2015
Treasury shares, 1,000	7,715	7,851
Share issue authorisation, 1,000	14,998	14,865
Share price	30.93	34.79
Total, EUR million	463.9	517.2

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	2016	2015
Commercial paper programme (non-committed) [1]	51.0	79.5
Committed credit limits [2]	170.0	300.0
Bank loans unused (committed) [3]	0.0	150.0
EMTN programme (non-committed) [4]	400.0	400.0
Total, EUR million	621.0	929.5
Total equity and debt capital	1,084.9	1,446.7

1) The commercial paper programme amounts to EUR 250 million, of which EUR 199.0 million was in use at 31 December 2016.

2) Elisa has two committed revolving credit facilities to a total of EUR 300 million, of which EUR 170 million was undrawn at 31 December 2016.

3) On 6 October 2015, Elisa signed a EUR 150 million loan agreement with the European Investment bank. The whole loan was drawn on 6 September 2016.

4) Elisa has a European Medium Term Note programme (EMTN) for a total of EUR 1,000 million. EUR 600.0 million was in use at 31 December 2016. The programme was updated on 15 June 2016, 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 2016:

The parent company of the Group is Elisa Corporation.

Subsidiaries	Domicile	Group's ownership,%
Anvia Hosting Oy	Vaasa	100
Anvia IT-Palvelut Oy	Vaasa	100
Anvia Telecom Oy	Vaasa	100
Anvia TV Oy	Seinäjoki	100
Ekaso Oy	Helsinki	100
Elisa Appelsiini Oy	Helsinki	100
Elisa Eesti As	Tallinn	100
Elisa Hong Kong Limited	Hong Kong	100
Elisa Videra Ltd	Helsinki	100
Elisa Videra Spain S.L	Madrid	100
Elisa Videra UK Ltd.	London	100
Videra Norge As	Oslo	100
Enia Oy	Helsinki	100
Epic TV SAS	Chamonix Mont Blanc	100
Fiaset Oy	Helsinki	100
Fonetic Oy	Jyväskylä	100
Fonum Oy	Helsinki	100
Gisforest Oy	Kajaani	100
Helsingin Netti Media Oy	Helsinki	100
JMS Group Oy	Helsinki	100
Karelsat Oy	Joensuu	100
Kiinteistö Oy Raision Luolasto	Espoo	100
Kiinteistö Oy Rinnetorppa	Kuusamo	80
Kiinteistö Oy Tapiolan Luolasto	Espoo	100
Kotkan Tietoruutu Oy	Kotka	100
Kympnet Oy	Kotka	100
Kymtel Oy	Kotka	100
LNS Kommunikation AB	Stockholm	100
Planetmedia Oy	Kotka	100
Preminet Oy	Helsinki	100
OOO LNR	St. Petersburg	100
Videra LLC	St. Petersburg	100
Sulake Corporation Oy	Helsinki	100
Habbo Hotel S.L (Spain)	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	London	100
Tampereen Tietoverkko Oy	Tampere	63
Telcont Oy	Kotka	100
Watson Nordic Oy	Vaasa	100

Joint ventures		
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
Länsilinkki Oy	Turku	20
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.

Arediv Oy merged into the parent company Elisa Oyj on 30 June 2016. The merger does not affect the consolidated financial statements.

One Conference Ab, the subsidiary of Elisa Videra, was liquidated on 16 August 2016. The liquidation resulted in a loss of EUR 0.2 million recorded in other operating expenses, and it removed a total of EUR 0.3 million goodwill from the Group.

Sulake Danmark ApS, the subsidiary of Sulake, was liquidated on 14 June 2016. The liquidation does not affect the consolidated financial statements.

Elisa divested its ownership in Kiinteistö Oy Kiihtelysvaaran Oravanpyörä on 12 December 2016. The divestment resulted in a loss of EUR 0.1 million.

As a part of Anvia ICT companies acquisition, Kiinteistö Oy Pohjanplassi, Länsilinkki Oy and Tele Scope Oy became associated companies of the Group.

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 proportionate method.

Associates

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

On 31 December 2016, the Group had no significant associated companies. On 31 December 2015, the Group had one significant associated company: Anvia Plc. Anvia Plc 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 (30 on 30 December 2015) per cent of all shares of Anvia Plc.

The earnings effect of the divestment, EUR +0.3 million, is included in financial income on the 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 Softera Oy on 3 February 2016. The divestment resulted in a profit of EUR 0.2 million recorded in the financial income in the income statement. The impact of the result incurred during the period of the ownership by the Group has been taken into account in the profit.

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	2016	2015
Revenue	68.1	130.7
Profit for the period	-3.4	7.4
Group's share of profit	-1.4	2.2
Non-current assets		117.5
Current assets		54.7
Non-current liabilities		25.4
Current liabilities		34.0
Provisions		0.2
Net assets		112.7
Group's share of net assets		33.9
Goodwill		25.9
Dividends received		-2.3
Carrying amount of Group's interest		57.5

Aggregated financial information of non-material associates

EUR million	2016	2015
Group's share of profit	0.0	0.1
Carrying amount of Group's interest in the associates	2.2	1.9

The Group's share of the associated companies and changes during 2015. See Note 16.

Transactions carried out with related parties:

EUR million 2016	Sales	Purchases	Receivables	Liabilities
Associates and joint arrangements	0.5	3.0	0.2	0.5
2015				
Associates and joint arrangements	0.4	2.7	0.8	0.3

Employee benefits to key management are presented under Note 7.

36. EVENTS AFTER THE BALANCE SHEET DATE

The Shareholders' Nomination Board of Elisa Corporation proposes to the Annual General Meeting of 6 April 2017 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 Mika Vehviläinen be re-elected as members of the Board. The Nomination Board proposes further that Mr Antti Vasara is elected as a new member of the Board.

On 19 January 2017, Anvia's Extraordinary General Meeting approved the interim financial statements. Hence, Elisa can carry out the Anvia transaction at the final purchase price with the remaining share transfers.

Key indicators

KEY INDICATORS DESCRIBING THE GROUP'S FINANCIAL DEVELOPMENT

	2016	2015	2014	2013	2012
INCOME STATEMENT					
Revenue, EUR million	1,636	1,569	1,535	1,547	1,553
Change of revenue,%	4.2	2.2	-0.8	-0.4	1.5
EBITDA (EUR million)	563	532	520	491	501
EBITDA as % of revenue	34.4	33.9	33.8	31.7	32.3
EBIT, EUR million	339	312	305	281	299
EBIT as % of revenue	20.7	19.9	19.9	18.1	19.2
Profit before tax, EUR million	320	291	278	255	269
Profit before tax as % of revenue	19.6	18.5	18.1	16.5	17.3
Return on equity (ROE),%	27.1	27.0	25.6	22.9	24.7
Return on investment (ROI),%	17.0	16.5	15.7	15.3	17.4
Research and development costs, EUR million	11	15	13	10	9
Research and development costs as % of revenue	0.7	0.9	0.8	0.6	0.6
BALANCE SHEET					
Gearing ratio,%	115.7	103.9	114.0	112.6	99.3
Current ratio	1.0	0.7	0.9	1.0	1.0
Equity ratio,%	38.5	41.4	39.4	37.3	42.3
Non-interest bearing liabilities, EUR million	393	330	322	353	285
Interest bearing net debt	1,124.1	962.0	1,001.5	971.2	838.6
Balance sheet total, EUR million	2,533	2,247	2,243	2,324	2,009
INVESTMENTS					
Investments in shares and business combinations, EUR million	108	18	43	150	
CAPITAL EXPENDITURES					
Investments, EUR million	226	196	191	240	193
Investments as % of revenue	13.8	12.5	12.5	15.5	12.5
PERSONNEL					
Average number of employees during the period	4,247	4,146	4,138	4,320	3,973
Revenue/employee, EUR 1,000	385	379	371	358	391

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]

	2016	2015	2014	2013	2012
Share capital, EUR	83,033,008	83,033,008	83,033,008	83,033,008	83,033,008
Number of shares at year-end	159,619,944	159,484,067	159,349,030	159,349,030	156,879,666
Average number of shares	159,607,755	159,469,737	159,349,030	157,269,132	156,548,402
Number of shares at year-end, diluted	159,619,944	159,484,067	159,349,030	159,349,030	157,016,312
Average number of shares, diluted	159,607,755	159,469,737	159,349,030	157,269,132	156,685,047
Market capitalisation, EUR million [2]	5,176	5,822	3,783	3,223	2,797
Earnings per share (EPS), EUR	1.61	1.52	1.41	1.25	1.33
Dividend per share, EUR	1,50 [5]	1.40	1.32	1.30	1.30
Payout ratio,%	93.1	91.8	93.5	104.0	97.5
Equity per share, EUR	6.08	5.80	5.51	5.41	5.37
P/E ratio	19.2	22.8	16.0	14.8	12.6
Effective dividend yield,% [2]	4.8	4.0	5.8	6.7	7.8
Share performance on Nasdaq Helsinki					
Mean price, EUR	32.27	28.37	20.93	16.15	16.61
Closing price at year-end, EUR	30.93	34.79	22.61	19.26	16.73
Lowest price, EUR	28.40	22.10	18.19	13.37	14.84
Highest price, EUR	35.80	35.99	24.04	19.49	17.97
Trading of shares on Nasdaq Helsinki [3]					
Total trading volume, 1,000 shares	105,663	113,312	112,729	128,100	116,534
Percentage of shares traded [4]	63	68	67	77	70

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 2016 were approximately 180 (153) 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 1.50 per share.

FORMULAE FOR PER-SHARE INDICATORS

Earnings per share (EPS)

$$\frac{\text{Profit for the period attributable to the equity holders of the parent}}{\text{Average number of shares during the period adjusted for issues}}$$

Dividend per share [1]

$$\frac{\text{Dividend adjusted for issues}}{\text{Number of shares at the balance sheet date adjusted for issues}}$$

Effective dividend yield, %

$$\frac{\text{Dividend per share}}{\text{Share price at the balance sheet date adjusted for issues}} \times 100$$

Payout ratio, % [1]

$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Equity per share

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

P/E ratio (Price / Earnings)

$$\frac{\text{Share price on the balance sheet date}}{\text{Earnings per share}}$$

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

Income statement, parent company, FAS

EUR million	Note	2016	2015
Revenue	1	1,387.9	1,368.3
Other operating income	2	8.8	7.3
Materials and services	3	-551.4	-548.2
Personnel expenses	4	-189.0	-188.4
Depreciation and amortisation	5	-219.2	-216.2
Other operating expenses		-151.6	-144.9
Operating profit		285.4	278.0
Financial income and expenses	7	-26.7	-23.2
Profit before appropriations		258.7	254.9
Appropriations	8	7.3	-9.5
Income taxes	9	-59.7	-55.4
Profit for the period		206.3	190.0

Balance sheet, parent company, FAS

EUR million	Note	31 Dec. 2016	31 Dec. 2015
ASSETS			
Fixed assets			
Intangible assets	10	413.4	421.5
Tangible assets	10	606.1	611.5
Investments	11	367.4	340.2
		1,386.8	1,373.2
Current assets			
Inventories	12	43.0	41.9
Non-current receivables	13	137.3	119.4
Current receivables	14	510.4	323.5
Cash and bank		34.6	9.3
		725.3	494.2
TOTAL ASSETS		2,112.1	1,867.4
SHAREHOLDERS’ EQUITY AND LIABILITIES			
Shareholders’ equity	15		
Share capital		83.0	83.0
Treasury shares		-142.7	-145.4
Reserve for invested non-restricted equity		77.8	77.8
Contingency reserve		3.4	3.4
Retained earnings		175.2	211.0
Profit for the period		206.3	190.0
		403.1	419.9
Accumulated appropriations		79.6	80.1
Provisions for liabilities and charges	16	5.5	7.9
Liabilities			
Non-current liabilities	17	861.2	762.0
Current liabilities	18	762.7	597.5
		1,623.9	1,359.5
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,112.1	1,867.4

Cash flow statement, parent company, FAS

EUR million	2016	2015
Cash flow from operating activities		
Profit before appropriations	258.7	254.9
Adjustments:		
Depreciation and amortisation	219.2	216.2
Other income and expenses with no payment relation	0.8	1.9
Other financial income (-) and expenses (+)	21.9	22.2
Gains (-) and losses (+) on the disposal of fixed assets	-0.6	-2.8
Gains (-) and losses (+) on the disposal of investments	4.8	1.0
Change in provisions in the income statement	-2.4	1.3
Cash flow before changes in working capital	502.5	494.6
Increase (+) / decrease (-) in working capital	18.6	-22.6
Cash flow before financial items and taxes	521.1	472.0
Dividends received	1.7	1.8
Interest received	1.9	3.0
Interest paid	-23.9	-24.5
Income taxes paid	-64.5	-51.4
Net cash flow from operating activities	436.4	400.9
Cash flow from investing activities		
Capital expenditure	-206.1	-182.6
Proceeds from disposal of tangible and intangible assets	1.4	1.5
Investments in shares and other financial assets	-40.3	0.2
Proceeds from disposal of shares and other financial assets	3.1	5.5
Loans granted	-185.7	-19.6
Repayment of loan receivables	2.6	7.0
Net cash flow used in investing activities	-425.0	-188.0
Cash flow after investing activities	11.4	212.9
Cash flow from financing activities		
Repayment of long-term borrowings (+)	150.0	
Change in short-term borrowings (-)	-156.6	-10.6
Increase (+) / decrease (-) in short-term borrowings	242.7	-24.2
Group contributions received (+) / paid (-)	0.6	12.1
Dividends paid	-222.8	-209.8
Net cash flow used in financing activities	13.9	-232.6
Change in cash and cash equivalents	25.3	-19.6
Cash and cash equivalents at the beginning of the period	9.3	29.0
Cash and cash equivalents at the end of the period	34.6	9.3

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.

Items denominated in foreign currencies

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	2016	2015
Sales	1,450.5	1,439.9
Interconnection fees and other adjustments	-62.6	-71.6
	1,387.9	1,368.3
Geographical distribution		
Finland	1,362.0	1,340.9
Rest of Europe	23.2	24.3
Other countries	2.7	3.2
	1,387.9	1,368.3

2. OTHER OPERATING INCOME

EUR million	2016	2015
Gain on disposal of fixed assets	0.6	2.8
Others [1]	8.2	4.5
	8.8	7.3

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

3. MATERIALS AND SERVICES

EUR million	2016	2015
Materials, supplies and goods		
Purchases	218.5	200.7
Change in inventories	-1.1	-3.7
	217.4	197.0
External services	334.0	351.1
	551.4	548.2

4. PERSONNEL EXPENSES

EUR million	2016	2015
Salaries and wages	154.8	154.1
Pension expenses	27.1	28.0
Other statutory employee expenses	7.2	6.3
	189.0	188.4
Personnel on average	2,563	2,606

CEO remuneration, EUR	2016	2015
Fixed salary	546,781.84	536,640.00
Performance-based bonus	351,261.00	261,340.00
Fringe benefits	9,132.16	19,130.04
Share-based payments [1]	947,863.00	732,815.43
	1,855,038.00	1,549,925.47

1) The maximum award allocated to the CEO under the share-based compensation plans equals the value of 248,131 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. See Note 7 in the consolidated financial statements.

The Board of Directors' remuneration, EUR	2016	2015
Petteri Koponen	69,000.00	68,000.00
Clarisse Berggårdh	54,000.00	
Raimo Lind	117,000.00	115,000.00
Leena Niemistö	69,000.00	67,000.00
Eira Palin-Lehtinen		18,500.00
Jaakko Uotila	70,500.00	68,000.00
Seija Turunen	82,500.00	77,000.00
Mika Vehviläinen	80,500.00	79,000.00
	542,500.00	492,500.00

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 monthly remuneration fees (deducted by tax) are used to purchase Elisa shares at the end of every quarter. 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	2016	2015
Intangible assets	65.9	63.4
Tangible assets	153.3	152.8
	219.2	216.2

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

6. AUDITOR FEES

EUR million	2016	2015
Auditing	0.2	0.2
Tax advisory services	0.0	0.1
Education services		0.0
Other services	0.2	0.2
	0,5	0,5

7. FINANCIAL INCOME AND EXPENSES

EUR million	2016	2015
Interest income and other financial income		
Dividends received		
from Group companies	0.7	0.9
from associated companies	0.6	0.4
from others	0.5	0.5
	1.7	1.8
Other interest and financial income		
from Group companies	1.2	1.3
from others	1.9	1.4
	3.0	2.6
	4.7	4.4
Interest costs and other financial expenses		
to Group companies	-3.8	-3.1
to others	-27.6	-24.3
Impairments		-0.2
	-31.4	-27.6
	-26.7	-23.2

8. APPROPRIATIONS

EUR million	2016	2015
Change in depreciation difference	0.5	-3.9
Group contributions received	10.6	10.4
Group contributions given	-3.8	-16.1
	7.3	-9.5

9. INCOME TAXES

EUR million	2016	2015
Regular business	-59.7	-55.5
Previous period taxes	0.0	0.1
	-59.7	-55.4

10. INTANGIBLE AND TANGIBLE ASSETS

Intangible Assets

2016

EUR million	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

Tangible assets

2016

EUR million	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

Intangible Assets

2015

EUR million	Development costs	Intangible rights	Goodwill	Other intangible assets	Under construction	Total
Acquisition cost at 1 Jan. 2015	22.2	69.6	809.4	349.8	11.9	1,263.0
Additions	2.2	4.9	0.5	14.5	13.1	35.2
Disposals				-0,0	-0.1	-0.1
Reclassifications	0.7	-1.5		4.6	-2.6	1.1
Acquisition cost at 31 Dec. 2015	25.1	73.0	809.9	368.8	22.4	1,299.2
Accumulated amortisation at 1 Jan. 2015	17.4	28.3	474.4	294.2		814.3
Amortisation for the period	3.5	5.8	34.3	19.6		63.3
Accumulated amortisation at 31 Dec. 2015	20.9	34.2	508.8	313.8		877.6
Book value at 31 Dec. 2015	4.2	38.8	301.1	55.0	22.4	421.5

Tangible assets

2015

EUR million	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Under construction	Total
Acquisition cost at 1 Jan. 2015	6.6	164.5	2,813.4	35.1	19.2	3,038.9
Additions	0.0	5.8	117.7	0.0	17.2	140.8
Disposals	-0,0	-0,0	-11.3			-11.3
Reclassifications	0.0	1.2	12.7		-15.0	-1.1
Acquisition cost at 31 Dec. 2015	6.6	171.5	2,932.6	35.1	21.4	3,167.2
Accumulated depreciation at 1 Jan. 2015		82.2	2,297.3	34.3		2,413.7
Accumulated depreciation of disposals and reclassifications		-0,0	-10.8			-10.8
Depreciation for the period		8.5	144.3	0.1		152.8
Accumulated depreciation at 31 Dec. 2015		90.6	2,430.8	34.3		2,555.7
Book value at 31 Dec. 2015	6.6	80.9	501.9	0.8	21.4	611.5

11. INVESTMENTS

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	
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

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

2015 EUR million	Shares Group companies	Shares Associated companies	Shares Other companies	Receivables Group companies	Total
Acquisition cost at 1 Jan. 2015	283.2	17.7	22.1	10.0	333.0
Additions	0.8	0.0		0.0	0.8
Disposals		-4.5	-2.1		-6.6
Reclassifications	20.7			-3.0	17.7
Acquisition cost at 31 Dec. 2015	304.7	13.2	20.0	7.0	344.9
Impairment at 1 Jan. 2015	-0.5		-4.1	-0.1	-4.7
Impairment at 31 Dec. 2015	-0.5		-4.1	-0.1	-4.7
Book value at 31 Dec. 2015	304.2	13.2	15.9	7.0	340.2

12. INVENTORIES

EUR million	2016	2015
Materials and supplies	8.3	6.3
Finished goods	34.7	35.6
	43.0	41.9

13. NON-CURRENT RECEIVABLES

EUR million	2016	2015
Receivables from Group companies		
Loan receivables	68.1	50.7
Receivables from associated companies		
Prepayments and accrued income		0.6
Receivables from others		
Loan receivables	0.1	0.1
Trade receivables	55.7	51.3
Prepayments and accrued income (1	13.3	15.3
Other receivables		1.4
	69.2	68.1
	137.3	119.4
1) Breakdown of prepayment and accrued income		
Rent advances	9.1	9.0
Transaction costs and losses related to loan issuance	4.2	6.3
	13.3	15.3

14. CURRENT RECEIVABLES

EUR million	2016	2015
Receivables from Group companies		
Loan receivables	18.6	19.7
Trade receivables	6.4	14.2
Prepayments and accrued income	1.9	1.2
Other receivables	10.6	10.8
	37.5	45.9
Receivables from associated companies		
Trade receivables	0.2	0.0
Prepayments and accrued income		0.1
	0.2	0.2
Receivables from others		
Trade receivables	261.8	256.5
Loan receivables	168.6	1.6
Prepayments and accrued income (1	23.6	17.2
Other receivables	18.6	2.2
	472.7	277.5
	510.4	323.5
1) Breakdown of prepayment and accrued income		
Interest	0.2	0.1
Rent advances	1.8	1.8
Transaction costs and losses related to loan issuance	2.2	2.2
Taxes	1.9	
Other business expense advances	17.5	13.0
	23.6	17.2

15. SHAREHOLDERS' EQUITY

EUR million	2016	2015
Share capital at 1 Jan.	83.0	83.0
Share capital at 31 Dec.	83.0	83.0
Treasury shares at 1 Jan.	-145.4	-148.1
Disposal of treasury shares	2.7	2.7
Treasury shares at 31 Dec.	-142.7	-145.4
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.	401.0	423.9
Dividend distribution	-223.5	-210.5
Withdrawal of dividend liabilities	0.4	0.4
Disposal of treasury shares	-2.7	-2.7
Retained earnings at 31 Dec.	175.2	211.0
Profit for the period	206.3	190.0
	403.1	419.9
Distributable earnings		
Retained earnings	175.2	211.0
Treasury shares	-142.7	-145.4
Reserve for invested non-restricted equity	77.8	77.8
Development costs	-3.2	
Profit for the period	206.3	190.0
	313.5	333.5

16. PROVISIONS

EUR million	2016	2015
Provision for unemployment pensions	3.2	3.1
Other provisions [1]	2.4	4.8
	5.5	7.9

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

Provisions of EUR 3.3 (3.1) million were used and EUR 1.3 (0.6) million were cancelled in 2016.

17. NON-CURRENT LIABILITIES

EUR million	2016	2015
Interest-bearing		
Liabilities to Group companies		
Other liabilities	26.0	78.0
Liabilities to others		
Bonds	600.0	600.0
Loans from financial institutions	209.1	68.2
Loans from pension funds	1.0	1.0
	810.1	669.2
	836.1	747.2
Non-interest bearing		
Liabilities to others		
Trade payables	17.6	6.7
Accruals and deferred income [1]	7.5	8.2
	25.1	14.8
	861.2	762.0
Liabilities maturing after five years		
Bonds		300.0
Loans from financial institutions	150.0	
Loans from pension funds	0.6	1.0
	150.6	301.0
1) Breakdown of accruals and deferred income		
Rent advances	7.5	8.2

18. CURRENT LIABILITIES

EUR million	2016	2015
Interest-bearing		
Liabilities to Group companies		
Group account	145.2	61.0
Other liabilities	26.0	
	171.2	61.0
Liabilities to others		
Loans from financial institutions	139.1	130.6
Commercial paper	199.0	170.5
	338.1	301.1
	509.3	362.1
Non-interest bearing		
Liabilities to Group companies		
Advances received		0.0
Trade payables	8.7	8.9
Accruals and deferred income	0.1	0.1
Other liabilities	3.8	16.5
	12.5	25.5
Liabilities to associated companies		
Trade payables	0.4	0.3
	0.4	0.3
Liabilities to others		
Advances received	1.3	1.1
Trade payables	130.8	114.2
Accruals and deferred income [1]	46.9	50.8
Other liabilities	61.4	43.5
	240.4	209.6
	253.4	235.4
	762.7	597.5
[1] Breakdown of accruals and deferred income		
Holiday pay, performance-based bonuses and related statutory employee costs	34.6	34.9
Interest	9.8	9.8
Direct taxes		2.9
Rent advances	1.3	1.4
Advance income	1.0	1.5
Others	0.3	0.3
	46.9	50.8

19. COLLATERAL, COMMITMENTS AND OTHER LIABILITIES

Collateral

EUR million	2016	2015
On behalf of own commitments		
Bank deposits	0.5	0.6
Guarantees	1.1	1.1
Pledged securities	0.1	0.1
On behalf of others		
Guarantees	0.5	0.5
	2.2	2.3

Leasing and rental liabilities

EUR million	2016	2015
Leasing liabilities on telecom networks (1		
Due within one year	0.2	0.3
Due later than one year and up to five years	0.5	0.7
Due later than five years		0.1
	0.8	1.0
Other leasing liabilities (2		
Due within one year	5.7	5.8
Due later than one year and up to five years	10.3	11.1
Due later than five years		0.6
	16.1	17.5
Repurchase obligations (3	0.0	0.0
Letter of credit	0.1	0.1
Real estate leases (4		
Due within one year	24.7	25.1
Due later than one year and up to five years	37.8	43.8
Due later than five years	97.6	102.5
	160.1	171.4
	177.0	190.0

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 on telecom networks and terminals 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.

Derivative instruments

EUR million	2016	2015
Interest rate and currency swap		
Nominal value		1.5
Fair value recognised on the balance sheet		-0.1
Electricity derivative		
Nominal value	4.3	5.6
Fair value recognised on the balance sheet	-0.8	-1.8

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,%

	2016	2015
0–1 years	91.3	62.9
1–2 years	46.6	43.2
2–3 years	17.5	24.7
3–4 years	0.0	18.5
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 2016, it would contribute EUR +/- 0.4 (0.4) million to the 2017 income statement. The impact has been calculated before tax.

Real estate investments

The VAT refund liability of real estate investments was EUR 30.5 (31.7) million at 31 December 2016.

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 authorised 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 2017, and it annuls the authorisation given by the

Annual General Meeting to the Board of Directors on 26 March 2015.

3. Treasury shares, share issues and cancellations

At the beginning of the financial period, Elisa held 7,851,006 treasury shares.

The Annual General Meeting held on 31 March 2016 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 135,877 treasury shares were disposed of during the financial year.

At the end of the financial period, Elisa held 7,715,129 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 4.61 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 2016 was 97,254 shares and votes, which represented 0.06 per cent of all shares and votes.

5. Share performance

The Elisa share closed at EUR 30,93 on 31 December 2016. The highest quotation of the year was EUR 35,80 and the lowest EUR 29,05. The average price was EUR 32,27.

At the end of the financial year, the market capitalisation of Elisa's outstanding shares was EUR 5,175.7 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 2016 was 105,662,729 shares for an aggregate price of EUR 3,409 million. The trading volume represented 63.1 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 2016

		Number of shares	Proportion of all shares, %
1	Private companies	22,467,956	13.43
2	Financial and insurance institutions	2,353,872	1.41
3	Public corporations	12,959,610	7.74
4	Non-profit organisations	5,206,141	3.11
5	Households	44,397,102	26.53
6	Foreign	2,497,518	1.49
7	Nominee registered	69,737,747	41.68
	Elisa Group	7,715,129	4.61
		167,335,073	100.00

8. DISTRIBUTION OF HOLDING BY AMOUNT AT 31 DECEMBER 2016

Size of holding	Number of shareholders	%	Number of shares	%
1–100	36,436	18.33	1,868,808	1.12
101–1 000	157,047	79.01	34,017,336	20.33
1 001–10 000	4,995	2.51	11,855,203	7.08
10 001–100 000	261	0.13	6,647,836	3.97
100 001–1 000 000	26	0.01	5,445,567	3.25
1 000 001–	6	0.00	29,539,240	17.65
Nominee registered			69,737,747	41.68
	198,773	100.00		
Elisa Common Clearing account (1			508,207	0.30
Elisa Group			7,715,129	4.61
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 2016

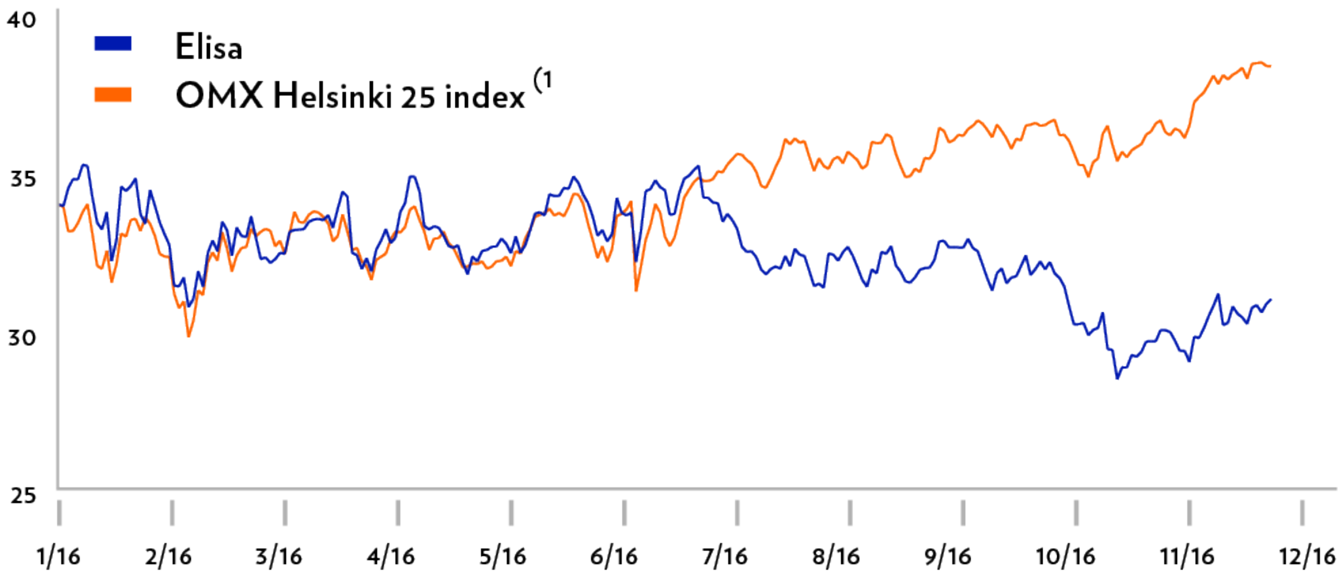
	Name	Number of shares	%
1.	Solidium Oy	16 801 000	10.04
2.	Varma Mutual Pension Insurance Company	6 711 976	4.01
3.	Ilmarinen Mutual Pension Insurance Company	2 014 304	1.20
4.	Swiss National Bank	1 641 988	0.98
5.	State Pension Fund	1 330 000	0.79
6.	City of Helsinki	1 124 690	0.67
7.	Elo Mutual Pension Insurance Company	493 000	0.29
8.	KPY Sijoitus LLC	457 163	0.27
9.	Sigrid Juselius Säätiö	352 000	0.21
10.	Åbo Akademi University Foundation sr	342 900	0.20
11.	OP Life Assurance Company Ltd	318 902	0.19
12.	Samfundet Folkhälsan i Svenska Finland rf	315 263	0.19
13.	Danske Invest Suomi Yhteisöosake	298 607	0.18
14.	City of Vantaa	258 738	0.15
15.	Seligson & Co Equity Fund	254 000	0.15
16.	Verdipapirfondet Odin Finland	232 788	0.14
17.	Andra AP-fonden	202 672	0.12
18.	Föreningen Konstsamfundet R.F.	190 000	0.11
19.	Orionin Eläkesäätiö	173 300	0.10
20.	Stiftelsen Brita Maria Renlunds Minne	153 300	0.09
		33 666 591	20.12
	Elisa Group	7 715 129	4.61
	Elisa Personnel Fund	85 489	0.05
	Kotkan Puhelinyhdistys Pension Fund	6 336	0.00
	Elisa Common Clearing account [1)]	508 207	0.30
	Nominee registered	69 737 747	41.68
	Shareholders not specified here	55 615 574	33.24
		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 notice in accordance with Chapter 9, Section 5 of the Finnish Securities Market Act that the direct share ownership of Elisa Corporation shares owned by BlackRock, Inc. was 8,934,243 and by its funds was 392,352, totaling 8,479,441 shares which was 5,57 per cent of Elisa Corporation’s entire stock.

10. DAILY PRICE DEVELOPMENT

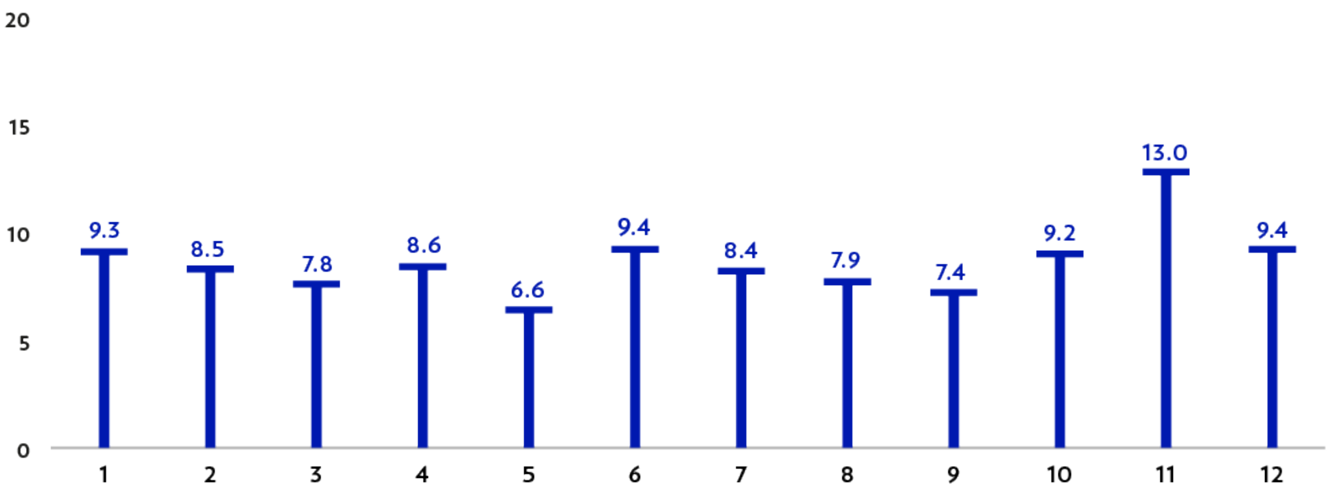
Closing price, EUR



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 2016, the parent company’s shareholders’ equity is EUR 403,144,713.66 of which distributable funds account for EUR 313,529,045.18.

The parent company’s profit for the period 1 January to 31 December 2016 was EUR 206,340,370.02.

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

- a dividend of EUR 1.50 per share shall be paid for a total of EUR 239,429,916.00
- no dividend shall be paid on shares in the parent company’s possession
- EUR 74,099,129.18 shall be retained in shareholders’ equity.

Signatures to the Board of Directors’ report and financial statements

Helsinki, 26 January 2017

Raimo Lind
Chairman of the Board of Directors

Clarisse Berggårdh

Petteri Koponen

Leena Niemistö

Seija Turunen

Jaakko Uotila

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 2016. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders' 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, cash flow statement and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance and financial position 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.

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.

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.

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 € 880 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 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 € 1,636 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.

– 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 2016 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 consolidated 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 the 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 skepticism 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

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon. We 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 report of the Board of Directors, 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, 26 January 2017

KPMG OY AB

Esa Kailiala

Authorized Public Accountant, KHT