

# Financial Statements 2016

27 January 2017

The logo for elisa, written in a blue, lowercase, cursive script font.

## ELISA'S FINANCIAL STATEMENTS 2016

### Fourth quarter 2016

- Revenue amounted to EUR 434m (404)
- EBITDA was EUR 139m (128) and EBIT was EUR 76m (68)
- Comparable EBIT was EUR 85m (77)
- Earnings per share were EUR 0.37 (0.35) and comparable EPS was EUR 0.41 (0.37)
- Cash flow after investments excluding investments in shares was EUR 53m (30), reported cash flow after investments was EUR -115m (30)
- Mobile ARPU was EUR 17.0 (16.7 in previous quarter)
- Mobile churn was 18.2 per cent (18.0 in previous quarter)
- Mobile service revenue increased by 3.4 per cent to EUR 194m (188)
- The number of Elisa's mobile subscriptions decreased by 36,600 during the quarter
- The number of fixed broadband subscriptions increased by 3,400 during the quarter

### Year 2016

- Revenue was EUR 1,636m (1,569)
- EBITDA was EUR 563m (532) and EBIT was EUR 339m (312)
- Comparable EBITDA and EBIT were EUR 564m (536) and 349m (322), respectively
- Earnings per share were EUR 1.61 (1.52) and comparable EPS was EUR 1.66 (1.54)
- Cash flow after investments excluding investments in shares was EUR 281m (266), reported cash flow after investments was EUR 65m (253).
- Net debt / EBITDA was 2.0 (1.8) and gearing 116 per cent (104)

### Key indicators

EUR million	4th Quarter		Full year	
	2016	2015	2016	2015
Revenue	434	404	1,636	1,569
EBITDA	139	128	563	532
Comparable EBITDA	139	131	564	536
EBIT	76	68	339	312
Comparable EBIT	85	77	349	322
Profit before tax <sup>1)</sup>	74	62	320	291
Earnings per share, EUR <sup>1)</sup>	0.37	0.35	1.61	1.52
Capital expenditure	84 <sup>2)</sup>	50	226 <sup>2)</sup>	196

<sup>1)</sup> Comparable figures: Q4 2016 Profit before tax EUR 80m (71) and EPS EUR 0.41 (0.37), full year 2016 Profit before tax EUR 327m (300) and EPS EUR 1.66 (1.54). <sup>2)</sup> Includes 700 MHz license fee of EUR 22m.

### Financial position and cash flow

EUR million	End 2016	End 2015
Net debt	1,124	962
Net debt / EBITDA <sup>1)</sup>	2.0	1.8
Gearing ratio, %	115.7	103.9
Equity ratio, %	38.5	41.4

EUR million	4th Quarter		Full year	
	2016	2015	2016	2015
Cash flow after investments	-115	30	65	253
Cash flow after investments excluding investments in shares <sup>2)</sup>	53	30	281	266

<sup>1)</sup> (Interest-bearing debt – financial assets) / (4 previous quarters' EBITDA exclusive of non-recurring items)

<sup>2)</sup> Q4/16 and full year 2016 EUR 167m loan arrangement relating to the Starman acquisition

The Board of Directors proposes to the Annual General Meeting a dividend of EUR 1.50 per share. The Board of Directors decided also to propose an authorisation to acquire a maximum of 5 million treasury shares, which corresponds to 3 per cent of the total shares.

## CEO Veli-Matti Mattila:

### Best-ever year again for Elisa

Elisa's competitiveness and result continued to strengthen, despite the challenging situation in the general economy. The revenue and earnings in 2016 were the best ever. Earnings improved thanks to growth in the mobile service revenue and investments in the productivity of Elisa's operations. The acquisition of Anvia's telecom, IT and entertainment services also had a positive impact. The integration of Anvia and Elisa's operations has progressed well.

The convenience and speed of use increased the appreciation of mobile and fixed network broadband subscriptions among consumers, corporate customers and public sector organisations. The number of fixed network broadband subscriptions grew by 61,000, while the base of mobile subscriptions declined by approximately 46,000 during the year. 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.

We introduced several new services and types of content for our consumer customers. Elisa Viihde's popular series *Downshifftaajat* continued in December, and the season's number of viewers tripled in comparison to the first season. A new original series, *Suomen Konttori*, is set to begin in February this year. The Watson TV service released a new TV application for Android. We were also the first reseller in Europe to introduce OnePlus phones to consumers and entrepreneurs.

We are strongly involved in the development and digitalisation of Finnish society and the operations of Finnish companies. Elisa's open development and service platform, Elisa IoT, received international recognition. In the Elisa Innovation Challenge competition, Elisa presented the prize to an energy self-sufficient positioning and smart lock solution. In addition, Elisa introduced a new service model for the business sector that allows employees to influence the choice of their company phone by paying part of the costs themselves.

We develop our networks systematically. We broke the world record in Finland's fastest 4G network by achieving a speed of 1.9 Gbit/s, and we were the first operator to test 5G in Finland and the first in the Nordic countries to test the 700 MHz frequency, of which we won 2x10 MHz slot in the auction. This frequency improves the coverage and capacity of the mobile network. In the fixed network, we tested, among other things, G.fast technology, which allows for speeds of up to 1 Gbit/s in the current fixed broadband network in areas of SDU buildings and old MDU buildings.

We invested actively in providing jobs for young people. In cooperation with its subsidiaries and temporary work agencies, Elisa hired 200 young people for summer jobs. We aim to help our customers in the digitalising world, we produce content that increases the convenience of customers online, and we continue to organise popular digital schools for schoolchildren. ShedHelsinki, a musical theatre initiative with a focus on diversity, was realised at Elisa's initiative.

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

## FINANCIAL STATEMENTS 2016

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

### 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 <sup>1)</sup>	564	536	520
<i>EBITDA-%</i>	<i>34.4</i>	<i>33.9</i>	<i>33.8</i>
<i>Comparable EBITDA-%</i>	<i>34.5</i>	<i>34.1</i>	<i>33.8</i>
EBIT	339	312	305
Comparable EBIT <sup>2)</sup>	349	322	305
<i>EBIT-%</i>	<i>20.7</i>	<i>19.9</i>	<i>19.9</i>
<i>Comparable EBIT-%</i>	<i>21.4</i>	<i>20.5</i>	<i>19.9</i>
Return on equity, %	27.1	27.0	25.6

<sup>1)</sup> 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.

<sup>2)</sup> 2016 EBIT includes a EUR 9m goodwill impairment write-down relating to the Habbo service.

#### Year 2016

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 payment 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).

#### Fourth quarter 2016

Revenue increased by 7 per cent, from EUR 404 million to EUR 434 million. Revenue was positively affected by the Anvia consolidation, growth in mobile services and equipment sales in both Finland and Estonia, as well as digital services in both segments. Lower interconnection and roaming revenue, as well as decrease in usage and subscriptions of traditional fixed telecom services and operator sales, affected revenue negatively.

Comparable EBITDA increased by 6 per cent from EUR 131 million to EUR 139 million, mainly due to the Anvia consolidation, as well as revenue growth and productivity improvement measures. Comparable EBIT increased by 10 per cent. Depreciation includes a non-recurring EUR 9 million goodwill impairment write-down relating to the Habbo service.

Net financial income and expenses improved to EUR -2 million (-6), mainly due to non-recurring EUR 3 million payment relating to unclaimed shares in Elisa's listing and lower interest rates. Income taxes in the income statement increased to EUR -15 million (-6), mainly due to tax asset booking in previous year. Elisa's net profit was EUR 59 million (56). Comparable net profit was EUR 65 million (59). The Group's earnings per share amounted to EUR 0.37 and comparable EPS to EUR 0.41 (0.37).

#### Financial position

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

EUR million	Full year 2016	Full year 2015	Full year 2014
Cash flow after investments	65	253	185
Cash flow after investments excluding investments in shares <sup>2)</sup>	281	266	224

<sup>1)</sup> (interest-bearing debt – financial assets) / (4 previous quarters' EBITDA exclusive of non-recurring items)

<sup>2)</sup> Includes a EUR 167m loan arrangement relating to the Starman acquisition

#### Year 2016

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 fourth quarter.

#### Fourth quarter 2016

Cash flow after investments was EUR -115 million (30), and excluding investments in shares it was EUR 53 million (30). Cash flow excluding investments in shares grew, mainly due to higher EBITDA, positive net working capital change and lower net financial costs.

#### 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 is EUR 107 million, of which EUR 78 million is 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	4th Quarter		Full year	
	2016	2015	2016	2015
Revenue	272	254	1,029	983
EBITDA	91	86	369	348
Comparable EBITDA	91	87	370	349
<i>EBITDA-%</i>	33.6	33.6	35.9	35.4
<i>Comparable EBITDA-%</i>	33.6	34.1	35.9	35.5
EBIT	51	50	241	221
Comparable EBIT	60	57	250	229
CAPEX	46	28	126	111

### Year 2016

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.

### Fourth quarter 2016

Revenue increased by 7 per cent, mainly due to the Anvia consolidation, and growth in mobile services, equipment sales and digital services. The decrease in traditional fixed network services, as well as lower mobile interconnection and roaming revenue, affected revenue negatively.

Comparable EBITDA increased by 7 per cent, mainly due to the Anvia consolidation, revenue growth and productivity improvement measures.

## Corporate Customers business

EUR million	4th Quarter		Full year	
	2016	2015	2016	2015
Revenue	162	150	606	586
EBITDA	47	42	194	185
Comparable EBITDA	47	44	194	187
EBITDA-%	29.2	28.1	31.9	31.5
Comparable EBITDA-%	29.2	29.6	32.0	31.9
EBIT	24	18	99	91
Comparable EBIT	24	20	99	93
CAPEX	38	22	100	85

### Year 2016

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.

### Fourth quarter 2016

Revenue increased by 8 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 7 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	4th Quarter		Full year	
	2016	2015	2016	2015
Capital expenditure, of which	84	50	226	196
- Consumer Customers	46	28	126	111
- Corporate Customers	38	22	100	85
Shares	-1	1	108	18
Total	83	50	334	213

### Year 2016

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

### Fourth quarter 2016

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 <sup>1)</sup>	250	199
EMTN programme <sup>2)</sup>	1,000	600

<sup>1)</sup> The programme is not committed

<sup>2)</sup> 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 & Poors affirmed Elisa's rating as 'BBB+' and the outlook as stable on 8 March 2016. Moodys 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	4rd Quarter		Full year	
	2016	2015	2016	2015
Nasdaq Helsinki, millions	31.6	24.3	105.7	113.3
Other marketplaces, millions <sup>1)</sup>	51.4	40.2	190.6	172.9
Total volume, millions	82.9	64.5	296.2	286.2
Value, EUR million	2,522.1	2,171.4	9,577.1	8,121
% of shares	49.6	38.6	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

<sup>1)</sup> Other marketplaces based on the Fidessa Fragmentation Index.



<b>Number of shares</b>	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 Jan 2016 <sup>1)</sup>		-134,037	134,037
Restricted Share Plan 7 Nov 2016 <sup>2)</sup>		-1,840	1,840
Shares at 31 Dec 2016	167,335,073	7,715,129	159,619,944

<sup>1)</sup> Stock exchange bulletin, 29 January 2016

<sup>2)</sup> 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 (15) in research and development, of which EUR 10 million was capitalised in 2016 (EUR 13 million in 2015 and EUR 13 million in 2014), corresponding to 0.7 per cent of revenue (0.9 per cent in 2015 and 0.9 per cent 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 authorization. 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

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 2x10 MHz of spectrum according 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 Annual Report 2015.

## **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 further reduction of our customers carbon footprint. The total reduction was 37,527 tCO<sub>2</sub> (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 13th 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<sub>2</sub> (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 savings of 7,953 tCO<sub>2</sub> (6,919). Elisa saved 937 tCO<sub>2</sub> (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.

## **2016 Annual Report and Corporate Governance Statement**

Elisa's Corporate Governance Statement will be published on 27 January 2017.

Elisa will publish its 2016 Annual Report, which contains the report by the Board of Directors and the financial statements for 2016, as well as the Corporate Governance Statement, during week 11 (beginning 7 March 2017) on the company website at [www.elisa.com](http://www.elisa.com).

## **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.

## **BOARD OF DIRECTORS**

The annual financial statements figures presented in this release are based on the company's audited financial statements. The auditor's report was issued on 26 January 2017.

## Consolidated Income Statement

EUR million	Note	10-12 2016	10-12 2015	1-12 2016	1-12 2015
<b>Revenue</b>	1	<b>434,0</b>	404,3	<b>1 635,7</b>	1 569,5
Other operating income		1,5	3,0	4,4	4,8
Materials and services		-175,9	-164,4	-626,4	-609,0
Employee expenses		-74,1	-71,1	-274,8	-266,3
Other operating expenses		-46,7	-44,2	-175,9	-166,5
<b>EBITDA</b>	1	<b>138,8</b>	127,7	<b>563,0</b>	532,5
Depreciation, amortisation and impairment		-63,0	-59,9	-223,8	-220,4
<b>EBIT</b>	1	<b>75,8</b>	67,8	<b>339,3</b>	312,1
Financial income		4,4	0,7	6,8	3,6
Financial expense		-6,0	-6,5	-24,6	-27,4
Share of associated companies' profit		0,0	0,1	-1,4	2,3
<b>Profit before tax</b>		<b>74,1</b>	62,0	<b>320,0</b>	290,6
Income taxes		-15,3	-6,1	-62,6	-47,1
<b>Profit for the period</b>		<b>58,8</b>	55,9	<b>257,4</b>	243,5
<b>Attributable to:</b>					
Equity holders of the parent		58,7	55,8	257,1	243,1
Non-controlling interests		0,1	0,1	0,3	0,4
		<b>58,8</b>	55,9	<b>257,4</b>	243,5
<b>Earnings per share (EUR)</b>					
Basic		0,37	0,35	1,61	1,52
Diluted		0,37	0,35	1,61	1,52
<b>Average number of outstanding shares (1000 shares)</b>					
Basic		159 619	159 483	159 608	159 470
Diluted		159 619	159 483	159 608	159 470

## Consolidated Statement of Comprehensive Income

<b>Profit for the period</b>		<b>58,8</b>	55,9	<b>257,4</b>	243,5
<b>Other comprehensive income, net of tax</b>					
<b>Items which may be reclassified subsequently to profit or loss:</b>					
Financial assets available-for-sale		-1,1	9,2	7,7	12,0
Cash flow hedge		0,3	0,3	0,5	-0,9
Translation difference		-0,1	0,0	0,0	0,0
		-1,0	9,5	8,3	11,1
<b>Items which are not reclassified subsequently to profit or loss:</b>					
Remeasurements of the net defined benefit liability		-0,3	1,8	-0,3	1,8
<b>Total comprehensive income</b>		<b>57,6</b>	67,2	<b>265,4</b>	256,5
<b>Total comprehensive income attributable to:</b>					
Equity holders of the parent		57,5	67,1	265,1	256,1
Non-controlling interest		0,1	0,1	0,3	0,4
		<b>57,6</b>	67,2	<b>265,4</b>	256,5

## Consolidated Statement of Financial Position

	31.12. 2016	31.12. 2015
EUR million		
<b>Non-current assets</b>		
Property, plant and equipment	713,9	677,4
Goodwill	879,8	830,1
Other intangible assets	160,0	134,8
Investments in associated companies	2,2	59,5
Financial assets available-for-sale	38,9	30,3
Deferred tax assets	24,6	23,3
Trade and other receivables	74,8	73,7
	<b>1 894,3</b>	<b>1 829,1</b>
<b>Current assets</b>		
Inventories	55,0	54,8
Trade and other receivables	537,0	333,4
Tax receivables	2,2	0,2
Cash and cash equivalents	44,5	29,1
	<b>638,7</b>	<b>417,5</b>
<b>Total assets</b>	<b>2 533,0</b>	<b>2 246,6</b>
<b>Equity attributable to equity holders of the parent</b>	<b>970,8</b>	<b>925,4</b>
<b>Non-controlling interests</b>	<b>0,5</b>	<b>0,5</b>
<b>Total shareholders' equity</b>	<b>971,3</b>	<b>925,9</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	28,5	22,7
Pension obligations	16,6	15,6
Provisions	3,5	3,4
Financial liabilities	827,3	686,0
Trade payables and other liabilities	34,0	23,9
	<b>909,8</b>	<b>751,6</b>
<b>Current liabilities</b>		
Trade and other payables	307,7	255,5
Tax liabilities	0,0	2,9
Provisions	2,9	5,4
Financial liabilities	341,2	305,2
	<b>651,9</b>	<b>569,1</b>
<b>Total equity and liabilities</b>	<b>2 533,0</b>	<b>2 246,6</b>

## Condensed Consolidated Statement of Cash Flows

	1-12 2016	1-12 2015
EUR million		
<b>Cash flow from operating activities</b>		
Profit before tax	320,0	290,6
Adjustments		
Depreciation, amortisation and impairment	223,8	220,4
Other adjustments	14,7	22,6
	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
Financial items, net	-16,3	-18,5
Taxes paid	-65,1	-52,0
<b>Net cash flow from operating activities</b>	<b>486,5</b>	<b>462,8</b>
<b>Cash flow from investing activities</b>		
Capital expenditure	-208,9	-199,8
Investments in shares and business combinations	-49,1	-12,7
Loans granted	-167,0	
Repayment of loan assets		0,1
Proceeds from asset disposal	3,8	2,6
<b>Net cash used in investing activities</b>	<b>-421,3</b>	<b>-209,8</b>
<b>Cash flow before financing activities</b>	<b>65,2</b>	<b>253,0</b>
<b>Cash flow from financing activities</b>		
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
<b>Net cash used in financing activities</b>	<b>-49,9</b>	<b>-265,2</b>
<b>Change in cash and cash equivalents</b>	<b>15,3</b>	<b>-12,2</b>
Cash and cash equivalents at the beginning of period	29,1	41,3
<b>Cash and cash equivalents at the end of period</b>	<b>44,5</b>	<b>29,1</b>



## Consolidated Statement of Changes in Equity

EUR million	Share capital	Treasury shares	Reserve for invested non-restricted equity	Other reserves	Retained earnings	Non-controlling interests	Total equity
<b>Balance at 1 January 2015</b>	83,0	-148,2	90,9	384,8	467,5	0,6	<b>878,6</b>
Profit for the period					243,1	0,4	<b>243,5</b>
Translation differences					0,0		<b>0,0</b>
Financial assets available-for-sale				12,0			<b>12,0</b>
Cash flow hedge				-0,9			<b>-0,9</b>
Remeasurements of the net defined benefit liability				1,8			<b>1,8</b>
Total comprehensive income				12,9	243,1	0,4	<b>256,5</b>
Dividend distribution					-210,5	-0,5	<b>-211,0</b>
Share-based compensation		2,7			1,5		<b>4,2</b>
Other changes					-2,3		<b>-2,3</b>
<b>Balance at 31 December 2015</b>	83,0	-145,5	90,9	397,7	499,3	0,5	<b>925,9</b>

EUR million	Share capital	Treasury shares	Reserve for invested non-restricted equity	Other reserves	Retained earnings	Non-controlling interests	Total equity
<b>Balance at 1 January 2016</b>	83,0	-145,5	90,9	397,7	499,3	0,5	<b>925,9</b>
Profit for the period					257,1	0,3	<b>257,4</b>
Translation differences					0,0		<b>0,0</b>
Financial assets available-for-sale				7,7			<b>7,7</b>
Cash flow hedge				0,5			<b>0,5</b>
Remeasurements of the net defined benefit liability				-0,3			<b>-0,3</b>
Total comprehensive income				8,0	257,1	0,3	<b>265,4</b>
Dividend distribution					-223,5	-0,4	<b>-223,9</b>
Share-based compensation		2,7			3,4		<b>6,1</b>
Other changes					-2,3		<b>-2,3</b>
<b>Balance at 31 December 2016</b>	83,0	-142,9	90,9	405,7	534,1	0,5	<b>971,3</b>

## Notes

### ACCOUNTING PRINCIPLES

The Interim consolidated financial statements are in compliance with IAS 34 Interim Financial Reporting. The information has been prepared in accordance with International Financial Reporting Standards (IFRS) effective at the time of preparation and adopted for use by the European Union. Apart from the changes in accounting principles stated below, the accounting principles applied in the interim report are the same as in the financial statements at 31 December 2015.

#### Changes in the accounting principles

The Group adopted the following standards, amendments to standards and interpretations as from 1 January 2016 onward:

- Annual improvements of IFRS-standards

## 1. Segment Information

<b>10-12/2016</b>	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	Total
Revenue	271,8	162,2		434,0
EBITDA	91,3	47,4		138,8
Depreciation, amortisation and impairment	-39,9	-23,1		-63,0
EBIT	51,5	24,3		75,8
Financial income			4,4	4,4
Financial expense			-6,0	-6,0
Share of associated companies' profit			0,0	0,0
Profit before tax				74,1
Investments	46,5	37,7		84,2
<b>10-12/2015</b>	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	Total
Revenue	254,1	150,2		404,3
EBITDA	85,5	42,2		127,7
Depreciation, amortisation and impairment	-35,9	-24,0		-59,9
EBIT	49,6	18,2		67,8
Financial income			0,7	0,7
Financial expense			-6,5	-6,5
Share of associated companies' profit			0,1	0,1
Profit before tax				62,0
Investments	27,9	21,9		49,8

<b>1-12/2016</b>	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	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 expense			-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
Total assets	1 365,9	886,0	281,1	2 533,0
<b>1-12/2015</b>	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	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
Total assets	1 271,6	832,1	143,0	2 246,6

## 2. Acquisitions and disposals

### Acquisition of Anvia's ICT companies

Elisa acquired 100% 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 capital loan acquired as a part of the acquisition. Elisa paid the acquisition price with Anvia Oyj's shares, cash and subsidiary Tansec Oy's shares.

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 customer base. EUR 7.1 million of the customer base is allocated to fixed broad band customerships and is amortised in five years and EUR 0.7 million is allocated to IT customership and is amortised in four years. The acquisition results in EUR 59.9 million 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's shares	78,3
Tansec Oy's 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 asset acquired	47,6
Goodwill	59,9

The acquisition resulted in an EUR 1.7 million expense of transfer tax, which has been recorded in other operating expenses. In addition an EUR 0.1 million expense of expert's and professionals advisors fees 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 asset acquired	0,2
Goodwill	0,1

## Disposal of Tansec Oy

As a part of 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 within 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.

<b>Net assets of the sold entity</b>	Carrying amount
EUR million	
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

  

<b>Effects of disposal on cash flow</b>	
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.

<b>Net assets of the sold entity</b>	Carrying amount
EUR million	
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

  

<b>Effects of disposal on cash flow</b>	
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.

<b>Effects of disposal on cash flow</b>	
EUR million	
Sales price received in cash	0,5

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

<b>31.12.2016</b>	Property plant and equipment	Goodwill	Other intangible assets
EUR million			
Acquisition cost at 1 January 2016	3 386,8	836,1	638,2
Additions <sup>(1)</sup>	165,8		60,1
Business acquisitions	43,4	59,9	8,3
Disposals	-19,9		-1,3
Business disposals	0,4	-0,9	-1,1
Reclassifications	-0,9		0,7
Translation differences	0,1	-0,4	0,0
<b>Aquisition cost at 31 December 2016</b>	<b>3 575,7</b>	<b>894,8</b>	<b>705,0</b>
Accumulated depreciation, amortisation and impairment at 1 January 2016	2 709,4	6,0	503,5
Depreciation, amortisation and impairment	171,8	9,0	42,9
Accumulated depreciation and amortisation on disposals and reclassifications	-19,5		-1,5
Translation differences	0,1		0,0
<b>Accumulated depreciation, amortisation and impairment at 31 December 2016</b>	<b>2 861,8</b>	<b>15,0</b>	<b>544,9</b>
Book value at 1 January 2016	677,4	830,1	134,8
<b>Book value at 31 December 2016</b>	<b>713,9</b>	<b>879,8</b>	<b>160,0</b>
<hr/>			
<b>31.12.2015</b>	Property plant and equipment	Goodwill	Other intangible assets
EUR million			
Acquisition cost at 1 January 2015	3 257,1	831,5	596,7
Additions	155,6		40,2
Business acquisitions	0,0	4,6	1,8
Disposals	-25,6		-0,3
Reclassifications	-0,3		-0,1
Translation differences	0,0		0,0
<b>Aquisition cost at 31 December 2015</b>	<b>3 386,8</b>	<b>836,1</b>	<b>638,2</b>
Accumulated depreciation, amortisation and impairment at 1 January 2015	2 565,1		459,6
Depreciation, amortisation and impairment	170,0	6,0	44,4
Accumulated depreciation and amortisation on disposals and reclassifications	-25,7		-0,6
Translation differences	0,0		0,0
<b>Accumulated depreciation, amortisation and impairment at 31 December 2015</b>	<b>2 709,4</b>	<b>6,0</b>	<b>503,5</b>
Book value at 1 January 2015	692,0	831,5	137,0
<b>Book value at 31 December 2015</b>	<b>677,4</b>	<b>830,1</b>	<b>134,8</b>

<sup>(1)</sup> Includes the Finnish 700 MHz spectrum license in carrying amount of EUR 22.0 million  
 Commitments to purchase property, plant and equipment and intangible assets amounts to EUR 47.2 million (46.1) at 31 December 2016.

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

	Financial assets available-for-sale	Financial assets/liabilities recognised at fair value	Financial liabilities measured at amortised cost	Book values	Fair values
<b>31 December 2016</b>					
EUR million					
Non-current financial assets					
Financial assets available-for-sale	5,0		33,9	38,9	38,9
Trade and other receivables		74,8		74,8	74,8
Current financial assets					
Trade and other receivables		537,0		537,0	537,0
	5,0	611,9	33,9	650,7	650,7
Non-current financial liabilities					
Financial liabilities			827,3	827,3	878,8
Trade and other payables <sup>(2)</sup>			2,0	26,8	28,8
Current financial liabilities					
Financial liabilities			341,2	341,2	341,2
Trade and other payables <sup>(2)</sup>			303,6	303,6	303,6
			2,0	1 499,0	1 500,9
				1 500,9	1 552,5
<b>31 December 2015</b>					
EUR million					
Non-current financial assets					
Financial assets available-for-sale	4,1		26,2	30,3	30,3
Trade and other receivables		73,7		73,7	73,7
Current financial assets					
Trade and other receivables		333,4		333,4	333,4
	4,1	407,1	26,2	437,4	437,4
Non-current financial liabilities					
Financial liabilities			686,0	686,0	731,8
Trade payables and other liabilities <sup>(2)</sup>			3,6	14,8	18,5
Current financial liabilities					
Financial liabilities			305,2	305,2	305,2
Trade and other payables <sup>(2)</sup>			251,6	251,6	251,6
			3,6	1 257,6	1 261,2
				1 261,2	1 307,1

<sup>1)</sup> Assets classified as such at initial recognition

<sup>2)</sup> Excluding advances received

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

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

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

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

The classification and measurement of each financial asset and liability item are presented in more detail under the financial statements accounting principles at 31 December 2015.



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

EUR million	31.12.2016	Level 1	Level 2	Level 3
Financial assets/liabilities recognised at fair value <sup>(1)</sup>	-0,8		-0,8	
Financial assets available-for-sale <sup>(2)</sup>	33,9	33,9		
Other liabilities <sup>(3)</sup>	-1,2			-1,2
	31,9	33,9	-0,8	-1,2

EUR million	31.12.2015	Level 1	Level 2	Level 3
Financial assets/liabilities recognised at fair value <sup>(1)</sup>	-1,9		-1,9	
Financial assets available-for-sale <sup>(2)</sup>	26,2	26,2		
Other liabilities <sup>(3)</sup>	-1,8			-1,8
	22,5	26,2	-1,9	-1,8

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.

<sup>1)</sup> Interest rate and currency swap and electricity derivatives. The fair value is expected to approximate the quoted market price or, if this is not available it is estimated using commonly used valuation methods.

<sup>2)</sup> Publicly listed equity investments and funds. Fair values are measured by using quoted market rates.

<sup>3)</sup> Contingent considerations relating to business combinations.

## 6. Financial assets available-for-sale

EUR million	31.12.2016	31.12.2015
Publicly listed equity investments and funds	33,9	26,2
Unlisted equity investments and funds	5,0	4,1
	38,9	30,3

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

## 7. Inventories

Write-down of inventories of EUR 0.8 million (4.5) was recorded during the accounting period.

## 8. Equity

	Number of shares pcs	Treasury shares pcs	Holding, % of shares and votes
Shares at 31 December 2015	167 335 073	7 851 006	4,69 %
Disposal of treasury shares		-135 877	
Shares at 31 December 2016	167 335 073	7 715 129	4,61 %

### Dividend

On 31 March 2016 Elisa's Annual General Meeting decided of a dividend of 1.40 euros per share. The total dividend amounts to EUR 223.5 million and payment started on 12 April 2016.

## 9. Issuances and repayment of debt

The group has not issued bonds during 1 January - 31 December 2016. The group has drawn a loan of EUR 150 million from the European Investment Bank on 6 September 2016.

The unused amount of EUR 1,000 million EMTN program is EUR 400 million as at 31 December 2016. The base prospectus has been updated on 15 June 2016.

EUR million	31.12. 2016	31.12. 2015
Issued commercial papers	199,0	170,5
Withdrawn committed credit lines	130,0	0,0

## 10. Provisions

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

EUR million	Termination benefits	Other	Total
1 January 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 December 2015	6,8	2,1	8,9

## 11. Operating Lease Commitments

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

	31.12. 2016	31.12. 2015
EUR million		
Not later than one year	29,6	29,0
Later than one year not later than than five years	36,7	42,3
Later than five years	26,6	28,0
	<b>93,0</b>	99,4

## 12. Contingent Liabilities

	31.12. 2016	31.12. 2015
EUR million		
For our 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	0,5	0,5
Other	0,0	
	<b>3,6</b>	4,8
Other contractual obligations		
Repurchase obligations	0,0	0,1
Letter of credit	0,1	0,1
Capital loan's unrecognised interest payable	0,0	0,0

## 13. Derivative Instruments

	31.12. 2016	31.12. 2015
EUR million		
Nominal values of derivatives		
Interest rate and currency swap		1,5
Electricity derivatives	4,3	5,6
	<b>4,3</b>	7,1
Fair values of derivatives		
Interest rate and currency swap		-0,1
Electricity derivatives	-0,8	-1,8
	<b>-0,8</b>	-1,9

## 14. Related party transactions

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

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

Related party transactions with associated companies

EUR million	1-12/2016	1-12/2015
Sales	0,5	0,4
Purchases	3,0	2,7
Receivables	0,2	0,8
Liabilities	0,5	0,3

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

## Key Figures

EUR million	1-12 2016	1-12 2015
Shareholders' equity per share, EUR	6,08	5,80
Interest bearing net debt	1 124,1	962,0
Gearing, %	115,7	103,9
Equity ratio, %	38,5	41,4
Return on investment (ROI), % *	17,0	16,5
Gross investments in fixed assets	226,0	195,8
of which finance lease investments	2,5	1,8
Gross investments as % of revenue	13,8	12,5
Investments in shares and business combinations	107,9	17,6
Average number of employees	4 247	4 146

\*) rolling 12 months profit preceding the reporting date

## Financial Calendar

First quarter 2017	20 April 2017
Second quarter 2017	14 July 2017
Third quarter 2017	18 October 2017

## Contact Information

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