Interim Report Q1 2018

18 April 2018

ELISA'S INTERIM REPORT JANUARY–MARCH 2018

January-March 2018

- Revenue amounted to EUR 450m (416)
- EBITDA was EUR 153m (144), and EBIT was EUR 95m (89)
- Comparable EBITDA was EUR 156m (144) and EBIT EUR 97m (89)
- Earnings per share were EUR 0.47 (0.43) and comparable earnings per share EUR 0.48
- Cash flow after investments was EUR 52m (63)

- Mobile post-paid voice ARPU was EUR 20.4 (20.5 in previous quarter)
- Mobile post-paid voice churn was 19.2 per cent (19.5 in previous quarter)
- Mobile service revenue increased by 3.9 per cent to EUR 200m (192)
- The number of post-paid mobile subscriptions increased by 900 and prepaid subscriptions decreased by 24,700 during the quarter
- The number of fixed broadband subscriptions decreased by 4,100 during the quarter
- Net debt / EBITDA was 1.6 (1.8 end 2017) and gearing 90 per cent (103 end 2017)

Key indicators

EUR million	1-3/2018	1-3/2017	Δ %	2017
Revenue	450	416	8.1	1,787
EBITDA	153	144	6.7	608
Comparable EBITDA	156	144	8.3	613
EBIT[1)]	95	89	7.3	378
Profit before tax[1)]	89	84	6.0	403
EPS, EUR	0.47	0.43	8.6	2.11
Comparable EPS, EUR	0,48	0,43	11.2	1,86
Capital expenditure	53	53	-0.7	246

[1)] Comparable figures 1-3/2018 EBIT EUR 97m (89) and profit before tax EUR 92m (84). 1-12/2017 EBIT EUR 384m and profit before tax EUR 364m.

Financial position and cash flow

EUR million	31 Mar 2018	31 Mar 2017	End 2017
Net debt	1,018	1,062	1,073
Net debt / EBITDA[1)]	1.6	1.9	1.8
Gearing ratio, %	89.6	101.1	103.2
Equity ratio, %	42.9	39.4	40.5

EUR million	1-3/2018	1-3/2017	Δ %	FY 2017[2)]
Cash flow after investments	52	63	-17.4	300

[1)] (Interest-bearing debt – financial assets) / (four previous quarters' comparable EBITDA)
[2)] Comparable cash flow 1-12/2017 EUR 246m excluding the share investment, sale of shares and loan arrangement.

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

CEO Veli-Matti Mattila:

Elisa's revenue and earnings grew again

Elisa's competitiveness strengthened and the growth in earnings continued. Our stronger competitiveness has been influenced by the continuous improvement of the customer experience and services. Revenue and earnings grew again from the previous year, and the period was the best first quarter in our history. Revenue growth improved particularly due to an increase in mobile revenue and investments in the productivity of Elisa's operations, as well as recent acquisitions.

The advanced mobile use of Finnish consumers, corporate customers and organisations, as well as the convenient and worry-free usability of communication services, has facilitated the transition to increasingly fast mobile broadband subscriptions. The number of post-paid mobile subscriptions increased by 900 and prepaid subscriptions decreased by 24,700 during the quarter. The fixed-network broadband subscription base decreased by 4,100 subscriptions. Customers value Elisa's unique unlimited data pricing model and the quality of its network.

Elisa Kirja is Finland's largest retailer of e-books, and its range of services now includes digital magazines as well. The selection of Elisa Viihde increased during the period, particularly with regard to sports content. Two original series from Elisa Viihde were included among the most interesting international drama projects in the foremost conference of the TV industry, held in Cannes.

Elisa became the first operator in the world to test the preliminary standard 5G network and devices. The construction work involving the mobile network with 5G readiness in Tampere and its surroundings was completed. The high-speed network enables mobile broadband connections of up to 1 Gbit/s. Elisa is also commencing the construction of a 5G-ready network in Turku. It will allow for the easy addition of the features required for 5G services in the future, such as multiple data transfer speeds, short delays and functionalities required by the Internet of Things.

For the second time, Elisa's employees chose Elisa for Finland's Great Place to Work list. Elisa came fourth in the large companies category. The personnel mentioned the working culture based on trust as one of Elisa's strengths.

The continuous improvement of the customer experience and quality are an integral part of our corporate culture, and we will continue to keep a strong focus on them. Increasing productivity, internationalising our digital services, creating value with data, and our strong investment capability will continue to create a solid foundation for the creation of competitive value in the future.

INTERIM REPORT JANUARY–MARCH 2018

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

Market situation

The competitive environment has been intense and active. Mobile churn levels are high due to continued campaigning. The smartphone market grew, and the usage of data services continued to evolve favourably. A total of 92 per cent of the mobile handsets sold in the first quarter were smartphones. Another factor contributing to mobile market growth has been the increased network coverage and capacity of 4G speeds. The competition in the fixed broadband market has continued to be intense in multi-dwelling units. The number and usage of traditional fixed network subscriptions is decreasing.

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

Revenue, earnings and financial position

Revenue and earnings:

EUR million	1-3/2018	1-3/2017	Δ %	2017
Revenue	450	416	8.1	1,787
EBITDA	153	144	6.7	608
Comparable EBITDA	156	144	8.3	613
EBITDA-%	*34.1*	*34.6*		*34.0*
Comparable EBITDA-%	*34.6*	*34.6*		*34.3*
EBIT	95	89	7.3	*378*
Comparable EBIT	97	89	9.8	*384*
EBIT-%	*21.2*	*21.3*		*21.2*
Comparable EBIT-%	*21.6*	*21.3*		*21.5*
Return on equity, %[1)]	34.1	28.0		33.5

[1)] Last four quarters' profit / average of last four quarters' equity.
Change is calculated using exact figures prior to rounding.

Revenue increased by 8 per cent. Revenue was positively affected by the Elisa Teleteenused (formerly Starman) and Santa Monica Networks acquisitions, growth in equipment sales and mobile services in both Finland and Estonia, as well as digital services. Lower interconnection and roaming revenue, as well as decreases in usage and subscriptions of traditional fixed telecom services, affected revenue negatively.

Comparable EBITDA, excluding restructuring costs relating to personnel reductions, increased by 8 per cent, mainly due to revenue growth and productivity improvement measures. Comparable EBIT increased by 10 per cent.

Net financial income and expenses were EUR -6 million (-4). Income taxes in the income statement amounted to EUR 15 million (16). Net profit was EUR 74 million (69), and earnings per share increased by 9 per cent to EUR 0.47 (0.43). Comparable earnings per share increased by 11 per cent to EUR 0.48.

Financial position

EUR million	31 Mar 2018	31 Mar 2017	End 2017
Net debt	1,018	1,062	1,073
Net debt / EBITDA[1)]	1.6	1.9	1.8
Gearing ratio, %	89.6	101.1	103.2
Equity ratio, %	42.9	39.4	40.5

EUR million	1-3/2018	1-3/2017	Δ %	FY 2017[2)]
Cash flow after investments	52	63	-17.4	300

[1)] (interest-bearing debt – financial assets) / (four previous quarters' EBITDA exclusive of non-recurring items)
[2)] Comparable cash flow 1-12/2017 EUR 246m excluding the share investment, sale of shares and loan arrangement.
Change is calculated using exact figures prior to rounding

Cash flow after investments was EUR 52 million (63). Cash flow was positively affected by higher EBITDA and negatively a change in net working capital.

Changes in corporate structure

In March 2018 Elisa's fully owned subsidiary Tampereen Tietoverkko Oy merged with Elisa.

Consumer Customers business

EUR million	1-3/2018	1-3/2017	Δ %	2017
Revenue	279	261	6.9	1,125
EBITDA	100	92	9.5	388
Comparable EBITDA	100	92	9.5	391
EBITDA-%	*35.9*	*35.1*		*34.5*
Comparable EBITDA-%	35.9	*35.1*		*34.8*
EBIT	64	58	9.7	247
Comparable EBIT	64	58	9.7	250
CAPEX	35	35	1.5	164

Change is calculated using exact figures prior to rounding

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

EBITDA increased by 9 per cent, mainly due to revenue growth and productivity improvement measures.

Corporate Customers business

EUR million	1-3/2018	1-3/2017	Δ %	2017
Revenue	170	155	10.2	663
EBITDA	53	52	1.9	219
Comparable EBITDA	55	52	*6.1*	222
EBITDA-%	*31.2*	*33.7*		*33.1*
Comparable EBITDA-%	32.5	*33.7*		*33.5*
EBIT	31	31	2.7	131
Comparable EBIT	34	31	10.0	134
CAPEX	17	18	-4.9	82

Change is calculated using exact figures prior to rounding

Revenue increased by 10 per cent. Acquisitions, growth in mobile services and digital services, as well as equipment sales contributed positively to revenue. Decrease in usage and subscriptions of traditional fixed telecom services affected revenue negatively.

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

Personnel

In January–March, the average number of personnel at Elisa was 4,635 (4,333). Employee expenses totalled EUR 82 million (74). Personnel by segment at the end of the period:

	31 Mar 2018	31 Mar 2017	End 2017
Consumer Customers	2,815	2,555	2,793
Corporate Customers	1,929	1,840	1.922
Total	4,744	4,395	4,715

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

Investments

EUR million	1-3/2018	1-3/2017	2017
Capital expenditures, of which	53	53	246
- Consumer Customers	35	35	164
- Corporate Customers	17	18	82
Shares	0	0	104
Total	53	53	350

The main capital expenditures related to the capacity and coverage increases in the 4G networks, as well as to other network and IT investments. Full-year 2017 investments in shares relate mainly to the Elisa Teleteenused and Santa Monica Networks acquisitions.

Financing arrangements and ratings

Valid financing arrangements

EUR million	Maximum amount	In use on 31 Mar 2018
Committed credit limits	300	0
Commercial paper programme[1)]	350	151
EMTN programme[2)]	1,000	780

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

Long-term credit ratings

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

Shares

Share trading volumes are based on trades made on the Nasdaq Helsinki and alternative marketplaces. Closing prices are based on the Nasdaq Helsinki.

Trading of shares	1-3/2018	1-3/2017	2017
Nasdaq Helsinki, millions	29.4	26.7	104.5
Other marketplaces, millions[1)]	45.4	36.1	151.9
Total volume, millions	74.8	62.8	256.5
Value, EUR million	2,580.5	2,001.8	8,627.8
% of shares	44.7	37.6	153.3

Shares and market values	31 Mar 2018	31 Mar 2017	End 2017
Total number of shares	167,335,073	167,335,073	167,335,073
Treasury shares	7,572,854	7,581,803	7,801,397
Outstanding shares	159,762,219	159,753,270	159,533,676
Closing price, EUR	36.77	33.15	32.72
Market capitalisation, EUR million	6,153	5,547	5,475
Treasury shares, %	4.53	4.53	4.66

[1)] Other marketplaces based on the Fidessa Fragmentation Index.

Number of shares	Total number of shares	Treasury shares	Outstanding shares
Shares at 31 Dec 2017	167,335,073	7,801,397	159,533,676
Performance Share Plan 5 Feb 2018[1)]		-228,543	228,543
Shares at 31 Mar 2018	167,335,073	7,572,854	159,762,219

[1)] Stock exchange bulletin 5 February 2018

On 5 February 2018 Elisa transferred 228,543 treasury shares to persons involved in the 2015–2017 Performance Share Plan.

Significant legal and regulatory issues

In March 2018, the Finnish Communications Regulatory Authority issued significant market power decisions concerning local loop and bitstream markets. The decisions contain maximum wholesale prices that the three largest telecommunication operators must comply with when renting fibre local loops in those areas where an obligation has been imposed. As of 15 June 2018, the highest permitted monthly rate on Elisa's network is EUR 17 for an FTTH local loop and EUR 23 for an FTTB local loop. These maximum prices are valid for three years. Elisa has appealed FICORA’s decision to the Supreme Administrative Court.

Elisa has agreed with other Finnish mobile operators on new mobile termination rates. All operators have same price, which is currently 1.25 euro cents per minute. On 1 December 2018, the new MTR will reduce to 0.93 cents per minute, on 1 December 2019 to 0.89 cents per minute, and on 1 December 2020 to 0.82 cents per minute. These changes are neutral for Elisa’s profits and they do not impact on the 2018 outlook or the medium-term targets.

Substantial risks and uncertainties associated with Elisa’s operations

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

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

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

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

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

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

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

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

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

A detailed description of financial risk management can be found in Note 34 to the Annual Report 2017.

Events after the financial period

Annual General Meeting 2018

On 12 April 2018, Elisa's Annual General Meeting decided to pay a dividend of EUR 1.65 per share based on the adopted financial statements for 2017. The dividend will be paid to the shareholders registered in the company's share register maintained by Euroclear Finland Ltd on 16 April 2018. The dividend will be paid on 24 April 2018.

The Annual General Meeting adopted the financial statements for 2017. The members of the Board of Directors and the CEO were discharged from liability for 2017.

The number of the members of the Board of Directors was confirmed at seven (7). Mr Raimo Lind, Ms Clarisse Berggårdh, Mr Petteri Koponen, Ms Leena Niemistö, Ms Seija Turunen and Mr Antti Vasara were re-elected as members of the Board of Directors, and Mr Anssi Vanjoki was elected as a new member of the Board of Directors. Mr Raimo Lind was appointed as the Chairman and Mr Anssi Vanjoki as the Deputy Chairman of the Board of Directors.

The audit firm KPMG Oy Ab was re-elected as the company's auditor. Mr Toni Aaltonen, APA, is the responsible auditor.

The Annual General Meeting decided to remove section 3 "Minimum and maximum number of shares" of the Articles of Association. Section 10 "Auditing" was amended so that the Company has only one auditor, which is an audit firm. Further, section 12 “General Meeting of Shareholders” was amended accordingly.

The Annual General Meeting decided that the right of the owners of Lounet Plc to have Elisa Corporation’s shares as merger consideration and rights based on the shares became forfeit on 12 April 2018. The remaining number of shares is 46,657 as of 9 April 2018. The shares will become Elisa's treasury shares later. See further details on the stock exchange release *Decisions of Elisa’s Annual General Meeting 2018* on 12 April 2018.

Composition of the Committees of the Elisa’s Board of Directors

The Board of Directors held its organising meeting and appointed Mr Raimo Lind (Chair), Mr Petteri Koponen and Ms Leena Niemistö to the Compensation & Nomination Committee. Ms Seija Turunen (Chair), Ms Clarisse Berggårdh, Mr Anssi Vanjoki and Mr Antti Vasara were appointed to the Audit Committee.

The Board of Directors’ authorisations

The Annual General Meeting decided to authorise the Board of Directors to resolve to repurchase or accept as pledge the company’s own shares. The repurchase may be directed. The number of shares under this authorisation is 5 million shares at maximum. The authorisation is effective until 30 June 2019.

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. The authorisation entitles the Board of Directors to issue the shares in a proportion other than that of the current shareholdings (directed share issue). A maximum aggregate of 15 million of the company’s shares can be issued under the authorisation. The authorisation is effective until 30 June 2020.

Outlook and guidance for 2018

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

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

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

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

BOARD OF DIRECTORS

Unaudited

Consolidated Income Statement

EUR million	Note	1-3 2018	1-3 2017	1-12 2017
Revenue	1	**449,6**	415,9	1 787,4
Other operating income		**1,1**	0,7	5,7
Materials and services		**-170,0**	-156,8	-695,6
Employee expenses		**-81,7**	-74,1	-304,0
Other operating expenses		**-45,6**	-42,0	-185,8
EBITDA	1	**153,4**	143,7	607,7
Depreciation, amortisation and impairment		**-58,3**	-55,1	-229,7
EBIT	1	**95,1**	88,6	378,0
Financial income		**0,5**	1,2	49,1
Financial expense		**-6,2**	-5,5	-23,9
Share of associated companies' profit		**0,0**	0,0	0,0
Profit before tax		**89,4**	84,3	403,2
Income taxes		**-15,0**	-15,7	-66,5
Profit for the period		**74,4**	68,6	336,7
Attributable to				
Equity holders of the parent		**74,4**	68,5	336,6
Non-controlling interests		**0,0**	0,0	0,1
		74,4	68,6	336,7
Earnings per share (EUR)				
Basic		**0,47**	0,43	2,11
Diluted		**0,47**	0,43	2,11
Average number of outstanding shares (1000 shares)				
Basic		**159 671**	159 706	159 607
Diluted		**159 671**	159 706	159 607

Consolidated Statement of Comprehensive Income

	1-3 2018	1-3 2017	1-12 2017
Profit for the period	**74,4**	68,6	336,7
Other comprehensive income, net of tax			
Items which may be reclassified subsequently to profit or loss			
Financial assets available-for-sale		9,6	-34,7
Cash flow hedge	**0,1**	-0,3	0,3
Translation differences	**0,1**	0,1	-0,2
	0,2	9,4	-34,6
Items which are not reclassified subsequently to profit or loss			
Remeasurements of the net defined benefit liability			0,3
Total comprehensive income	**74,6**	77,9	302,4
Total comprehensive income attributable to			
Equity holders of the parent	**74,6**	77,9	302,4
Non-controlling interest	**0,0**	0,0	0,1
	74,6	77,9	302,4

Consolidated Statement of Financial Position

EUR million	31.3. 2018	31.12. 2017
Non-current assets		
Property, plant and equipment	**752,4**	758,1
Goodwill	**1 013,5**	1 013,5
Other intangible assets	**177,3**	177,1
Investments in associated companies	**1,9**	1,9
Financial assets available-for-sale	**7,9**	7,8
Deferred tax assets	**16,4**	16,9
Trade and other receivables	**84,4**	83,7
	2 053,7	2 058,9
Current assets		
Inventories	**62,1**	68,3
Trade and other receivables	**411,6**	407,6
Tax receivables	**1,2**	1,2
Cash and cash equivalents	**126,9**	44,3
	601,8	521,5
Total assets	**2 655,5**	2 580,4
Equity attributable to equity holders of the parent	**1 135,5**	1 039,6
Non-controlling interests	**0,1**	0,1
Total shareholders' equity	**1 135,6**	1 039,7
Non-current liabilities		
Deferred tax liabilities	**24,8**	23,5
Pension obligations	**16,1**	16,0
Provisions	**2,4**	2,5
Financial liabilities	**935,2**	939,6
Trade payables and other liabilities	**24,8**	25,1
	1 003,3	1 006,8
Current liabilities		
Trade and other payables	**299,0**	349,8
Tax liabilities	**0,9**	0,1
Provisions	**7,3**	6,2
Financial liabilities	**209,3**	177,8
	516,5	533,8
Total equity and liabilities	**2 655,5**	2 580,4

Condensed Consolidated Statement of Cash Flows

EUR million	1-3 2018	1-3 2017	1-12 2017
Cash flow from operating activities			
Profit before tax	**89,4**	84,3	403,2
Adjustments			
Depreciation, amortisation and impairment	**58,3**	55,1	229,7
Other adjustments	**-2,5**	6,4	-28,7
	55,8	61,5	201,0
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables	**7,2**	11,7	-59,2
Increase (-) / decrease (+) in inventories	**6,8**	2,8	-10,5
Increase (+) / decrease (-) in trade and other payables	**-25,7**	-14,5	45,0
	-11,7	0,0	-24,7
Financial items, net	**-11,6**	-9,9	-15,1
Taxes paid	**-15,2**	-14,0	-63,6
Net cash flow from operating activities	**106,6**	121,9	500,8
Cash flow from investing activities			
Capital expenditure	**-56,0**	-55,8	-254,8
Investments in shares and business combinations	**-0,2**	-3,2	-39,5
Repayment of loan receivables			44,8
Proceeds from asset disposal	**1,6**	0,1	48,4
Net cash used in investing activities	**-54,6**	-58,9	-201,1
Cash flow before financing activities	**52,1**	63,0	299,7
Cash flow from financing activities			
Proceeds from long-term borrowings		169,7	169,8
Repayment of long-term borrowings	**-4,6**	-4,6	-11,1
Increase (+) / decrease (-) in short-term borrowings	**36,0**	-56,0	-214,0
Repayment of finance lease liabilities	**-0,9**	-0,9	-3,8
Acquisition of non-controlling interest			-1,2
Dividends paid	**0,0**	-0,1	-239,6
Net cash used in financing activities	**30,5**	108,1	-299,9
Change in cash and cash equivalents	**82,6**	171,1	-0,2
Cash and cash equivalents at the beginning of period	**44,3**	44,5	44,5
Cash and cash equivalents at the end of period	**126,9**	215,6	44,3

Consolidated Statement of Changes in Equity

EUR million	Share capital	Treasury shares	Reserve for invested non-restricted equity	Other reserves	Retained earnings	Non-controlling interests	**Total equity**
Balance at 1 January 2017	83,0	-142,9	90,9	405,7	534,1	0,5	**971,3**
Profit for the period					68,5	0,0	**68,6**
Translation differences					0,1		**0,1**
Financial assets available-for-sale				9,6			**9,6**
Cash flow hedge				-0,3			**-0,3**
Total comprehensive income				9,3	68,6	0,0	**77,9**
Share-based compensation		2,6			1,7		**4,3**
Other changes					-2,6		**-2,6**
Balance at 31 March 2017	83,0	-140,2	90,9	415,0	601,7	0,5	**1 050,9**

EUR million	Share capital	Treasury shares	Reserve for invested non-restricted equity	Other reserves	Retained earnings	Non-controlling interests	**Total equity**
Balance at 1 January 2018	83,0	-140,2	90,9	371,6	634,2	0,1	**1 039,7**
Adoption of IFRS 15					7,5		**7,5**
Adoption of IFRS 9					4,2		**4,2**
Adoption of amendment to IFRS 2					14,5		**14,5**
Balance at 1 January 2018	83,0	-140,2	90,9	371,6	660,4	0,1	**1 065,9**
Profit for the period					74,4	0,0	**74,4**
Translation differences					0,1		**0,1**
Cash flow hedge				0,1			**0,1**
Total comprehensive income				0,1	74,5	0,0	**74,6**
Share-based compensation		4,5			-4,1		**0,4**
Other changes					-5,3		**-5,3**
Balance at 31 March 2018	83,0	-135,7	90,9	371,8	725,5	0,1	**1 135,6**

Notes

ACCOUNTING PRINCIPLES

The Interim report has been prepared in accordance with the IFRS recognition and measurement principles, although all requirements of IAS 34 Interim Financial Reporting have not been followed. The information has been prepared in accordance with International Financial Reporting Standards (IFRS) effective at the time of preparation and adopted for use by European Union. Apart from the changes in accounting principles stated below, the accounting principles applied in the interim report are the same as in the financial statements at 31 December 2017.

Changes in the accounting principles

The Group adopted the following standards, amendments to standards and interpretations as of 1 January 2018:
• Annual improvements to IFRS-standards

• IFRS 15 *Revenue from Contracts with Customers* . The standard includes a five-step model for the revenue recognition. Revenue is allocated to performance obligations based on relative transaction prices. Revenue recognition takes place over time or at a specific point in time, and the key criterion is the passing of control.

In the transition, Elisa has applied a modified retrospective approach, which means that contracts that are not completed by 1 January 2018 are treated as if they had been recognised in accordance with IFRS 15 from the very beginning. The cumulative effect arising from the transition, EUR 7.5 million, is recognised as an adjustment to the opening balance of retained earnings. The opening balance of short-term receivables increased by EUR 10.3 million, deferred tax assets increased by EUR 0.1 million, short-term liabilities increased by EUR 0.8 million and deferred tax liabilities increased by EUR 2.0 million. The comparison year is not restated.

The Group's fixed-term service agreements are recognised during the agreement period, and as an exception from the previous recognition principles, opening fees for fixed-term service agreements and related expenses are allocated for the entire agreement period. Sales commissions and discounts on fixed-term service agreements are also allocated for the entire agreement period. The adjustment to retained earnings of EUR 4.5 million relates to the sales commissions. The adjustment of retained earnings relating to the discounts, opening fees and related expenses is EUR 3.0 million.

According to the IFRS 15 standard and the Group's previous principles, service agreements valid until further notice are recognised over time, and sales revenue is recognised less any discounts granted. The opening fees for service agreements and related expenses are recognised at the time when the service is connected. The change does not impact on the revenue recognition of the Group's agreements valid until further notice.

The impact of the IFRS 15 standard on the Group's revenue for Q1 of 2018 is EUR 0.0 million and on EBIT EUR -0.2 million. As at 31 March 2018 contract assets are EUR 10.0 million and contract liabilities EUR 0.8 million. The change to the standard does not influence the cash flow.

• IFRS 9 *Financial Instruments* . The new standard includes guidance on the classification and measurement of financial instruments, including new hedge accounting requirements and a new expected credit loss model for calculating impairment on financial assets.

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

The cumulative effect of EUR 4.2 million arising from the transition is recognised as an adjustment to the opening balance of retained earnings. Of this, EUR -0.5 million is due to the change in bad debt provision and related deferred tax assets and EUR 4.6 million due to the change in financial liabilities measured at amortised cost and related deferred tax liabilities.

The change does not have a significant impact on the Group's profit for the period, and it will not influence the cash flow.

• Amendment to IFRS 2 Share-based Payments. The amendment concerns incentive schemes with net settlement features to cover withholding tax obligations and where the employer has an obligation to withhold tax from the received benefit on the share-based payment. The previous standard requires the entity to divide the payment into an equity-settled component and a cash-settled component. According to the new IFRS 2, compensation costs will be recognised for such payments based on the entire scheme being an equity-settled payment. Compensation costs are recognised based on the number of gross shares awarded, in spite of the employee ultimately only receiving the net shares and the Group paying the portion required to meet the withholding obligations to the tax authority in cash. The withholding paid by the Group to the tax authority is recognised directly in equity.

The Group's financial statements 2017 included a EUR 14.5 million short-term liability relating to the cash-settled component. Due to the amendment, this portion has been adjusted in the opening balance sheet from the liabilities to equity's retained earnings.

APPLICATION OF NEW AND REVISED ACCOUNTING PRONOUNCEMENTS UNDER IFRS

The Group will adopt the IFRS 16 standard on 1 January 2019.

• IFRS 16 *Leases.* For lessors, the situation will remain largely unchanged. For lessees, all leases except short-term (less than 12-month) contracts and contracts with low value will be recognised as a right to use on the balance sheet. The change will move off-balance sheet liabilities to the balance sheet, and thus increase the amount of lease property and debt. The amount of off-balance sheet liabilities on 31 March 2018 was EUR 84.0 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, telecom facilities, retails and cars. The change does have impact on the Group's financial statements. The change will also affect the key indicators based on the balance sheet, such as gearing. The implementation of the standard does not influence the cash flow.

Elisa has started preparing to implement the standard by launching a separate project to manage the planning and implementation of the process changes required due to the standard and the change management.

1. Segment Information

1-3/2018 EUR million	Consumer Customers	Corporate Customers	Unallocated Items	Group Total
Revenue	279,2	170,4		449,6
EBITDA	100,3	53,1		153,4
Depreciation, amortisation and impairment	-36,5	-21,8		-58,3
EBIT	63,7	31,3		95,1
Financial income			0,5	0,5
Financial expense			-6,2	-6,2
Share of associated companies' profit			0,0	0,0
Profit before tax				89,4
Investments	35,3	17,5		52,8

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

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

2. Operating Lease Commitments

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

EUR million	**31.3. 2018**	31.12. 2017
Not later than one year	**29,0**	28,9
Later than one year not later than five years	**37,8**	39,4
Later than five years	**17,2**	18,4
	84,0	86,7

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

3. Contingent Liabilities

EUR million	**31.3. 2018**	31.12. 2017
For our own commitments		
Mortgages	**2,0**	2,0
Deposits	**2,4**	2,5
On behalf of others		
Guarantees	**0,5**	0,5
	4,9	5,0
Other contractual obligations		
Venture Capital investment commitment	**3,1**	3,3
Repurchace obligations	**0,0**	0,0
Letter of credit	**0,1**	0,1

4. Derivative Instruments

EUR million	**31.3. 2018**	31.12. 2017
Nominal values of derivatives		
Electricity derivatives	**2,1**	2,4
Fair values of derivatives		
Electricity derivatives	**-0,1**	-0,2

Key Figures

EUR million	1-3 2018	1-3 2017	1-12 2017
Shareholders' equity per share, EUR	**7,11**	6,58	6,52
Interest bearing net debt	**1 017,6**	1 062,3	1 073,1
Gearing, %	**89,6**	101,1	103,2
Equity ratio, %	**42,9**	39,4	40,5
Return on investment (ROI), % *)	**19,7**	16,8	23,7
Gross investments in fixed assets	**52,8**	53,2	246,4
of which finance lease investments	**1,0**	0,5	2,8
Gross investments as % of revenue	**11,7**	12,8	13,8
Investments in shares and business combinations	**0,3**	0,1	103,7
Average number of employees	**4 635**	4 333	4 614

*) rolling 12 months profit preceding the reporting date

Financial Calendar

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

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