Interim Report January–September 2017

18 October 2017

Elisa's Interim Report January–September 2017

Third quarter 2017

- Revenue amounted to EUR 454 million (419)
- EBITDA was EUR 165 million (154, comparable 155) and EBIT was EUR 109 million (98, comparable 100)
- Profit before tax was EUR 104 million (93, comparable 94)
- Earnings per share were EUR 0.53 (0.47, comparable 0.48)
- Cash flow after investments was EUR 113 million (47)

- Mobile ARPU grew to EUR 17.8 (17.7 in previous quarter)
- Mobile churn increased to 23.4 per cent (18.2 in previous quarter)
- Mobile service revenue increased by 6.3 per cent to EUR 204 million (192)
- The number of Elisa's mobile subscriptions increased by 9,600 during the quarter
- Fixed broadband base was at the previous quarter's level
- Net debt / EBITDA was 1.9 (2.0 end 2016) and gearing 116 per cent (116 end 2016)

January–September 2017

- Revenue was EUR 1,315 million (1,202)
- EBITDA was EUR 457 million (424) and EBIT EUR 285 million (263)
- Comparable EBITDA was EUR 460 million (425) and EBIT EUR 289 million (265)
- Profit before tax: EUR 317 million (246), comparable EUR 275 million (247)
- Earnings per share grew to EUR 1.66 (1.24) and comparable EPS to EUR 1.40 (1.25)
- Cash flow after investments was EUR 252 million (180)

Key indicators

EUR million	7-9/2017	7-9/2016	Δ %	1-9/2017	1-9/2016	Δ %
Revenue	454	419	8.4	1,315	1,202	9.4
EBITDA	165	154	7.4	457	424	7.6
Comparable EBITDA	165	155	6.6	460	425	8.1
EBIT [1)]	109	98	10.2	285	263	8.4
Profit before tax [1)]	104	93	11.2	317	246	28.7
EPS, EUR[1)]	0.53	0.47	12.4	1.66	1.24	33.6
Capital expenditure	58	42	40.0	176	142	23.8

[1)] Comparable 7-9/2017: EBIT EUR 109m, profit before tax EUR 104m and EPS EUR 0.53. Comparable 1-9/2017: EBIT EUR 289m, profit before tax EUR 275m and EPS EUR 1.40. Comparable 7-9/2016: EBIT EUR 100m, profit before tax 94m and EPS EUR 0.48. Comparable 1-9/2016: EBIT EUR 265m, profit before tax EUR 247m and EPS EUR 1.25.

Financial position and cash flow

EUR million	30 Sept 2017	30 Sept 2016	End 2016
Net debt	1,120	1,007	1,124
Net debt / EBITDA[1)]	1.9	1.8	2.0
Gearing ratio, %	116.0	110.4	115.7
Equity ratio, %	37.5	39.6	38.5

EUR million	7-9/2017	7-9/2016	Δ %	1-9/2017	1-9/2016	Δ %
Cash flow after investments [2)]	113	47	138	252	180	40

[1)] (interest-bearing debt – financial assets) / (four previous quarters' comparable EBITDA)
[2)] Excluding investments in shares and loan repayment 7-9/2017 EUR 71m (72). Excluding investments in shares, sale of shares and loan repayment 1-9/2017 EUR 202m (228). See details on page 5.

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

CEO Veli-Matti Mattila:

Excellent demand for Elisa's Premium subscriptions with unlimited data use in the Nordic and Baltic* countries

Revenue and earnings grew again in the third quarter of the year. The earnings growth was due to an increase in mobile revenue, an improvement in the productivity of Elisa's operations, and recent acquisitions. The continuous improvement of quality and operations strengthened Elisa's competitiveness.

Smartphones and fast mobile data connections are an important part of the day-to-day life of consumers, corporate customers and organisations, and their popularity continues to grow. Elisa's network carries the most mobile data in Finland and the fourth most mobile data in Europe. Demand for the unique Premium subscriptions has been strong, and they have brought a new source of revenue growth to mobile services. The mobile subscription base increased by 9,600 subscriptions during the quarter, while the level of the fixed network broadband subscription base remained unchanged.

We updated the Elisa Turvapaketti aimed at consumers. Among other features, the service improves the ways in which parents can monitor their children's internet use. It also locates lost phones. We have increased our entertainment selection for consumers. Elisa Viihde will soon include three new original series: the international *Bullets* and the domestic *Kolmistaan* and *Jättekiva*. In addition, the original series *Konttori* went into its second season.

We started cooperation with VTT Technical Research Centre of Finland with the aim of helping small and medium-sized companies digitalise their operations and take advantage of the solutions offered by the Internet of Things. The goal is to develop the production processes, products and new business operations of manufacturing industry, in particular. The third Elisa Innovation Challenge has progressed to its final phase. This competition searches for successful innovations in the fields of IoT, industrial solutions and smart homes. The winner will be announced at the next Slush event.

We will be the first operator to introduce 5G readiness to the mobile network in Finland. The network's construction has begun in Tampere, which is the first city in which the new network will be implemented on such a large scale. Once complete, the new network will provide the area with faster and more reliable internet connections.

We are encouraging an increase in interaction between parents and teenagers with our "Pidetään yhtä" ("Stay Together") project. As part of the project, Elisa employees will participate in voluntary work by being present in the everyday lives of young people. Our digital schools have already attracted more than a thousand children, and we will continue to implement them in ten primary schools across Finland.

We will continue our determined work to improve both customer satisfaction and our efficiency. Improving our productivity, developing new services for our customers, and maintaining our strong investment capability will create a solid foundation for competitive operations in the future as well.

ELISA CORPORATION

* Finland, Sweden, Denmark, Norway, Estonia, Latvia and Lithuania

INTERIM REPORT JANUARY–SEPTEMBER 2017

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

Market situation

The competitive environment has been intense and active also during the third quarter 2017, characterised by some campaigning and investments in customer acquisition. Churn levels were higher due to intensified competition driven by increased use of third party distribution channels. The smartphone market grew, and the usage of data services continued to evolve favourably. Approximately 91 per cent of the mobile handsets sold in the second quarter 2017 were smartphones. Another factor contributing to mobile market growth has been the increased network coverage and capacity of new 4G speeds. The competition in the fixed broadband market has continued to be intense in multi-dwelling units. The number and usage of traditional fixed network subscriptions is decreasing.

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

Revenue, earnings and financial position

Revenue and earnings:

EUR million	7-9/2017	7-9/2016	Δ %	1-9/2017	1-9/2016	Δ %
Revenue	454	419	8.4	1,315	1,202	9.4
EBITDA	165	154	7.4	457	424	7.6
Comparable EBITDA[1)]	165	155	6.6	460	425	8.1
Comparable EBITDA-%	*36.4*	*37.0*		*35.0*	*35.4*	
EBIT	109	98	10.2	285	263	8.4
Comparable EBIT[1)]	109	100	9.0	289	265	9.1
Comparable EBIT-%	*23.9*	*23.8*		*21.9*	*22.0*	
Return on equity, %[2)]	33.5	29.7		33.5	29.7	

1) 1-9/2017 EUR 3m one-off transaction costs relating to the Starman and Santa Monica Networks acquisitions
2) Last four quarters' profit divided by average of last four quarters' equity

Third quarter 2017
Revenue increased by 8 per cent on the previous year. Recent acquisitions, growth in mobile services and digital services in both customer segments, as well as Estonian business and equipment sales, affected revenue positively. The decrease in usage and subscriptions of traditional fixed telecom services in both segments, and lower roaming and interconnection revenue in Finland affected revenue negatively.

Comparable EBITDA increased by 7 per cent, mainly due to revenue growth and efficiency improvements.

Net financial income and expenses totalled EUR -5 million (-5). Income taxes in the income statement were EUR -19 million (-18). Elisa's net profit was EUR 85 million (75). Earnings per share were EUR 0.53 (0.47). Comparable net profit was EUR 85 million (77) and earnings per share EUR 0.53 (0.48).

January–September 2017
Revenue increased by 9 per cent on the previous year. Recent acquisitions, growth in mobile services and digital services in both customer segments, equipment sales, as well as Estonian business, affected revenue positively. The decrease in usage and subscriptions of traditional

fixed telecom services in both segments as well as lower roaming and interconnection revenue in Finland affected revenue negatively.

Comparable EBITDA increased by 8 per cent, mainly due to revenue growth and efficiency improvements.

Net financial income and expenses were EUR +31 million (-16) mainly due to the sale of Comptel shares of EUR 44 million. Income taxes in the income statement were EUR -51 million (-47). Elisa's net profit was EUR 265 million (199). Earnings per share amounted to EUR 1.66 (1.24). Comparable net profit was EUR 223 million (200) and earnings per share EUR 1.40 (1.25).

Financial position

EUR million	30 Sept 2017	30 Sept 2016	End 2016
Net debt	1,120	1,007	1,124
Net debt / EBITDA[1)]	1.9	1.8	2.0
Gearing ratio, %	116.0	110.4	115.7
Equity ratio, %	37.5	39.6	38.5

[1)] (interest-bearing debt – financial assets) / (four previous quarters' comparable EBITDA)

EUR million	7-9/2017	7-9/2016	Δ %	1-9/2017	1-9/2016	Δ %
Cash flow after investments	113	47	138	252	180	40
Investment in shares	3	25		39	48	
Sale of shares				-44		
Loan repayment	-45			-45		
Comparable cash flow after investments	71	72	-2	202	228	-12

Third quarter
Cash flow after investments increased by 138 per cent to EUR 113 million. The loan repayment relating to the Starman acquisition, lower investment in shares, higher EBITDA and less negative change in net working capital affected cash flow positively. Higher investments and licence fee affected cash flow negatively.

January–September 2017
Cash flow after investments increased by 40 per cent to EUR 252 million. Sale of shares, the loan repayment, lower investment in shares and higher EBITDA affected cash flow positively. Negative change in net working capital, higher investments and licence fees affected cash flow negatively.

The financial position and liquidity are good. Net debt was EUR 1,120 million. Cash and undrawn committed credit lines totalled EUR 391 million at the end of the quarter. Elisa provided temporary loan arrangement to the sellers of Starman in December 2016. The remaining part of the loan, EUR 45 million, was fully repaid in September.

Changes in corporate structure

On 1 July 2017, Anvia TV and Anvia Hosting merged into Elisa, and Anvia IT-Palvelut into Elisa Appelsiini. On 31 August 2017, Anvia Telecom merged into Elisa.

In September 2017, Elisa acquired the remaining shares of the cable TV company Tampereen Tietoverkko Oy. Elisa's current shareholding is 100 per cent of shares.

Consumer Customers business

EUR million	7-9/2017	7-9/2016	Δ %	1-9/2017	1-9/2016	Δ %
Revenue	292	268	8.7	830	758	9.6
EBITDA	104	97	6.9	292	267	9.6
Comparable EBITDA	104	98	6.2	295	267	10.2
Comparable EBITDA-%	*35.5*	36.4		*35.5*	35.3	
EBIT	68	63	7.8	187	167	12.1
Comparable EBIT	68	63	6.7	189	167	13.1
CAPEX	39	27	46.0	117	89	31.6

Change is calculated using exact figures prior to rounding

Third quarter
Revenue increased by 9 per cent. Recent acquisitions, growth in mobile services, and digital services and equipment sales affected revenue positively. Lower interconnection revenue in Finland, decrease in traditional fixed network usage and subscriptions affected revenue negatively. Comparable EBITDA increased by 6 per cent, mainly due to revenue growth and productivity improvements.

January–September 2017
Revenue increased by 10 per cent, mainly due to recent acquisitions, growth in mobile services, equipment sales and digital services. Lower interconnection revenue in Finland and the decrease in traditional fixed network usage and subscriptions affected revenue negatively. Comparable EBITDA increased by 10 per cent, mainly due to revenue growth and productivity improvements.

Corporate Customers business

EUR million	7-9/2017	7-9/2016	Δ %	1-9/2017	1-9/2016	Δ %
Revenue	162	151	7.8	484	444	9.1
EBITDA	62	57	8.2	164	157	4.3
Comparable EBITDA	62	58	7.2	165	158	4.5
Comparable EBITDA-%	*38.0*	38.2		*34.1*	35.6	
EBIT	41	36	14.5	98	97	1.9
Comparable EBIT	41	36	12.9	99	97	2.2
CAPEX	19	15	29.3	59	53	10.6

Change is calculated using exact figures prior to rounding

Third quarter
Revenue increased by 8 per cent. Recent acquisitions, growth in mobile and digital services, as well as equipment sales, affected revenue positively. The decrease in traditional fixed network usage and subscriptions as well as lower interconnection revenue in Finland affected revenue negatively. Comparable EBITDA grew by 7 per cent, mainly due to growth in revenue and productivity improvements.

January–September 2017
Revenue increased by 9 per cent. Recent acquisitions, growth in mobile and digital services, as well as equipment sales, affected revenue positively. The decrease in traditional fixed network usage and subscriptions as well as lower interconnection revenue in Finland affected revenue negatively. Comparable EBITDA increased by 4 per cent, mainly due to growth in revenue and productivity improvements.

Personnel

In January–September, the average number of personnel at Elisa was 4,579 (4,221). Employee expenses totalled EUR 221 million (201). In the third quarter, employee expenses were EUR 68 million (63). Personnel by segment at the end of the period:

	30 Sept 2017	30 Sept 2016	End 2016
Consumer Customers	2,755	2,433	2,424
Corporate Customers	1,885	1,899	1,877
Total	4,640	4,332	4,301

The increase in employee expenses and number of personnel is mainly due recent acquisitions and higher expenses recognized for long-term incentive plans.

Investments

EUR million	7-9/2017	7-9/2016	1-9/2017	1-9/2016
Capital expenditures, of which	58	42	176	142
- Consumer Customers	39	27	117	89
- Corporate Customers	19	15	59	53
Shares	2	85	103	109
Total	60	127	279	251

Capital expenditure includes licence fees relating to the Estonian 2600 MHz auction and were EUR 2 million in third quarter and EUR 6 million in January–September.

The main capital expenditures related to the capacity and coverage increases in the 4G networks, as well as to other network and IT investments. Investments in shares in 2017 relate mainly to Starman, Santa Monica Networks and Tampereen Tietoverkko, and in 2016 to the ownership increase in Anvia.

Financing arrangements and ratings

Valid financing arrangements

EUR million	Maximum amount	In use on 30 Sept 2017
Committed credit limits	300	0
Commercial paper programme[1)]	350	207
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
Standard & Poor's	BBB+	Stable

Share

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

Trading of shares	7-9/2017	7-9/2016	1-9/2017	1-9/2016
Nasdaq Helsinki, millions	21.7	23.8	78.0	74.1
Other marketplaces, millions[1)]	23.9	34.6	18.1	139.2
Total volume, millions	45.6	58.4	196.1	213.3
Value, EUR million	1,616.9	1,914.9	6,543.4	7,055.0
% of shares	27	35	117	127

Shares and market values	30 Sept 2017	30 Sept 2016	End 2016
Total number of shares	167,335,073	167,335,073	167,335,073
Treasury shares	7,796,803	7,716,969	7,715,129
Outstanding shares	159,538,270	159,618,104	159,619,944
Closing price, EUR	36.42	32.83	30.93
Market capitalisation, EUR million	6,094	5,494	5,176
Treasury shares, %	4.66	4.61	4.61

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

Number of shares	Total number of shares	Treasury shares	Outstanding shares
Shares at 31 Dec 2016	167,335,073	7,715,129	159,619,944
Performance Share Plan [1)]		-133,326	133,326
Transfer to Treasury shares [2)]		215,000	-215,000
Shares at 30 September 2017	167,335,073	7,796,803	159,538,270

[1)] Stock exchange bulletin 1 February 2017
[2)] Stock exchange bulletin 16 May 2017

Elisa Shareholders' Nomination Board

The biggest shareholders were determined according to the shareholder register of Elisa on 31 August 2017, and they named the members of the nomination board. The composition of the nomination board since September 2017 has been as follows:

- Mr Antti Mäkinen, CEO, nominated by Solidium Oy
- Mr Reima Rytsölä, Executive Vice-President, nominated by Varma Mutual Pension Insurance Company
- Mr Timo Ritakallio, President and CEO, nominated by Ilmarinen Mutual Pension Insurance Company
- Ms Hanna Hiidenpalo, Director, Chief Investment Officer, nominated by Elo Mutual Pension Insurance Company
- Mr Raimo Lind, Chairman of the Board of Elisa

The Nomination Board elected Mr Antti Mäkinen as the chairman from amongst its members.

The Shareholders' Nomination Board was established in 2012 by the Annual General Meeting. Its duty is to prepare proposals for the election and remuneration of the members of the board of directors of Elisa for the Annual General Meeting.

Significant legal and regulatory issues

Elisa's GSM licence (900 and 1800 MHz), which was to expire in November 2017, was renewed using a comparative procedure. The licence is valid until 31 December 2019.

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 2016.

Events after the financial period

There were no major events after the financial period.

Outlook and guidance for 2017

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 higher than in 2016. Recent acquisitions, mobile data and digital services are expected to increase revenue. Comparable EBITDA is anticipated to be higher than in 2016. Capital expenditure is expected to be a maximum of 13 per cent of revenue, while the mid-term target of a maximum of 12 per cent is still valid. Elisa’s financial position and liquidity are good.

Elisa is continuing its productivity improvement development, for example by increasing automation in different processes, such as 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	7-9 2017	7-9 2016	1-9 2017	1-9 2016	1-12 2016
Revenue	1	**453,9**	418,7	**1 314,9**	1 201,7	1 635,7
Other operating income		**1,5**	1,8	**3,1**	2,9	4,4
Materials and services		**-178,6**	-159,3	**-505,4**	-450,5	-626,4
Employee expenses		**-68,1**	-63,2	**-221,5**	-200,7	-274,8
Other operating expenses		**-43,5**	-44,1	**-134,5**	-129,2	-175,9
EBITDA	1	**165,3**	154,0	**456,6**	424,3	563,0
Depreciation, amortisation and impairment		**-56,8**	-55,5	**-171,1**	-160,8	-223,8
EBIT	1	**108,5**	98,4	**285,5**	263,5	339,3
Financial income		**1,0**	0,6	**48,6**	2,4	6,8
Financial expense		**-5,9**	-5,8	**-17,5**	-18,6	-24,6
Share of associated companies' profit		**0,0**	0,0	**0,0**	-1,4	-1,4
Profit before tax		**103,6**	93,2	**316,6**	245,9	320,0
Income taxes		**-19,1**	-17,8	**-51,4**	-47,3	-62,6
Profit for the period		**84,6**	75,4	**265,2**	198,6	257,4
Attributable to:						
Equity holders of the parent		**84,6**	75,3	**265,1**	198,4	257,1
Non-controlling interests		**0,0**	0,1	**0,1**	0,2	0,3
		84,6	75,4	**265,2**	198,6	257,4
Earnings per share (EUR)						
Basic		**0,53**	0,47	**1,66**	1,24	1,61
Diluted		**0,53**	0,47	**1,66**	1,24	1,61
Average number of outstanding shares (1000 shares)						
Basic		**159 538**	159 618	**159 630**	159 604	159 608
Diluted		**159 538**	159 618	**159 630**	159 604	159 608

Consolidated Statement of Comprehensive Income

	7-9 2017	7-9 2016	1-9 2017	1-9 2016	1-12 2016
Profit for the period	**84,6**	75,4	**265,2**	198,6	257,4
Other comprehensive income, net of tax					
Items which may be reclassified subsequently to profit or loss:					
Financial assets available-for-sale		9,4	**-34,7**	8,9	7,7
Cash flow hedge	**0,2**	0,3	**0,2**	0,2	0,5
Translation difference	**-0,1**	0,1	**-0,2**	0,1	0,0
	0,1	9,9	**-34,7**	9,2	8,3
Items which are not reclassified subsequently to profit or loss:					
Remeasurements of the net defined benefit liability					-0,3
Total comprehensive income	**84,7**	85,3	**230,5**	207,9	265,4
Total comprehensive income attributable to:					
Equity holders of the parent	**84,7**	85,2	**230,4**	207,6	265,1
Non-controlling interest	**0,0**	0,1	**0,1**	0,2	0,3
	84,7	85,3	**230,5**	207,9	265,4

Consolidated Statement of Financial Position

EUR million	30.9. 2017	31.12. 2016
Non-current assets		
Property, plant and equipment	**751,1**	713,9
Goodwill	**1 013,5**	879,8
Other intangible assets	**174,1**	160,0
Investments in associated companies	**1,9**	2,2
Financial assets available-for-sale	**7,6**	38,9
Deferred tax assets	**25,0**	24,6
Trade and other receivables	**77,2**	74,8
	2 050,4	1 894,3
Current assets		
Inventories	**63,8**	55,0
Trade and other receivables	**377,6**	537,0
Tax receivables	**0,4**	2,2
Cash and cash equivalents	**90,9**	44,5
	532,8	638,7
Total assets	**2 583,2**	2 533,0
Equity attributable to equity holders of the parent	**965,3**	970,8
Non-controlling interests	**0,1**	0,5
Total shareholders' equity	**965,5**	971,3
Non-current liabilities		
Deferred tax liabilities	**29,0**	28,5
Pension obligations	**16,6**	16,6
Provisions	**3,2**	3,5
Financial liabilities	**990,8**	827,3
Trade payables and other liabilities	**29,8**	34,0
	1 069,5	909,8
Current liabilities		
Trade and other payables	**316,3**	307,7
Tax liabilities	**8,1**	0,0
Provisions	**4,0**	2,9
Financial liabilities	**219,9**	341,2
	548,2	651,9
Total equity and liabilities	**2 583,2**	2 533,0

Condensed Consolidated Statement of Cash Flows

EUR million	1-9 2017	1-9 2016	1-12 2016
Cash flow from operating activities			
Profit before tax	**316,6**	245,9	320,0
Adjustments			
Depreciation, amortisation and impairment	**171,1**	160,8	223,8
Other adjustments	**-33,0**	14,6	14,7
	138,1	175,4	238,5
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables	**-26,6**	-9,0	-3,0
Increase (-) / decrease (+) in inventories	**-5,9**	2,7	0,6
Increase (+) / decrease (-) in trade and other payables	**8,5**	3,7	11,9
	-23,9	-2,5	9,4
Financial items, net	**-10,3**	-9,1	-16,3
Taxes paid	**-42,1**	-43,2	-65,1
Net cash flow from operating activities	**378,3**	366,5	486,5
Cash flow from investing activities			
Capital expenditure	**-177,6**	-141,5	-208,9
Investments in shares and business combinations	**-39,3**	-48,3	-49,1
Loans granted			-167,0
Repayment of loan receivables	**44,8**		
Proceeds from asset disposal	**45,5**	3,3	3,8
Net cash used in investing activities	**-126,6**	-186,6	-421,3
Cash flow before financing activities	**251,7**	180,0	65,2
Cash flow from financing activities			
Proceeds from long-term borrowings	**169,7**	150,0	150,0
Repayment of long-term borrowings	**-9,2**	-130,7	-130,8
Increase (+) / decrease (-) in short-term borrowings	**-122,0**	30,5	158,5
Repayment of finance lease liabilities	**-3,1**	-3,4	-4,4
Acquisition of non-controlling interest	**-1,2**		
Dividends paid	**-239,5**	-222,7	-223,2
Net cash used in financing activities	**-205,3**	-176,3	-49,9
Change in cash and cash equivalents	**46,4**	3,6	15,3
Cash and cash equivalents at the beginning of period	**44,5**	29,1	29,1
Cash and cash equivalents at the end of period	**90,9**	32,8	44,5

Consolidated Statement of Changes in Equity

EUR million	Share capital	Treasury shares	Reserve for invested non-restricted equity	Other reserves	Retained earnings	Non-controlling interests	**Total equity**
Balance at 1 January 2016	83,0	-145,5	90,9	397,7	499,3	0,5	**925,9**
Profit for the period					198,4	0,2	**198,6**
Translation differences					0,1		**0,1**
Financial assets available-for-sale				8,9			**8,9**
Cash flow hedge				0,2			**0,2**
Total comprehensive income				9,1	198,5	0,2	**207,9**
Dividend distribution					-223,5	-0,4	**-223,9**
Share-based compensation		2,6			2,6		**5,2**
Other changes					-2,6		**-2,6**
Balance at 30 September 2016	83,0	-142,9	90,9	406,8	474,3	0,3	**912,5**

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					265,1	0,1	**265,2**
Translation differences					-0,2		**-0,2**
Financial assets available-for-sale				-34,7			**-34,7**
Cash flow hedge				0,2			**0,2**
Total comprehensive income				-34,6	264,9	0,1	**230,5**
Dividend distribution					-239,6	-0,3	**-240,0**
Share-based compensation		2,6			4,9		**7,6**
Acquisition of non-controlling interests without a change in control					-1,1	-0,1	**-1,2**
Other changes					-2,6		**-2,6**
Balance at 30 September 2017	83,0	-140,2	90,9	371,1	560,6	0,1	**965,5**

Notes

ACCOUNTING PRINCIPLES

The Interim report has been prepared in accordance with the IFRS recognition and measurement principles, although all requirements of IAS 34 Interim Financial Reporting have not been followed. The information has been prepared in accordance with International Financial Reporting Standards (IFRS) effective at the time of preparation and adopted for use by European Union. Apart from the changes in accounting principles stated below, the accounting principles applied in the interim report are the same as in the financial statements at 31 December 2016.

Changes in the accounting principles

The Group adopted the following standards, amendments to standards and interpretations as from 1 January 2017 onward:
- Annual improvements of IFRS-standards

APPLICATION OF NEW AND REVISED ACCOUNTING PRONOUNCEMENTS UNDER IFRS

On 1 January 2018, the Group will adopt IFRS 15, IFRS 9 and amendments to IFRS 2 and on 1 January 2019, the Group will adopt IFRS 16, providing these are approved by the EU by the planned date of adoption.

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

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

Elisa has made a decision to choose a modified retrospective approach, which means that the contracts that are not completed by January 1, 2018, will be accounted as if they had been recognized in accordance with IFRS 15 from the very beginning. Under this approach, rather than restating the comparative year, the cumulative effect arising from the transition will be recognized as an adjustment to the opening balance of equity in the year of initial application.

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

According to the IFRS 15 standard and current recognition principles, service agreements valid until further notice are recognised over time, and sales revenue is recognised less any granted discounts. The opening fees of service agreements and related expenses are
Fixed-term service agreements are recognised during the agreement period, and as an exception from the current recognition principles, the opening fees of fixed-term service agreements and related expenses are, in most cases, allocated for the entire agreement period. Discounts on fixed-term service agreements are usually allocated for the entire agreement period.

Service agreements with corporate customers usually meet the IFRS 15 criteria laid down for an agreement negotiated as a single package, in which case the service agreement will be processed as a single agreement, and the transaction price will be allocated to the performance obligations based on the prices agreed with each customer. Agreements with consumer customers are usually standard agreements that are not agreements negotiated as a single package in the manner laid down in IFRS 15; instead, they are processed as separate performance obligations.

• IFRS 9 Financial Instruments. In accordance with the standard, financial assets are measured at fair value unless certain conditions require measurement at amortised cost. The measurement models have also been simplified. The standard will change hedge accounting and offer a new way of assessing impairments. The recognition of expected impairments happens at the beginning of the contract. The change does not have a significant impact on the Group's financial statements.

• 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 withold a tax from the received benefit on the share-based payment. The current standard requires the entity to divide the payment into an equity-settled component ans a cash-settled component. According to the new IFRS 2 compensation cost will be recognised for such payments based on the entire scheme being an equity-settled payment. Compensation cost is recognised based on the number of gross shares awarded in spite of the employee ultimately only receiving the net shares and the company paying the portion required for meeting the withholding obligations in cash to the tax authority. The withholding paid by the company to the tax authority is recognized directly in equity. The change does not have a significant impact on the Group's financial statements.

• IFRS 16 Leases. In respect of the lessor, the situation will remain largely unchanged. In respect of the lessee, all leases except short-term (less than a 12-month) contracts and contracts with low value will be recognised 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 30 September 2017 was EUR 87.0 million. The concepts of agreements processed as off-balance sheet liabilities and the concepts used in IFRS 16 are somewhat different from each other, which is why the number of agreements recognised on the balance sheet may differ from the number of off-balance sheet liabilities. The lease contracts recognised on the balance sheet are mainly from business premises and telecom facilities. The change does have a material impact on the Group's financial statements. The change will also affect the key indicators based on the balance sheet, such as gearing.

1. Segment Information

7-9/2017 EUR million	Consumer Customers	Corporate Customers	Unallocated Items	Group Total
Revenue	291,6	162,3		453,9
EBITDA	103,6	61,7		165,3
Depreciation, amortisation and impairment	-35,9	-20,9		-56,8
EBIT	67,7	40,8		108,5
Financial income			1,0	1,0
Financial expense			-5,9	-5,9
Share of associated companies' profit			0,0	0,0
Profit before tax				103,6
Investments	38,8	19,5		58,2

7-9/2016 EUR million	Consumer Customers	Corporate Customers	Unallocated Items	Group Total
Revenue	268,1	150,6		418,7
EBITDA [1)]	97,0	57,0		154,0
Depreciation, amortisation and impairment [1)]	-34,1	-21,4		-55,5
EBIT [1)]	62,8	35,6		98,4
Financial income			0,6	0,6
Financial expense			-5,8	-5,8
Share of associated companies' profit			0,0	0,0
Profit before tax				93,2
Investments [1)]	26,6	15,0		41,6

1) Allocation rules of the costs and investments allocated to the segments have been specified in 2017 and the comparable figures have been updated to reflect the advanced allocations. In comparison period 7-9/2016 Consumer Customers EBITDA was EUR 100.8 million, depreciation, amortisation and impairment EUR -30.7 million, EBIT EUR 70.1 million and investments EUR 23.7 million. Corporate Customers EBITDA was EUR 53.2 million, depreciation, amortisation and impairment EUR -24.8 million, EBIT EUR 28.4 million and investments EUR 17.9 million.

1-9/2017	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	Total
Revenue	830,4	484,5		1 314,9
EBITDA	292,4	164,2		456,6
Depreciation, amortisation and impairment	-105,3	-65,7		-171,1
EBIT	187,1	98,4		285,5
Financial income				48,6
Financial expense				-17,5
Share of associated companies' profit				0,0
Profit before tax				316,6
Investments	116,7	58,8		175,5

1-9/2016	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	Total
Revenue	757,5	444,2		1 201,7
EBITDA [1)]	266,8	157,5		424,3
Depreciation, amortisation and impairment [1)]	-100,0	-60,8		-160,8
EBIT [1)]	166,8	96,6		263,5
Financial income			2,4	2,4
Financial expense			-18,6	-18,6
Share of associated companies' profit			-1,4	-1,4
Profit before tax				245,9
Investments [1)]	88,7	53,1		141,8

1) Allocation rules of the costs and investments allocated to the segments have been specified in 2017 and the comparable figures have been updated to reflect the advanced allocations. In comparison period 1-9/2016 Consumer Customers EBITDA was EUR 278.1 million, depreciation, amortisation and impairment EUR -89.1 million, EBIT EUR 189.0 million and investments EUR 79.3 million. Corporate Customers EBITDA was EUR 146.2 million, depreciation, amortisation and impairment EUR -71.7 million, EBIT EUR 74.5 million and investments EUR 62.6 million.

1-12/2016	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	Total
Revenue	1 029,3	606,4		1 635,7
EBITDA [1)]	353,9	209,1		563,0
Depreciation, amortisation and impairment [1)]	-143,2	-80,6		-223,8
EBIT [1)]	210,7	128,5		339,3
Financial income			6,8	6,8
Financial expense			-24,6	-24,6
Share of associated companies' profit			-1,4	-1,4
Profit before tax				320,0
Investments [1)]	143,0	82,9		226,0
Total assets	1 365,9	886,0	281,1	2 533,0

1) Allocation rules of the costs and investments allocated to the segments have bee specified in 2017 and the comparable figures have been updated to reflect the advanced allocations. In comparison period 1-12/2016 Consumer Customers EBITDA was EUR 369.4 million, depreciation, amortisation and impairment EUR -128.7 million, EBIT EUR 240.7 million and investments EUR 125.7 million. Corporate Customers EBITDA was EUR 193.6 million, depreciation, amortisation and impairment EUR -95.1 million, EBIT EUR 98.6 million and investments EUR 100.2 million.

2. Operating Lease Commitments

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

EUR million	**30.9. 2017**	31.12. 2016
Not later than one year	**29,6**	29,6
Later than one year not later than five years	**37,8**	36,7
Later than five years	**19,6**	26,6
	87,0	93,0

3. Contingent Liabilities

EUR million	**30.9. 2017**	31.12. 2016
For our own commitments		
Mortgages	**2,0**	1,2
Pledged securities		0,1
Deposits	**2,7**	0,7
Guarantees	**1,1**	1,1
On behalf of others		
Guarantees	**0,5**	0,5
Other		0,0
	6,4	3,6

Other contractual obligations		
Repurchace obligations	**0,1**	0,0
Letter of credit	**0,1**	0,1
Capital loan's unrecognised interest payable		0,0

4. Derivative Instruments

EUR million	**30.9. 2017**	31.12. 2016
Nominal values of derivatives		
Electricity derivatives	**2,9**	4,3
Fair values of derivatives		
Electricity derivatives	**-0,3**	-0,8

Key Figures

EUR million	1-9 2017	1-9 2016	1-12 2016
Shareholders' equity per share, EUR	**6,05**	5,71	6,08
Interest bearing net debt	**1 119,9**	1 007,2	1 124,1
Gearing, %	**116,0**	110,4	115,7
Equity ratio, %	**37,5**	39,6	38,5
Return on investment (ROI), % *)	**18,8**	17,7	17,0
Gross investments in fixed assets	**175,5**	141,8	226,0
of which finance lease investments	**2,6**	1,3	2,5
Gross investments as % of revenue	**13,3**	11,8	13,8
Investments in shares and business combinations	**103,4**	108,7	107,9
Average number of employees	**4 579**	4 221	4 247

*) rolling 12 months profit preceding the reporting date

Financial Calendar

Financial statements 2017	31 January 2018
First quarter 2018	18 April 2018
Second quarter 2018	13 July 2018
Third quarter 2018	18 October 2018

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