Interim Report
Q3 2018

18 October 2018

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Elisa's Interim Report January–September 2018

Third quarter 2018

- Revenue amounted to EUR 454 million (454)
- EBITDA was EUR 169 million (165) and EBIT was EUR 110 million (109)
- Profit before tax was EUR 104 million (104)
- Earnings per share were EUR 0.53 (0.53)
- Comparable cash flow after investments was EUR 85 million (71)

- Mobile post-paid voice ARPU was EUR 20.4 (20.4 in previous quarter)
- Mobile post-paid voice churn was 17.2 per cent (17.4 in previous quarter)
- Mobile service revenue increased by 1.1 per cent to EUR 203 million (201)
- The number of mobile subscriptions increased by 16,400 during the quarter (post-paid 8,300 and pre-paid 8,100)
- The number of fixed broadband subscriptions increased by 2,000 during the quarter
- Net debt / EBITDA was 1.8 (1.8 end 2017)

January–September 2018

- Revenue was EUR 1,361 million (1,315)
- EBITDA was EUR 482 million (457) and EBIT EUR 305 million (285)
- Comparable EBITDA was EUR 481 million (460) and EBIT EUR 305 million (289)
- Profit before tax: EUR 288 million (317), comparable EUR 288 million (275)
- Earnings per share were EUR 1.48 (1.66) and comparable EPS was EUR 1.48 (1.40)
- Comparable cash flow after investments was EUR 224 million (202)

- Guidance for 2018 was upgraded: Revenue and comparable EBITDA are estimated to be slightly higher than in 2017

Key indicators

EUR million	7-9/2018	7-9/2017	Δ %	1-9/2018	1-9/2017	Δ %
Revenue	454	454	0.0	1,361	1,315	3.5
EBITDA	169	165	2.1	482	457	5.6
Comparable EBITDA	169	165	2.1	481	460	4.7
EBIT [1)]	110	109	1.2	305	285	7.0
Profit before tax [1)]	104	104	0.3	288	317	-8.9
EPS, EUR[1)]	0.53	0.53	0.1	1.48	1.66	-10.8
Capital expenditure	49	58	-16.4	162	176	-7.5

[1)] Comparable 7-9/2018: EBIT EUR 110m (109), profit before tax EUR 104m (104), EPS EUR 0.53 (0.53). Comparable 1-9/2018: EBIT 305m (289), profit before tax EUR 288m (275), EPS EUR 1.48 (1.40).

Financial position and cash flow

EUR million	30 Sept 2018	30 Sept 2017	End 2017
Net debt	1,118	1,120	1,073
Net debt / EBITDA[1)]	1.8	1.9	1.8
Gearing ratio, %	107.2	116.0	103.2
Equity ratio, %	40.4	37.5	40.5

EUR million	7-9/2018	7-9/2017	Δ %	1-9/2018	1-9/2017	Δ %
Cash flow after investments[2)]	87	113	-23.2	220	252	-12.5

[1)] (interest-bearing debt – financial assets) / (four previous quarters' comparable EBITDA)
[2)] Excluding investments in shares, sale of shares and loan repayment 7-9/2018 EUR 85m (71) and 1-9/2018 EUR 224m (202).
Additional key performance indicators are available at elisa.com/investors (Elisa Operational Data.xlsx)

CEO Veli-Matti Mattila:

Strong result from Elisa again

We have generated the strongest quarterly result in our history. Revenue was at the previous year's level despite some divestments. Revenue increased due to growth in mobile and digital services and declined due to divestments. The result grew due to an improvement in the productivity of Elisa's operations and the growth in the revenue of mobile services. The continuous improvement of quality and operations improved Elisa's competitiveness.

Finland continues to be a clear pioneer in the use of mobile data. Elisa enables Finns to remain at the spearhead of mobile development. The latest step involved Elisa being the first operator to commence the construction of a 5G-ready network in Helsinki. These 5G-ready networks have already been built in Turku, Tampere and Jyväskylä. In the auction that began during the third quarter, Elisa acquired its preferred 5G frequencies, which will be available for commercial use on 1 January 2019. Fast mobile broadband subscriptions facilitate smooth daily lives of consumers, corporate customers and organisations. Elisa's subscriptions do not include a commitment obligation, which is why customers perceive them as fair. The post-paid mobile subscription base grew by 8,300 subscriptions during the quarter, while the prepaid subscription base reduced by 8,100 subscriptions. The fixed-network broadband subscription base also grew by 2,000 subscriptions.

Elisa offers its customers high-quality content. The international original series *Bullets* had its premiere during the autumn, and five international hit series, including *The Good Doctor*, were released in the service. The filming of the original series *Nyrkki* also began in September. The recently published biography of Kimi Räikkönen, *The Unknown Kimi Räikkönen*, was released exclusively as an e-book and audiobook on Elisa Kirja. The market for e-books in Finland grew by more than 65 per cent compared to the previous year.*

As a trailblazer in Wi-Fi calling, Elisa is introducing the service to the majority of consumer customers. Elisa also provides the widest selection of Wi-Fi calling-enabled handsets. Wi-Fi calls are connected considerably faster than before, and they significantly improve sound quality as well as indoor coverage.

Thirteen teams from eight countries were selected for the Elisa AI Co-Creation Challenge competition, targeting world-class AI teams. The teams represent healthcare, for example, as well as comprehension of the Finnish language and real-time analysis of sport videos.

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.

* Finnish Book Publishers Association

INTERIM REPORT JANUARY–SEPTEMBER 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. Smartphone sales in the third quarter continued to be strong. Also, high demand for data and higher 4G speeds has continued. 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	7-9/2018	7-9/2017	Δ %	1-9/2018	1-9/2017	Δ %
Revenue	454	454	0.0	1,361	1,315	3.5
EBITDA	169	165	2.1	482	457	5.6
Comparable EBITDA[1)]	169	165	2.1	481	460	4.7
Comparable EBITDA-%	*37.2*	*36.4*		*35.4*	*35.0*	
EBIT	110	109	1.2	305	285	7.0
Comparable EBIT[1)]	110	109	1.2	305	289	5.5
Comparable EBIT-%	*24.2*	*23.9*		*22.4*	*21.9*	
Return on equity, %[2)]	29.6	33.5				

[1)] 1-9/2018 one-off items relate to sales gain of EUR 5.5m of divested businesses and restructuring costs relating to personnel reductions of EUR -4.7m.
[2)] Last four quarters' profit divided by average of last four quarters' equity
Change is calculated using exact figures prior to rounding.

Third quarter 2018
Revenue was at the previous year's level. Divestments, 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. Growth in mobile services and digital services in the consumer segment, as well as growth in the Estonian business affected revenue positively.

EBITDA increased by 2 per cent, mainly due to growth in mobile services and cost efficiency improvements.

Net financial income and expenses totalled EUR -6 million (-5). Income taxes in the income statement were EUR -19 million (-19). Elisa's net profit was EUR 85 million (85). Earnings per share were EUR 0.53 (0.53).

January–September 2018
Revenue increased by 4 per cent on the previous year. Acquisitions, growth in mobile services and digital services in both customer segments, equipment sales, as well as the Estonian business, affected revenue positively. Divestments, 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 5 per cent, mainly due to revenue growth and efficiency improvements.

Net financial income and expenses were EUR -17 million (+31). The comparison year includes the sale of Comptel shares for EUR 44 million. Income taxes in the income statement were EUR -52 million (-51). Elisa's net profit was EUR 237 million (265). Earnings per share amounted to EUR 1.48 (1.66). Comparable net profit was EUR 236 million (223) and comparable earnings per share EUR 1.48 (1.40).

Financial position

EUR million	30 Sept 2018	30 Sept 2017	End 2017
Net debt	1,118	1,120	1,073
Net debt / EBITDA[1)]	1.8	1.9	1.8
Gearing ratio, %	107.2	116.0	103.2
Equity ratio, %	40.4	37.5	40.5

EUR million	7-9/2018	7-9/2017	Δ %	1-9/2018	1-9/2017	Δ %
Cash flow after investments [2)]	87	113	-23.2	220	252	-12.5

[1)] (interest-bearing debt – financial assets) / (four previous quarters' comparable EBITDA)
[2)] Excluding investments in shares, sale of shares and loan repayment 7-9/2018 EUR 85m (71) and 1-9/2018 EUR 224m (202).

Third quarter
Comparable cash flow after investments increased by 20 per cent to EUR 85 million. Lower capital expenditure, lower investment in shares and higher EBITDA affected cash flow positively.

January–September 2018
Comparable cash flow after investments increased by 11 per cent to EUR 224 million. Higher EBITDA, change in net working capital, lower investment in shares, capital expenditure and licence fees affected cash flow positively. Higher paid interest and taxes affected cash flow negatively.

The financial position and liquidity are good. Net debt was EUR 1,118 million. Cash and undrawn committed credit lines totalled EUR 352 million at the end of the quarter.

Changes in corporate structure

Elisa has transferred its direct shareholdings in Elisa Eesti AS and Santa Monica Networks AS to its fully owned subsidiary Elisa Teleteenused AS.

Consumer Customers business

EUR million	7-9/2018	7-9/2017	Δ %	1-9/2018	1-9/2017	Δ %
Revenue	289	292	-0.9	854	830	2.8
EBITDA	109	104	5.5	312	292	6.8
Comparable EBITDA	109	104	5.5	312	295	5.7
Comparable EBITDA-%	*37.8*	*35.5*		*36.5*	*35.5*	
EBIT	72	68	6.6	202	187	8.0
Comparable EBIT	72	68	6.6	201	189	6.2
CAPEX	33	39	-14.6	109	117	-6.4

Change is calculated using exact figures prior to rounding

Third quarter
Revenue decreased by 1 per cent. Lower interconnection revenue in Finland, the decrease in traditional fixed network usage and subscriptions affected revenue negatively. Growth in digital services and the Estonian business affected revenue positively. Comparable EBITDA increased by 5 per cent, mainly due to productivity improvements.

January–September 2018
Revenue increased by 3 per cent, mainly due to acquisitions, growth in mobile services, equipment sales, digital services and the Estonian business. Lower interconnection revenue in Finland and the 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.

Corporate Customers business

EUR million	7-9/2018	7-9/2017	Δ %	1-9/2018	1-9/2017	Δ %
Revenue	165	162	1.6	507	484	4.7
EBITDA	59	62	-3.6	170	164	3.2
Comparable EBITDA	59	62	-3.6	170	165	2.7
Comparable EBITDA-%	*36.0*	*38.0*		*33.4*	*34.1*	
EBIT	38	41	-7.9	103	98	5.0
Comparable EBIT	38	41	-7.9	103	99	4.2
CAPEX	16	19	-19.9	53	59	-9.7

Change is calculated using exact figures prior to rounding

Third quarter
Revenue increased by 2 per cent. Growth in mobile services affected revenue positively. Divestments, the decrease in traditional fixed network usage and subscriptions, as well as lower interconnection revenue in Finland affected revenue negatively. Comparable EBITDA decreased by 4 per cent, mainly due to divestments and investment in digital services.

January–September 2018
Revenue increased by 5 per cent. Acquisitions, growth in mobile and digital services, as well as equipment sales, affected revenue positively. Divestments, the decrease in traditional fixed network usage and subscriptions, as well as lower interconnection revenue in Finland affected revenue negatively. Comparable EBITDA increased by 3 per cent, mainly due to growth in revenue and productivity improvements.

Personnel

In January–September, the average number of personnel at Elisa was 4,686 (4,579). Employee expenses totalled EUR 231 million (221). In the third quarter, employee expenses were EUR 70 million (68). Personnel by segment at the end of the period:

	30 Sept 2018	30 Sept 2017	End 2017
Consumer Customers	2,813	2,755	2,793
Corporate Customers	1,982	1,885	1.922
Total	4,795	4,640	4,715

Investments

EUR million	7-9/2018	7-9/2017	1-9/2018	1-9/2017
Capital expenditures, of which	49	58	162	176
- Consumer Customers	33	39	109	117
- Corporate Customers	16	19	53	59
Shares	2	2	8	103
Total	50	60	170	279

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 7-9/2018 relate to Lounea, and those in 1-9/2018 relate to Ukkonet, Kepit Systems and Lounea. Investments in shares in 1-9/2017 relate to Starman, Santa Monica Networks and Tampereen Tietoverkko.

Financing arrangements and ratings

Valid financing arrangements

EUR million	Maximum amount	In use on 30 Sept 2018
Committed credit limits	300	0
Commercial paper programme[1)]	350	179
EMTN programme[2)]	1,500	780

[1)] The programme is not committed

[2)] European Medium Term Note programme, not committed. Programme was updated and size increased to EUR 1,500 million on 15 August 2018.

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	7-9/2018	7-9/2017	1-9/2018	1-9/2017
Nasdaq Helsinki, millions	23.9	21.7	75.9	78.0
Other marketplaces, millions[1)]	47.1	23.9	150.5	118.1
Total volume, millions	71.0	45.6	226.4	196.1
Value, EUR million	2,658.9	1,616.9	8,278.4	6,543.4
% of shares	42	27	135	117

Shares and market values	30 Sept 2018	30 Sept 2017	End 2017
Total number of shares	167,335,073	167,335,073	167,335,073
Treasury shares	7,572,854	7,796,803	7,801,397
Outstanding shares	159,762,219	159,538,270	159,533,676
Closing price, EUR	36.53	36.42	32.72
Market capitalisation, EUR million	6,114	6,094	5,475
Treasury shares, %	4.53	4.66	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 [1)]		-228,543	228,543
Shares at 30 September 2018	167,335,073	7,572,854	159,762,219

[1)] Stock exchange bulletin 5 February 2018

Elisa Shareholders' Nomination Board

The biggest shareholders were determined according to the shareholder register of Elisa on 31 August 2018, and they named the members of the nomination board. The composition of the nomination board since September 2018 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 Jouko Pölönen, 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.

Elisa's 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

In Finland, the 900, 1800 and 2100 MHz licenses will expire in 2019. In September, the Ministry of Transport and Communications published a proposal stating that these licences are to be granted using a comparative procedure (i.e. a “beauty contest”) and are expected to be in force until 31 December 2033.

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.

Elisa processes different kinds of data including personal and traffic data. Therefore, the applicable data protection legislation, especially the General Data Protection Regulation, has a significant impact on Elisa and its businesses.

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 the 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

The Finnish auction for the 3.5 GHz spectrum ended on 1 October 2018. Elisa won 130 MHz of spectrum according its target. The fee for the license is EUR 26.3 million and it will be paid in 5 annual installments. The license is valid from 1 January 2019 to 31 December 2033.

On 1 October, Elisa acquired Fenix Solutions Oy, which specialises in Microsoft Dynamics CRM, BI, analytics, data and marketing automation solutions. In 2017, its revenue was EUR 2.7 million and EBIT EUR 0.6 million. The acquisition price is EUR 4.5 million, and a possible additional purchase price of a maximum of EUR 0.9 million if the set growth targets are achieved.

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 slightly higher than in 2017. Recent acquisitions, mobile data and digital services are expected to increase revenue. Comparable EBITDA is anticipated to be 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	7-9 2018	7-9 2017	1-9 2018	1-9 2017	1-12 2017
Revenue	1	**453,9**	453,9	**1 361,0**	1 314,9	1 787,4
Other operating income		**1,8**	1,5	**8,9**	3,1	5,7
Materials and services		**-172,9**	-178,6	**-519,4**	-505,4	-695,6
Employee expenses		**-69,8**	-68,1	**-231,1**	-221,5	-304,0
Other operating expenses		**-44,2**	-43,5	**-137,5**	-134,5	-185,8
EBITDA	1	**168,7**	165,3	**481,9**	456,6	607,7
Depreciation, amortisation and impairment	1	**-59,0**	-56,8	**-176,5**	-171,1	-229,7
EBIT	1	**109,8**	108,5	**305,4**	285,5	378,0
Financial income		**0,6**	1,0	**1,8**	48,6	49,1
Financial expense		**-6,3**	-5,9	**-18,7**	-17,5	-23,9
Share of associated companies' profit		**-0,1**	0,0	**-0,1**	0,0	0,0
Profit before tax		**104,0**	103,6	**288,4**	316,6	403,2
Income taxes		**-19,1**	-19,1	**-51,6**	-51,4	-66,5
Profit for the period		**84,8**	84,6	**236,8**	265,2	336,7
Attributable to						
Equity holders of the parent		**84,8**	84,6	**236,7**	265,1	336,6
Non-controlling interests		**0,1**	0,0	**0,1**	0,1	0,1
		84,8	84,6	**236,8**	265,2	336,7
Earnings per share (EUR)						
Basic		**0,53**	0,53	**1,48**	1,66	2,11
Diluted		**0,53**	0,53	**1,48**	1,66	2,11
Average number of outstanding shares (1000 shares)						
Basic		**159 762**	159 538	**159 732**	159 630	159 607
Diluted		**159 762**	159 538	**159 732**	159 630	159 607

Consolidated Statement of Comprehensive Income

	7-9 2018	7-9 2017	1-9 2018	1-9 2017	1-12 2017
Profit for the period	**84,8**	84,6	**236,8**	265,2	336,7
Other comprehensive income, net of tax					
Items which may be reclassified subsequently to profit or loss					
Other investments				-34,7	-34,7
Cash flow hedge	**-0,1**	0,2	**0,4**	0,2	0,3
Translation difference	**-0,1**	-0,1	**0,0**	-0,2	-0,2
	-0,2	0,1	**0,4**	-34,7	-34,6
Items which are not reclassified subsequently to profit or loss					
Remeasurements of the net defined benefit liability					0,3
Total comprehensive income	**84,7**	84,7	**237,2**	230,5	302,4
Total comprehensive income attributable to					
Equity holders of the parent	**84,6**	84,7	**237,1**	230,4	302,4
Non-controlling interest	**0,1**	0,0	**0,1**	0,1	0,1
	84,7	84,7	**237,2**	230,5	302,4

Consolidated Statement of Financial Position

EUR million	30.9. 2018	31.12. 2017
Non-current assets		
Property, plant and equipment	**745,8**	758,1
Goodwill	**1 016,1**	1 013,5
Other intangible assets	**180,0**	177,1
Investments in associated companies	**3,0**	1,9
Other investments	**9,6**	7,8
Deferred tax assets	**16,8**	16,9
Trade and other receivables	**88,7**	83,7
	2 060,0	2 058,9
Current assets		
Inventories	**58,6**	68,3
Trade and other receivables	**421,7**	407,6
Tax receivables	**0,1**	1,2
Cash and cash equivalents	**51,9**	44,3
	532,3	521,5
Total assets	**2 592,3**	2 580,4

Equity attributable to equity holders of the parent	**1 042,7**	1 039,6
Non-controlling interests	**0,5**	0,1
Total shareholders' equity	**1 043,1**	1 039,7
Non-current liabilities		
Deferred tax liabilities	**24,3**	23,5
Pension obligations	**16,1**	16,0
Provisions	**2,4**	2,5
Financial liabilities	**937,9**	939,6
Trade payables and other liabilities	**19,7**	25,1
	1 000,4	1 006,8
Current liabilities		
Trade and other payables	**306,0**	349,8
Tax liabilities	**6,7**	0,1
Provisions	**4,1**	6,2
Financial liabilities	**231,9**	177,8
	548,8	533,8
Total equity and liabilities	**2 592,3**	2 580,4

Condensed Consolidated Statement of Cash Flows

EUR million	**1-9 2018**	1-9 2017	1-12 2017
Cash flow from operating activities			
Profit before tax	**288,4**	316,6	403,2
Adjustments			
Depreciation, amortisation and impairment	**176,5**	171,1	229,7
Other adjustments	**0,5**	-33,0	-28,7
	177,0	138,1	201,0
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables	**2,4**	-26,6	-59,2
Increase (-) / decrease (+) in inventories	**9,7**	-5,9	-10,5
Increase (+) / decrease (-) in trade and other payables	**-28,8**	8,5	45,0
	-16,7	-23,9	-24,7
Financial items, net	**-12,4**	-10,3	-15,1
Taxes paid	**-46,8**	-42,1	-63,6
Net cash flow from operating activities	**389,6**	378,3	500,8
Cash flow from investing activities			
Capital expenditure	**-165,8**	-177,6	-254,8
Investments in shares and business combinations	**-4,9**	-39,3	-39,5
Repayment of loan receivables		44,8	44,8
Proceeds from asset disposal	**1,2**	45,5	48,4
Net cash used in investing activities	**-169,4**	-126,6	-201,1
Cash flow before financing activities	**220,1**	251,7	299,7
Cash flow from financing activities			
Proceeds from long-term borrowings		169,7	169,8
Repayment of long-term borrowings	**-9,1**	-9,2	-11,1
Increase (+) / decrease (-) in short-term borrowings	**62,4**	-122,0	-214,0
Repayment of finance lease liabilities	**-2,6**	-3,1	-3,8
Acquisition of non-controlling interests		-1,2	-1,2
Dividends paid	**-263,3**	-239,5	-239,6
Net cash used in financing activities	**-212,6**	-205,3	-299,9
Change in cash and cash equivalents	**7,6**	46,4	-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	**51,9**	90,9	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					265,1	0,1	**265,2**
Translation differences					-0,2		**-0,2**
Other investments				-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**

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					236,7	0,1	**236,8**
Translation differences					0,0		**0,0**
Cash flow hedge				0,4			**0,4**
Total comprehensive income				0,4	236,7	0,1	**237,2**
Dividend distribution					-263,6		**-263,6**
Share-based compensation		4,5			4,2		**8,7**
Acquisition of non-controlling interests						0,2	**0,2**
Other changes					-5,3		**-5,3**
Balance at 30 September 2018	83,0	-135,7	90,9	372,1	632,4	0,5	**1 043,1**

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:

• 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 affect 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 1-9/2018 is EUR 0.1 million and on EBIT EUR -0.4 million. As at 30 September 2018 contract assets are EUR 9.6 million and contract liabilities EUR 0.0 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.

With the implementation of IFRS 9 the Group's financial assets and liabilities are classified as financial assets and liabilities measured at amortised cost, financial assets and liabilities measured at fair value through other comprehensive income and financial assets and liabilities measured at fair value through profit or loss. Financial assets and liabilities measured at amortised cost include the fixed term contracts whose cash flow include payments of principal and interest on the principal amount outstanding. Financial asset and liabilities measured at fair value through other comprehensive income include those financial items that are held with the objective of both collecting contractual cash flows and eventually selling the financial assets or liability. Financial assets and liabilities measured at fair value through profit or loss include items that do not meet the criteria of other groups.

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.

• Annual improvements to IFRS-standards.

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 the standard requires to record the lease agreements in the balance sheet as a lease liability and as a related right-of-use asset. Elisa Group has decided to apply the standard allowances to exclude short-term leases and leases where the underlying asset is of low value.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 2018 was EUR 78.6 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. In addition, IFRS 16 finance lease liabilities are based on discounted cash flows, whereas off-balance sheet liabilities are presented at nominal amount. 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.

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

7-9/2018 EUR million	Consumer Customers	Corporate Customers	Unallocated Items	Group Total
Revenue	288,9	165,0		453,9
EBITDA	109,3	59,5		168,7
Depreciation, amortisation and impairment	-37,0	-21,9		-59,0
EBIT	72,2	37,6		109,8
Financial income			0,6	0,6
Financial expense			-6,3	-6,3
Share of associated companies' profit			-0,1	-0,1
Profit before tax				104,0
Investments	33,1	15,6		48,7

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

1-9/2018 EUR million	Consumer Customers	Corporate Customers	Unallocated Items	Group Total
Revenue	853,9	507,1		1 361,0
EBITDA	312,4	169,5		481,9
Depreciation, amortisation and impairment	-110,4	-66,1		-176,5
EBIT	202,0	103,4		305,4
Financial income			1,8	1,8
Financial expense			-18,7	-18,7
Share of associated companies' profit			-0,1	-0,1
Profit before tax				288,4
Investments	109,3	53,1		162,4

1-9/2017 EUR million	Consumer Customers	Corporate Customers	Unallocated Items	Group 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	48,6
Financial expense			-17,5	-17,5
Share of associated companies' profit			0,0	0,0
Profit before tax				316,6
Investments	116,7	58,8		175,5

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	**30.9. 2018**	31.12. 2017
Not later than one year	**28,3**	28,9
Later than one year not later than five years	**35,3**	39,4
Later than five years	**15,0**	18,4
	78,6	86,7

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

3. Contingent Liabilities

EUR million	**30.9. 2018**	31.12. 2017
For our own commitments		
Mortgages	**2,0**	2,0
Deposits	**1,9**	2,5
On behalf of others		
Guarantees		0,5
	3,9	5,0
Other contractual obligations		
Venture Capital investment commitment	**2,8**	3,3
Repurchace obligations	**0,0**	0,0
Letter of credit	**0,1**	0,1

4. Derivative Instruments

EUR million	**30.9. 2018**	31.12. 2017
Nominal values of derivatives		
Electricity derivatives	**1,4**	2,4
	1,4	2,4
Fair values of derivatives		
Electricity derivatives	**0,3**	-0,2
	0,3	-0,2

Key Figures

EUR million	**1-9 2018**	1-9 2017	1-12 2017
Shareholders' equity per share, EUR	**6,53**	6,05	6,52
Interest bearing net debt	**1 117,9**	1 119,9	1 073,1
Gearing, %	**107,2**	116,0	103,2
Equity ratio, %	**40,4**	37,5	40,5
Return on investment (ROI), % *)	**18,0**	18,8	23,7
Gross investments in fixed assets	**162,4**	175,5	246,4
of which finance lease investments	**1,9**	2,6	2,8
Gross investments as % of revenue	**11,9**	13,3	13,8
Investments in shares and business combinations	**7,8**	103,4	103,7
Average number of employees	**4 686**	4 579	4 614

*) rolling 12 months profit preceding the reporting date

Financial results publications 2019

Financial Results 2018	31 January 2019
Interim Report Q1 2019	17 April 2019
Half-Year Report 2019	12 July 2019
Interim Report Q3 2019	17 October 2019

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