

# Interim Report

# Q3 2019

17 October 2019



# ELISA'S INTERIM REPORT JANUARY–SEPTEMBER 2019

## Third quarter 2019 financial highlights

- Revenue increased by EUR 11m to EUR 465m, mainly due to the Polystar acquisition and growth in mobile services.
- Mobile service revenue increased by 2.3 per cent to EUR 208m. Competition has remained intense.
- EBITDA, including the IFRS 16 change, grew by EUR 10m to EUR 179m.
- EBIT, including the IFRS 16 change, increased by EUR 3m to EUR 113m.
- Comparable cash flow grew by EUR 13m to EUR 98m mainly due to higher EBITDA and change in net working capital.
- Mobile post-paid voice ARPU was at the previous quarter's level of EUR 20.30 (20.20).
- Mobile post-paid voice churn increased slightly to 18.2 per cent (18.0 in previous quarter).
- The number of post-paid mobile subscriptions increased by 18,500 from the previous quarter.
- Due to seasonality, prepaid subscriptions increased by 19,800 during the quarter.
- The number of fixed broadband subscriptions increased by 8,100 during the quarter.
- The EBITDA guidance for 2019 has been upgraded to "slightly higher" (previously "same level or slightly higher").

## Key indicators

EUR million	3Q19	3Q18	Δ %	1Q-3Q19	1Q-3Q18	Δ %
Revenue	465	454	2.4 %	1,356	1,361	-0.3 %
EBITDA <sup>1)</sup>	179	169	5.8 %	493	482	2.2 %
Comparable EBITDA <sup>1)</sup>	179	169	5.8 %	500	481	3.9 %
EBIT <sup>2)</sup>	113	110	2.5 %	295	305	-3.4 %
Comparable EBIT <sup>2)</sup>	113	110	2.5 %	302	305	-0.9 %
Profit before tax	107	104	2.5 %	276	288	-4.2 %
Comparable PBT	107	104	2.5 %	283	288	-1.5 %
EPS, EUR <sup>3)</sup>	0.53	0.53	-0.6 %	1.40	1.48	-5.4 %
Comparable EPS, EUR	0.53	0.53	-0.6 %	1.44	1.48	-2.6 %
Capital expenditure	56	49	14.7 %	173	162	6.8 %
Net debt	1,235	1,118	10.5 %	1,235	1,118	10.5 %
Net debt / EBITDA <sup>4)</sup>	1.9	1.8		1.9	1.8	
Gearing ratio, %	115.3 %	107.2 %		115.3 %	107.2 %	
Equity ratio, %	37.6 %	40.4 %		37.6 %	40.4 %	
Cash flow	97	87	11.9 %	202	220	-8.1 %
Comparable cash flow <sup>5)</sup>	98	85	15.2 %	268	224	19.6 %

<sup>1)</sup> Includes EUR 5m IFRS 16 impact in 3Q19 and EUR 13m in 1Q-3Q19. <sup>2)</sup> IFRS 16 has no material impact on EBIT <sup>3)</sup> EPS EUR 0.55 excluding adjustment of deferred tax asset. <sup>4)</sup> (Interest-bearing debt – financial assets) / (four previous quarters' comparable EBITDA). <sup>5)</sup> Excluding investments in shares.

Additional key performance indicators are available at [elisa.com/investors](http://elisa.com/investors) (Elisa Operational Data.xlsx).

## CEO's review:

### Thousands of 5G users, Elisa's result improved

Improvements in quality and customer experience, as well as investments in pioneering technologies, strengthened Elisa's competitiveness, even though the market situation remained challenging. Revenue and EBITDA in the third quarter grew from the previous year. The growth in revenue was mostly due to mobile services and acquisition.

The shift among customers to increasingly fast mobile broadband subscriptions is continuing. Consumers, corporate customers and organisations appreciate fast connections which make everyday life smoother. The mobile subscription base increased by 38,300 subscriptions during the quarter, and growth in the prepaid subscription base accounted for 19,800 of those subscriptions. The fixed-network broadband subscription base grew by 8,100 subscriptions.

Finns are pioneers of 5G services, and there are already thousands of 5G users, who are especially eager to learn and utilise the possibilities of this new technology. The Port of Helsinki is at the vanguard of Finnish companies – and indeed companies the world over – in adopting a 5G network for ship passengers in Helsinki's West Harbour. Millions of passengers pass through the West Harbour every year. The City of Turku also serves as a pioneering entity on this front. Among other things, the city has piloted taking senior citizens on virtual reality walks along the banks of the Aura River.

Together with the City of Turku, Elisa organised a hackathon which aimed to find ideas relying on 5G technology to prevent social problems such as marginalisation. The winner, the Know Your Hoods service, helps people to get to know the services in their neighbourhood beforehand through virtual means. Nine partners were selected to develop 5G services in the Elisa Co-creation Challenge. Applications were received from a total of 12 countries.

The rights to the Elisa Viihde original series *Arctic Circle* were sold to more than 20 countries, including Germany, Spain and the Netherlands. We released yet another new original series, *Perfect Commando*. In addition, the hit series *Downshifters* will continue with a third season. In September, top gamers faced off in the major e-sports event the Arctic Invitational, which is also the world's first arena event for 5G gaming.

Elisa aims to actively develop the responsibility of the ICT industry's supply chain and therefore joined the Joint Audit Cooperation (JAC) association, which carries out responsibility audits for industry manufacturers and suppliers. The association provides individual operators a better chance to address operational shortcomings.

The continuous improvement of the customer experience and quality are integral parts of our corporate culture, and we will continue to focus on them strongly. Increasing productivity, expanding our digital services internationally and creating value with data, as well as our strong investment capability, will continue to lay a solid foundation for creating value competitively in the future.

Veli-Matti Mattila

CEO

## INTERIM REPORT JANUARY–SEPTEMBER 2019

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. Nearly all mobile phones sold are smartphones. Another factor contributing to mobile market growth has been the increased network capacity and higher 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

EUR million	3Q19	3Q18	Δ %	1Q-3Q19	1Q-3Q18	Δ %
Revenue	465	454	2.4 %	1,356	1,361	-0.3 %
EBITDA <sup>1)</sup>	179	169	5.8 %	493	482	2.2 %
EBITDA-%	38.4 %	37.2 %		36.3 %	35.4 %	
Comparable EBITDA <sup>1)</sup>	179	169	5.8 %	500	481	3.9 %
Comparable EBITDA-%	38.4 %	37.2 %		36.8 %	35.4 %	
EBIT <sup>2)</sup>	113	110	2.5 %	295	305	-3.4 %
EBIT-%	24.2 %	24.2 %		21.7 %	22.4 %	
Comparable EBIT <sup>2)</sup>	113	110	2.5 %	302	305	-0.9 %
Comparable EBIT-%	24.2 %	24.2 %		22.3 %	22.4 %	
Return on equity, %	27.7 %	29.6 %		27.7 %	29.6 %	

<sup>1)</sup> Includes EUR 5m IFRS 16 impact in 3Q19 and EUR 13m in 1Q-3Q19. <sup>2)</sup> IFRS 16 has no material impact on EBIT.

#### Third quarter 2019

Revenue increased by 2 per cent, mostly due to the Polystar acquisition and growth in mobile services, digital services, equipment sales and Estonian business. Polystar was consolidated from the beginning of June. Lower interconnection and roaming prices, as well as decreases in usage and subscriptions of traditional fixed telecom services, affected revenue negatively.

EBITDA increased by 6 per cent. The IFRS 16 change, efficiency improvements and revenue growth impacted EBITDA positively. EBIT grew by 3 per cent, mainly because of efficiency improvements and revenue growth.

Net financial income and expenses were EUR -6 million (-6). Income taxes in the income statement amounted to EUR -22 million (-19). Income taxes include an adjustment of a deferred tax asset of EUR -3 million. Net profit was EUR 84 million (85), and earnings per share were EUR 0.53 (0.53). Earnings per share excluding the adjustment of the deferred tax asset were EUR 0.55 (0.53).

#### January–September 2019

Revenue decreased slightly on the previous year, mainly due to decreased equipment sales and lower roaming and interconnection prices. Additionally, divestments, as well as decreases in usage and

subscriptions of traditional fixed telecom services in both segments, affected revenue negatively. The Polystar acquisition and growth in mobile services, digital services and Estonian business affected revenue positively.

Comparable EBITDA, excluding the Polystar transaction cost and restructuring costs relating to personnel reductions, increased by 4 per cent. The IFRS 16 change and efficiency improvements impacted EBITDA growth positively. Comparable EBIT decreased by 1 per cent, mainly due to increased depreciation.

Net financial income and expenses were EUR -19 million (-17). Income taxes in the income statement were EUR -52 million (-52). Net profit was EUR 224 million (237), and earnings per share were EUR 1.40 (1.48). Comparable earnings per share were EUR 1.44 (1.48).

#### Financial position

EUR million	3Q19	3Q18	Δ %	1Q-3Q19	1Q-3Q18	Δ %
Net debt	1,235	1,118	10.5 %	1,235	1,118	10.5 %
Net debt / EBITDA <sup>1)</sup>	1.9	1.8		1.9	1.8	
Gearing ratio, %	115.3 %	107.2 %		115.3 %	107.2 %	
Equity ratio, %	37.6 %	40.4 %		37.6 %	40.4 %	
Cash flow	97	87	11.9 %	202	220	-8.1 %
Comparable cash flow <sup>2)</sup>	98	85	15.2 %	268	224	19.6 %

<sup>1)</sup> (Interest-bearing debt – financial assets) / (four previous quarters' comparable EBITDA). <sup>2)</sup> Excluding investments in shares.

#### Third quarter 2019

Net debt increased by EUR 117 million to EUR 1,235 million, mainly due to the Polystar acquisition and the IFRS 16 change. Comparable cash flow after investments grew by 15 per cent to EUR 98 million (85). Cash flow was positively affected by higher EBITDA and a change in net working capital. Cash flow was negatively affected mainly by higher capital expenditure.

#### January–September 2019

Comparable cash flow after investments increased by 20 per cent to EUR 268 million (224). A change in net working capital, higher EBITDA and lower capital expenditure affected cash flow positively. Higher net financial expenses and paid taxes affected cash flow negatively.

The financial position and liquidity are strong. Cash and undrawn committed credit lines totalled EUR 454 million at the end of the quarter.

### Changes in corporate structure

There were no material changes in the corporate structure during the third quarter.

## Consumer Customers business

EUR million	3Q19	3Q18	Δ %	1Q-3Q19	1Q-3Q18	Δ %
Revenue	295	289	2.1 %	850	854	-0.5 %
EBITDA <sup>1)</sup>	117	109	6.7 %	324	312	3.9 %
EBITDA-%	39.5 %	37.8 %		38.2 %	36.6 %	
Comparable EBITDA <sup>1)</sup>	117	109	6.7 %	327	312	4.8 %
Comparable EBITDA-%	39.5 %	37.8 %		38.4 %	36.5 %	
EBIT	76	72	4.8 %	202	202	-0.2 %
EBIT-%	25.7 %	25.0 %		23.7 %	23.7 %	
Comparable EBIT	76	72	4.8 %	204	201	1.3 %
Comparable EBIT-%	25.7 %	25.0 %		24.0 %	23.6 %	
CAPEX	38	33	15.3 %	117	109	6.8 %

<sup>1)</sup> Includes EUR 3m IFRS 16 impact in 3Q19 and EUR 9m in 1Q-3Q19.

### Third quarter 2019

Revenue increased by 2 per cent. Revenue was positively affected by growth in mobile and digital services as well as equipment sales. Lower mobile interconnection and roaming prices, as well as a decrease in usage and subscriptions of traditional fixed telecom services, affected revenue negatively.

EBITDA increased by 7 per cent, mainly due to the IFRS 16 change, revenue growth and efficiency improvements.

### January–September 2019

Revenue decreased by 1 per cent. Lower roaming and interconnection prices, lower equipment sales, divestments as well as the decrease in traditional fixed network usage and subscriptions, affected revenue negatively. Revenue was positively affected by growth in mobile and digital services. Comparable EBITDA increased by 5 per cent, mainly due to the IFRS 16 change and efficiency improvements.

## Corporate Customers business

EUR million	3Q19	3Q18	Δ %	1Q-3Q19	1Q-3Q18	Δ %
Revenue	170	165	3.0 %	506	507	-0.2 %
EBITDA <sup>1)</sup>	62	59	4.2 %	168	170	-0.7 %
EBITDA-%	36.5 %	36.0 %		33.2 %	33.4 %	
Comparable EBITDA <sup>1)</sup>	62	59	4.2 %	173	170	2.0 %
Comparable EBITDA-%	36.5 %	36.0 %		34.2 %	33.4 %	
EBIT	37	38	-1.9 %	93	103	-9.8 %
EBIT-%	21.7 %	22.8 %		18.4 %	20.4 %	
Comparable EBIT	37	38	-1.9 %	98	103	-5.3 %
Comparable EBIT-%	21.7 %	22.8 %		19.4 %	20.4 %	
CAPEX	18	16	13.6 %	57	53	6.9 %

<sup>1)</sup> Includes EUR 2m IFRS 16 impact in 3Q19 and EUR 5m in 1Q-3Q19.

### Third quarter 2019

Revenue increased by 3 per cent. Revenue was positively affected by the Polystar acquisition and growth in domestic digital services and equipment sales. Lower mobile interconnection and roaming prices, as well as the decrease in usage and subscriptions of traditional fixed telecom services, affected revenue negatively.

EBITDA increased by 4 per cent. EBITDA was positively impacted by the IFRS 16 change and efficiency improvements.

#### January–September 2019

Revenue was at the previous year's level. A decrease in equipment sales, lower mobile interconnection and roaming prices, divestments, as well as the decrease in usage and subscriptions of traditional fixed telecom services, affected revenue negatively. Revenue was positively affected by the Polystar acquisition and growth in domestic digital services. Comparable EBITDA increased by 2 per cent, mainly due to the IFRS 16 change and efficiency improvements.

## Personnel

In January–September, the average number of personnel at Elisa was 4,876 (4,686). Employee expenses totalled EUR 239 million (231). In the third quarter, employee expenses were EUR 74 million (70). Personnel by segment at the end of the period:

	3Q19	3Q18	2018
Consumer Customers	2,770	2,813	2,754
Corporate Customers	2,103	1,982	2,033
Total	4,873	4,795	4,787

## Investments

EUR million	3Q19	3Q18	1Q-3Q19	1Q-3Q18
Capital expenditure, of which	56	49	173	162
Consumer Customers	38	33	117	109
Corporate Customers	18	16	57	53
Shares	0	2	82	8
Total	56	50	256	170
Capital expenditure excluding IFRS 16 change	52	49	156	162

The main capital expenditures related to the capacity and coverage increases in the 4G networks, as well as to other network and IT investments. 1Q-3Q19 investments in shares relate to the Polystar acquisition and Lounea shares. The IFRS 16 change increased capital expenditure by EUR 5 million in the third quarter and EUR 17 million in January–September 2019.

## Financing arrangements and ratings

EUR million	Maximum amount	In use on 30 Sep 2019
Committed credit limits	300	0
Commercial paper programme (not committed)	350	65
EMTN programme (not committed)	1,500	954

Long term credit ratings	Rating	Outlook
Credit rating agency		
Moody's Investor Services	Baa2	Stable
S&P Global Ratings	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	3Q19	3Q18	2018
Nasdaq Helsinki, millions	22.9	23.9	103.9
Other marketplaces, millions <sup>1)</sup>	37.6	47.1	197.8
Total volume, millions	60.4	71.0	301.7
Value, EUR million	2,652.3	2,658.9	11,003.9
% of shares	36.1 %	42.0 %	180.3 %

Shares and market values	30 Sep 2019	30 Sep 2018	2018
Total number of shares	167,335,073	167,335,073	167,335,073
Treasury shares	7,437,277	7,572,854	7,611,821
Outstanding shares	159,897,796	159,762,219	159,723,252
Closing price, EUR	47.30	36.53	36.08
Market capitalisation, EUR million	7,915	6,114	6,037
Treasury shares, %	4.44 %	4.53 %	4.55 %

Number of shares	Total	Treasury	Outstanding
Shares on 31 Dec 2018	167,335,073	7,611,821	159,723,252
Performance Share Plan 5 Feb 2019 <sup>2)</sup>		-174,544	174,544
Shares on 30 Sep 2019	167,335,073	7,437,277	159,897,796

<sup>1)</sup> Other marketplaces: 3Q19 based on Bloomberg, 3Q18 and 2018 based on the Fidessa Fragmentation Index. <sup>2)</sup> Stock exchange bulletin 5 February 2019.

## Elisa Shareholders' Nomination Board

The biggest shareholders were determined according to the shareholder register of Elisa on 31 August 2019, and they named the members of the Nomination Board. The composition of the Nomination Board since September 2019 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 Anssi Vanjoki, Chairman of the Board of Elisa

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

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 September, the Market Court overruled a procurement decision by the joint municipal procurement unit KL-Kuntahankinta to choose Elisa as the provider of telecoms and some other additional services due to deficiencies in the proposal stage of KL-Kuntahankinta's invitation to tender. Elisa has applied to



the Supreme Administrative Court for leave to appeal against the decision of the Market Court. However, the public procurement unit will start a new procurement process.

## **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.

Changes in governmental relationships may increase the risk that there will be restrictions on the network providers' equipment, which is also used in Elisa's network. This might have financial or operational impacts 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 years. These factors may limit opportunities for growth in the telecom business.

### **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 7 to the Annual Report 2018.

## Events after the financial period

In October, Elisa acquired Digiset Oy, which holds the 450 MHz frequency and licence in Finland.

## Outlook and guidance for 2019

The positive development of the macroeconomic environment is decelerating in Finland. Competition in the Finnish telecommunications market remains keen.

Full-year revenue is estimated to be at the same level or slightly higher than in 2018. Mobile data and digital services are expected to increase revenue. Full-year comparable EBITDA is anticipated to be slightly higher than in 2018. 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 2019	7-9 2018	1-9 2019	1-9 2018	1-12 2018
<b>Revenue</b>	1	<b>464.9</b>	<b>453.9</b>	<b>1,356.3</b>	<b>1,361.0</b>	<b>1,831.5</b>
Other operating income		0.9	1.8	2.7	8.9	9.8
Materials and services		-172.1	-172.9	-501.4	-519.4	-704.4
Employee expenses		-74.0	-69.8	-239.4	-231.1	-311.4
Other operating expenses		-41.3	-44.2	-125.4	-137.5	-185.4
<b>EBITDA</b>	1	<b>178.5</b>	<b>168.7</b>	<b>492.7</b>	<b>481.9</b>	<b>640.1</b>
Depreciation, amortisation and impairment	1	-66.0	-59.0	-197.9	-176.5	-236.2
<b>EBIT</b>	1	<b>112.5</b>	<b>109.8</b>	<b>294.9</b>	<b>305.4</b>	<b>403.8</b>
Financial income		0.5	0.6	5.7	1.8	2.4
Financial expenses		-6.6	-6.3	-24.4	-18.7	-25.0
Share of associated companies' profit		0.2	-0.1	0.0	-0.1	-0.4
<b>Profit before tax</b>		<b>106.6</b>	<b>104.0</b>	<b>276.3</b>	<b>288.4</b>	<b>381.0</b>
Income taxes		-22.3	-19.1	-52.1	-51.6	-65.0
<b>Profit for the period</b>		<b>84.3</b>	<b>84.8</b>	<b>224.2</b>	<b>236.8</b>	<b>316.0</b>
<b>Attributable to</b>						
Equity holders of the parent		84.3	84.8	224.1	236.7	315.8
Non-controlling interests		0.0	0.1	0.1	0.1	0.2
		84.3	84.8	224.2	236.8	316.0
<b>Earnings per share (EUR)</b>						
Basic		0.53	0.53	1.40	1.48	1.98
Diluted		0.53	0.53	1.40	1.48	1.98
<b>Average number of outstanding shares (1000 shares)</b>						
Basic		159,898	159,762	159,875	159,732	159,737
Diluted		159,898	159,762	159,875	159,732	159,737

## Consolidated Statement of Comprehensive Income

<b>Profit for the period</b>	<b>84.3</b>	<b>84.8</b>	<b>224.2</b>	<b>236.8</b>	<b>316.0</b>
<b>Other comprehensive income, net of tax</b>					
<b>Items which may be reclassified subsequently to profit or loss</b>					
Cash flow hedge	0.1	-0.1	-0.2	0.4	0.5
Translation differences	-1.2	-0.1	-1.3	0.0	-0.1
	-1.2	-0.2	-1.5	0.4	0.4
<b>Items which are not reclassified subsequently to profit or loss</b>					
Remeasurements of the net defined benefit liability					0.7
<b>Total comprehensive income</b>	<b>83.1</b>	<b>84.7</b>	<b>222.7</b>	<b>237.2</b>	<b>317.0</b>
<b>Total comprehensive income attributable to</b>					
Equity holders of the parent	83.1	84.6	222.6	237.1	316.9
Non-controlling interest	0.0	0.1	0.1	0.1	0.2
	83.1	84.7	222.7	237.2	317.0

## Consolidated Statement of Financial Position

EUR million	30.9. 2019	31.12. 2018
<b>Non-current assets</b>		
Tangible assets	810.3	751.6
Goodwill	1,084.1	1,020.7
Other intangible assets	203.8	206.7
Investments to associated companies	2.6	2.7
Other investments	13.8	9.6
Deferred tax assets	13.9	16.5
Trade and other receivables	90.3	93.8
	2,218.8	2,101.6
<b>Current assets</b>		
Inventories	61.8	65.4
Trade and other receivables	426.7	416.6
Tax receivables	0.4	4.3
Cash and cash equivalents	154.1	80.9
	643.1	567.2
<b>Total assets</b>	<b>2,861.9</b>	<b>2,668.8</b>
<b>Equity attributable to equity holders of the parent</b>	<b>1,070.5</b>	<b>1,126.3</b>
<b>Non-controlling interests</b>	<b>0.6</b>	<b>0.5</b>
<b>Total shareholders' equity</b>	<b>1,071.1</b>	<b>1,126.9</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	23.3	25.7
Pension obligations	15.3	15.2
Provisions	2.8	2.3
Financial liabilities	1,087.5	861.3
Trade payables and other liabilities	36.2	36.3
	1,165.1	940.8
<b>Current liabilities</b>		
Trade and other payables	316.5	309.3
Tax liabilities	4.0	1.7
Provisions	3.4	2.7
Financial liabilities	301.8	287.4
	625.7	601.1
<b>Total equity and liabilities</b>	<b>2,861.9</b>	<b>2,668.8</b>

## Condensed Consolidated Statement of Cash Flows

EUR million	1-9 2019	1-9 2018	1-12 2018
<b>Cash flow from operating activities</b>			
Profit before tax	276.3	288.4	381.0
Adjustments			
Depreciation, amortisation and impairment	197.9	176.5	236.2
Other adjustments	13.3	0.5	4.4
	211.2	177.0	240.6
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables	11.7	2.4	6.1
Increase (-) / decrease (+) in inventories	4.4	9.7	3.1
Increase (+) / decrease (-) in trade and other payables	-10.5	-28.8	-30.3
	5.6	-16.7	-21.1
Financial items, net	-17.0	-12.4	-16.9
Taxes paid	-47.7	-46.8	-68.2
<b>Net cash flow from operating activities</b>	<b>428.3</b>	<b>389.6</b>	<b>515.4</b>
<b>Cash flow from investing activities</b>			
Capital expenditure	-160.7	-165.8	-235.6
Equity investments and business acquisitions	-66.6	-4.9	-10.5
Proceeds from disposal of tangible and intangible assets	1.2	1.2	3.0
<b>Net cash used in investing activities</b>	<b>-226.1</b>	<b>-169.4</b>	<b>-243.2</b>
<b>Cash flow before financing activities</b>	<b>202.2</b>	<b>220.1</b>	<b>272.2</b>
<b>Cash flow from financing activities</b>			
Proceeds from long-term borrowings	168.4		100.0
Repayment of long-term borrowings	0.0	-9.1	-59.5
Increase (+) / decrease (-) in short-term borrowings	-2.0	62.4	-9.6
Repayment of finance lease liabilities	-14.7	-2.6	-3.4
Dividends paid	-279.9	-263.3	-263.1
<b>Net cash used in financing activities</b>	<b>-128.3</b>	<b>-212.6</b>	<b>-235.6</b>
<b>Change in cash and cash equivalents</b>	<b>73.9</b>	<b>7.6</b>	<b>36.6</b>
Translation differences	-0.7		
Cash and cash equivalents at the beginning of period	80.9	44.3	44.3
<b>Cash and cash equivalents at the end of period</b>	<b>154.1</b>	<b>51.9</b>	<b>80.9</b>

## Consolidated Statement of Changes in Equity

EUR million	Share capital	Treasury shares	Reserve for invested non-restricted equity	Other reserves	Retained earnings	Non-controlling interests	Total equity
<b>Balance at 1 January 2018</b>	<b>83.0</b>	<b>-140.2</b>	<b>90.9</b>	<b>371.6</b>	<b>634.2</b>	<b>0.1</b>	<b>1,039.7</b>
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
<b>Balance at 1 January 2018</b>	<b>83.0</b>	<b>-140.2</b>	<b>90.9</b>	<b>371.6</b>	<b>660.4</b>	<b>0.1</b>	<b>1,065.9</b>
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
<b>Balance at 30 September 2018</b>	<b>83.0</b>	<b>-135.7</b>	<b>90.9</b>	<b>372.1</b>	<b>632.4</b>	<b>0.5</b>	<b>1,043.1</b>
EUR million							
<b>Balance at 1 January 2019</b>	<b>83.0</b>	<b>-135.6</b>	<b>90.9</b>	<b>372.8</b>	<b>715.2</b>	<b>0.5</b>	<b>1,126.9</b>
Profit for the period					224.1	0.1	224.2
Translation differences				-0.5	-0.8		-1.3
Cash flow hedge				-0.2			-0.2
Total comprehensive income				-0.7	223.3	0.1	222.7
Dividend distribution					-279.8	0.0	-279.9
Share-based compensation		3.4					3.4
Other changes					-2.0		-2.0
<b>Balance at 30 September 2019</b>	<b>83.0</b>	<b>-132.2</b>	<b>90.9</b>	<b>372.2</b>	<b>656.6</b>	<b>0.6</b>	<b>1,071.1</b>

## 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 the 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 on 31 December 2018.

#### Changes in the accounting principles

The Group adopted the following standards, amendments to standards and interpretations as of 1 January 2019:

- Annual improvements to IFRS standards.
- IFRS 16 Leases. The standard specifies the definition of leases, recognition, the measurement of lease agreements and other information given in relation to lease agreements in the financial statements. The new lease standard requires the lessor to recognise the lessee's lease agreements as lease debt on the balance sheet and as an associated right-of-use asset. For the lessor, the situation remains largely unchanged.

The group has adopted the standard using a modified retrospective approach, whereby the requirements of the IFRS 16 standard are applied to the contracts open on 1 January 2019. The adoption of the standard had no effect on retained earnings.

The impact of the financial lease on the Group's 1-9/2019 rental expenses is EUR +13.1 million, on depreciation EUR -13.7 million, and financial expenses EUR -0.9 million. The effect on EBITDA is EUR +13.1 million, on operating profit EUR -0.6 million, and on profit before taxes EUR -1.5 million. The impact on the Group's 1-9/2019 investments is EUR 15.7 million, of which EUR 5.1 million is related to the indexation of finance leases previously accounted for under IAS 17.

The Group applies the exemptions allowed by the standard not to recognise assets and liabilities for short-term leases and low-value assets. In 1-9/2019, the Group recognised expenses relating to short-term lease of EUR 22.5 million and expenses relating to leases of low-value assets of EUR 2.3 million.

On 1 January 2019, the opening balance of lease liability was EUR 85.3 million, and corresponding right-of-use assets were EUR 85.7 million. EUR 22.1 million of recognised lease liability is related to the earlier finance leases.

The implementation of the standard affected the opening balances of the right-of-use assets, EUR 70.3 million, and the lease liability, EUR 63.2 million. A EUR 7.1 million portion of right-of-use assets was included in prepayments recognised on the balance sheet on 31 December 2018. The figures for the comparison year have not been restated.

On 30 September 2019, the right-of-use assets, calculated in accordance with the standard, amounted to EUR 91.1 million and the corresponding interest-bearing liabilities to EUR 91.5 million.

In the cash flow statement, cash payments for the capital portion of the lease liability are presented under financing activities, and for the interest portion of the lease liability under operating cash flow.

Previously, all the lease payments for operating leases were presented in the cash flow from the operating activities. The 1-9/2019 impact on the Group's cash flow from the operating activities is EUR +12.7 million, on cash flow from financing activities EUR -12.1 million, and on cash flow from investing activities EUR -0.5 million. The increase in prepayments included in right-of-use assets is presented under cash flow from investing activities.



## 1. Segment Information

<b>7-9/2019</b>	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	Total
Revenue	295.0	169.9		464.9
EBITDA	116.5	62.0		178.5
Depreciation, amortisation and impairment	-40.9	-25.1		-66.0
EBIT	75.7	36.8		112.5
Financial income			0.5	0.5
Financial expenses			-6.6	-6.6
Share of associated companies' profit			0.2	0.2
Profit before tax				106.6
Investments	38.2	17.7		55.9
<b>7-9/2018</b>	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	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 expenses			-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

<b>1-9/2019</b>	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	Total
Revenue	850.0	506.2		1,356.3
EBITDA	324.5	168.3		492.7
Depreciation, amortisation and impairment	-122.9	-75.0		-197.9
EBIT	201.6	93.3		294.9
Financial income			5.7	5.7
Financial expenses			-24.4	-24.4
Share of associated companies' profit			0.0	0.0
Profit before tax				276.3
Investments	116.7	56.8		173.4
<b>1-9/2018</b>	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	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 expenses			-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
<b>1-12/2018</b>	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	Total
Revenue	1,150.2	681.4		1,831.5
EBITDA	416.1	223.9		640.1
Depreciation, amortisation and impairment	-147.7	-88.5		-236.2
EBIT	268.4	135.4		403.8
Financial income			2.4	2.4
Financial expenses			-25.0	-25.0
Share of associated companies' profit			-0.4	-0.4
Profit before tax				381.0
Investments	166.1	88.3		254.4
Total assets	1,680.2	874.7	114.0	2,668.9

## 2. Operating Lease Commitments

Future minimum lease payments under non-cancellable operating leases:

EUR million	30.9. 2019	31.12. 2018
Not later than one year	12.0	28.2
Later than one year, not later than five years	2.5	36.4
Later than five years	1.3	14.4
	15.7	79.0

The comparability of lease commitments is affected by the adoption of IFRS 16 on 1 January 2019, which has decreased the amount of off balance sheet lease commitments.

Rental liabilities are exclusive of value added tax.

## 3. Contingent Liabilities

EUR million	30.9. 2019	31.12. 2018
For our own commitments		
Mortgages	1.2	2.0
Guarantees	0.1	0.1
Deposits	0.3	0.4
Other contractual obligations		
Venture Capital investment commitment	2.4	2.8
Repurchase obligations	0.0	
Letter of credit	0.1	0.1

## 4. Derivative Instruments

EUR million	30.9. 2019	31.12. 2018
Nominal values of derivatives		
Electricity derivatives	0.4	2.5
Currency derivatives	3.4	
Fair values of derivatives		
Electricity derivatives	0.1	0.4
Currency derivatives	-0.1	

## Key Indicators

EUR million	1-9 2019	1-9 2018	1-12 2018
Shareholders' equity per share, EUR	6.70	6.53	7.05
Interest bearing net debt	1,235.2	1,117.9	1,067.9
Gearing ratio, %	115.3 %	107.2 %	94.8 %
Equity ratio, %	37.6 %	40.4 %	42.4 %
Return on investment (ROI), % *)	16.6 %	18.0 %	18.3 %
Gross investments in fixed assets	173.4	162.4	254.4
of which finance lease investments	17.6	1.9	2.3
Gross investments as % of revenue	12.8 %	11.9 %	13.9 %
Investments in shares and business combinations	82.3	7.8	13.6
Average number of employees	4,867	4,686	4,814

\*) rolling 12 months profit preceding the reporting date

## Financial results publications 2019

Financial Results 2019	29 January 2020
Interim Report Q1 2020	22 April 2020
Half-Year Report 2020	15 July 2020
Interim Report Q3 2020	16 October 2020

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