Half-Year Report

2019

12 July 2019

ELISA'S HALF-YEAR REPORT JANUARY–JUNE 2019

Second quarter 2019 financial highlights

- Revenue decreased by EUR 6m to EUR 452m, mainly due to a decrease in equipment sales, and lower interconnection and roaming revenue.
- Mobile service revenue increased by 1.9 per cent to EUR 205m.
- Comparable EBITDA, including IFRS 16 change, grew by EUR 7m to EUR 164m.
- Comparable EBIT, including IFRS 16 change, decreased by EUR 1m to EUR 97m.
- Comparable cash flow grew by EUR 15m to EUR 102m, mainly due to lower capital expenditure and taxes paid.
- Mobile post-paid voice ARPU was at the previous quarter's level EUR 20.2 (20.4).
- Mobile post-paid voice churn decreased to 18.0 per cent (19.7 in the previous quarter).
- Number of post-paid mobile subscriptions increased by 27,200 from the previous quarter.
- Prepaid subscriptions increased by 4,100 during the quarter.
- The number of fixed broadband subscriptions decreased by 5,100 during the quarter.
- Elisa acquired 100 per cent of Swedish Polystar OSIX AB and affiliated companies shares.

Key indicators

EUR million	2Q19	2Q18	Δ %	1H19	1H18	Δ %
Revenue	452	458	-1.3 %	891	907	-1.7 %
EBITDA [1]	159	160	-0.4 %	314	313	0.3 %
Comparable EBITDA [1][2]	164	157	4.4 %	321	312	2.8 %
EBIT [3]	92	101	-8.1 %	182	196	-6.8 %
Comparable EBIT	97	98	-0.7 %	189	195	-2.9 %
Profit before tax	87	95	-8.4 %	170	184	-8.0 %
Comparable PBT	91	92	-0.6 %	177	184	-3.8 %
EPS, EUR	0.45	0.49	-8.3 %	0.87	0.95	-8.1 %
Comparable EPS, EUR	0.47	0.47	0.2 %	0.91	0.94	-3.6 %
Capital expenditure	61	61	-0.4 %	118	114	3.1 %
Net debt	1,319	1,201	9.8 %	1,319	1,201	9.8 %
Net debt / EBITDA [4]	2.0	1.9		2.0	1.9	
Gearing ratio, %	133.9 %	125.9 %		133.9 %	125.9 %	
Equity ratio, %	35.3 %	37.0 %		35.3 %	37.0 %	
Cash flow	37	81	-54.2 %	105	133	-21.2 %
Comparable Cash flow [5]	102	87	17.1 %	170	140	21.9 %

[1] Includes EUR 4m IFRS 16 impact in 2Q19 and EUR 8m in 1H19. [2] 2Q19: EUR 4m restructuring costs and EUR 1m one-off transaction cost relating to Polystar acquisition, 1H19: EUR 6m restructuring costs and EUR 1m one-off transaction cost. [3] IFRS 16 has no material impact on EBIT. [4] (Interest-bearing debt – financial assets) / (four previous quarters' comparable EBITDA). [5] 2Q19 and 1H19 excluding EUR 65m investments in acquisition and shares.

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

CEO's review:

The 5G era has begun and Elisa has improved its competitiveness

Despite the challenging market situation, Elisa continued to strengthen its competitiveness by improving quality and customer experience. In the second quarter, comparable EBITDA increased on the previous year, while revenue decreased slightly, due to a decrease in equipment sales, as well as interconnection and roaming revenue.

The importance of communication services in the daily lives of consumers, corporate customers and organisations continues to increase. Customers are increasingly choosing faster mobile broadband subscriptions. The post-paid mobile subscription base increased by 27,200 subscriptions during the quarter and the prepaid subscription base by 4,100 subscriptions. The fixed-network broadband subscription base decreased by 5,100 subscriptions.

Elisa became the first and only operator in Finland to sell 5G subscriptions. It also became the first Nordic operator to sell a 5G phone to a customer. Pre-purchasing of several 5G phone models began in the second quarter of the year, and more models will become available during the third quarter. The 5G network in Turku became the largest in the Nordic countries, and the world's first 5G cafés were opened in Turku.

Elisa introduced an eSIM subscription for consumers and corporate customers. Consumers can use this new type of SIM card in smartwatches, for example, and companies can use it in industrial IoT connections. Finland became the first country in the world to use 5G in television broadcasts when Elisa Viihde Sport broadcast Mestis ice hockey league matches over a 5G network in 4K resolution.

In the realm of corporate responsibility, we sponsored the 2019 World Summit of Students for Climate, providing many forms of support. At the summit, young people aged 14–17 expressed their concerns about climate change and presented practical solutions.

We made the Great Place to Work Finland list again, being the largest company on the list for the third consecutive year. This year, we were also listed among the best places to work in Europe for the first time. Our employees appreciate our development and learning opportunities in particular, as well as our exceptionally flexible working practices.

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

HALF-YEAR REPORT JANUARY–JUNE 2019

The interim report has been prepared in accordance with the IAS 34 standard. 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	2Q19	2Q18	Δ %	1H19	1H18	Δ %
Revenue	452	458	-1.3 %	891	907	-1.7 %
EBITDA [1]	159	160	-0.4 %	314	313	0.3 %
EBITDA-%	35.2 %	34.9 %		35.3 %	34.5 %	
Comparable EBITDA [1][2]	164	157	4.4 %	321	312	2.8 %
Comparable EBITDA-%	36.2 %	34.3 %		36.0 %	34.4 %	
EBIT [3]	92	101	-8.1 %	182	196	-6.8 %
EBIT-%	20.5 %	22.0 %		20.5 %	21.6 %	
Comparable EBIT	97	98	-0.7 %	189	195	-2.9 %
Comparable EBIT-%	21.4 %	21.3 %		21.2 %	21.5 %	
Return on equity, %	28.0 %	30.1 %		28.0 %	30.1 %	

[1] Includes EUR 4m IFRS 16 impact on 2Q19 and EUR 8m on 1H19. [2] 2Q19: EUR 4m restructuring costs and EUR 1m one-off transaction cost relating to Polystar acquisition, 1H19: EUR 6m restructuring costs and EUR 1m one-off transaction cost. [3] IFRS 16 has no material impact on EBIT.

Second quarter 2019

Revenue decreased by 1 per cent, mostly due to decreased equipment sales and lower interconnection and roaming revenue. Additionally, divestments, as well as decreases in usage and subscriptions of traditional fixed telecom services, affected revenue negatively. Growth in mobile services, domestic digital services and Estonian business affected revenue positively. The Polystar acquisition also affected revenue positively.

Comparable EBITDA, excluding the cost of the Polystar transaction and the restructuring costs related 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 because of increased depreciation.

Net financial income and expenses were EUR -5 million (-5). Income taxes in the income statement amounted to EUR 16 million (17). Net profit was EUR 71 million (78), and earnings per share were EUR 0.45 (0.49). Comparable earnings per share were EUR 0.47 (0.47).

January-June 2019

Revenue decreased by 2 per cent on the previous year mainly due to decreased equipment sales and lower roaming and interconnection revenue. Additionally, divestments, as well as decreases in usage and subscriptions of traditional fixed telecom services in both segments affected revenue negatively. Growth in mobile services, domestic digital services and Estonian business affected revenue positively. Polystar acquisition affected also positively.

Comparable EBITDA, excluding Polystar transaction cost and restructuring costs relating to personnel reductions, increased by 3 per cent. The IFRS 16 change and efficiency improvements impacted EBITDA growth positively. Comparable EBIT decreased by 3 per cent mainly due to increased depreciation.

Net financial income and expenses were EUR -13 million (-11). Income taxes in the income statement were EUR -30 million (-32). Net profit was EUR 140 million (152) and earnings per share were EUR 0.87 (0.95). Comparable earnings per share were EUR 0.91 (0.94).

Financial position

EUR million	2Q19	2Q18	Δ %	1H19	1H18	Δ %
Net debt	1,319	1,201	9.8 %	1,319	1,201	9.8 %
Net debt / EBITDA[1)]	2.0	1.9		2.0	1.9	
Gearing ratio, %	133.9 %	125.9 %		133.9 %	125.9 %	
Equity ratio, %	35.3 %	37.0 %		35.3 %	37.0 %	
Cash flow	37	81	-54.2 %	105	133	-21.2 %
Comparable cash flow [2)]	102	87	17.1 %	170	140	21.9 %

[1)] (Interest-bearing debt – financial assets) / (four previous quarters' comparable EBITDA) [2)] 2Q19 and 1H19 excluding EUR 65m acquisition and investments in shares.

Second quarter 2019

Net debt increased by EUR 118 million to EUR 1,319 million mainly due to Polystar acquisition and IFRS 16 change. Comparable cash flow after investments grew by 17 percent to EUR 102 million (87). Cash flow was positively affected by lower capital expenditure, lower taxes paid and higher EBITDA. Cash flow was negatively affected by acquisitions and a change in net working capital.

January-June 2019

Comparable cash flow after investments increased by 22 per cent to EUR 170 million (140). A change in Net Working Capital, lower capital expenditure and higher EBITDA affected cash flow positively. Acquisitions, higher net financial expenses and paid taxes affected cash flow negatively.

The financial position and liquidity are strong. Cash and un-drawn committed credit lines totalled EUR 385 million at the end of the quarter.

Changes in corporate structure

In June, Elisa and Swedish Polystar Instruments AB signed an agreement in which Elisa acquires 100 per cent of Polystar OSIX AB and affiliated companies shares. Polystar is consolidated into Elisa from the beginning of June. More about the transaction in Notes 2, page 18, and Stock exchange release 10 June 2019.

Consumer Customers business

EUR million	2Q19	2Q18	Δ %	1H19	1H18	Δ %
Revenue	282	286	-1.5 %	555	565	-1.8 %
EBITDA [1)]	104	103	0.9 %	208	203	2.4 %
EBITDA-%	36.8 %	36.0 %		37.5 %	36.0 %	
Comparable EBITDA [1)2)]	106	102	3.5 %	210	202	3.9 %
Comparable EBITDA-%	37.5 %	35.7 %		37.9 %	35.8 %	
EBIT	63	66	-5.1 %	126	130	-3.0 %
EBIT-%	22.2 %	23.1 %		22.7 %	23.0 %	
Comparable EBIT	64	65	-1.1 %	128	129	-0.6 %
Comparable EBIT-%	22.9 %	22.8 %		23.1 %	22.8 %	
CAPEX	41	41	0.1 %	78	76	3.3 %

[1)] Includes EUR 3m IFRS 16 impact on 2Q19 and EUR 6m on 1H19. [2)] 2Q19: EUR 2m restructuring costs, 1H19: EUR 2m restructuring costs.

Second quarter 2019

Revenue decreased by 1 per cent. A decrease in equipment sales, lower mobile interconnection and roaming revenue, divestments, as well as a decrease in usage and subscriptions of traditional fixed telecom services, affected revenue negatively. Revenue was positively affected by growth in mobile and digital services.

Comparable EBITDA increased by 3 per cent, mainly due to IFRS 16 change and efficiency improvements. EBITDA was negatively affected by the decrease in revenue.

January-June 2019

Revenue decreased by 2 per cent. Lower roaming and interconnection revenue in Finland, decrease in traditional fixed network usage and subscriptions and divestments affected revenue negatively. Revenue was positively affected by growth in mobile and digital services. Comparable EBITDA increased by 4 per cent, mainly due to IFRS 16 change and efficiency improvements.

Corporate Customers business

EUR million	2Q19	2Q18	Δ %	1H19	1H18	Δ %
Revenue	170	172	-1.0 %	336	342	-1.7 %
EBITDA [1)]	55	57	-2.7 %	106	110	-3.4 %
EBITDA-%	32.6 %	33.2 %		31.6 %	32.2 %	
Comparable EBITDA [1)2)]	58	55	6.0 %	111	110	0.8 %
Comparable EBITDA-%	34.1 %	31.9 %		33.0 %	32.2 %	
EBIT	30	35	-13.9 %	56	66	-14.3 %
EBIT-%	17.5 %	20.1 %		16.8 %	19.3 %	
Comparable EBIT	32	32	0.1 %	61	66	-7.2 %
Comparable EBIT-%	19.0 %	18.8 %		18.2 %	19.3 %	
CAPEX	20	20	-1.6 %	39	38	2.8 %

[1)] Includes EUR 1m IFRS 16 impact on 2Q19 and EUR 3m on 1H19. [2)] 2Q19: EUR 2m restructuring costs and EUR 1m one-off transaction cost relating to the Polystar acquisition, 1H19: EUR 4m restructuring costs and EUR 1m one-off transaction cost.

Second quarter 2019

Revenue decreased by 1 per cent. A decrease in equipment sales, lower mobile interconnection and roaming revenue, mobile services, divestments, as well as decrease in usage and subscriptions of traditional fixed telecom services, affected revenue negatively. Revenue was positively affected by growth in domestic digital services and Polystar acquisition.

Comparable EBITDA increased by 6 per cent. EBITDA was positively impacted by the IFRS 16 change and efficiency improvements.

January-June 2019

Revenue decreased by 2 per cent. A decrease in equipment sales, lower mobile interconnection and roaming revenue, divestments, as well as decrease in usage and subscriptions of traditional fixed telecom services, affected revenue negatively. Revenue was positively affected by growth in domestic digital services and Polystar acquisition. Comparable EBITDA increased by 1 per cent mainly due to IFRS 16 change and efficiency improvements.

Personnel

In January–June, the average number of personnel at Elisa was 4,823 (4,661). Employee expenses totalled EUR 165 million (161). In the second quarter, employee expenses were EUR 82 million (80). Personnel by segment at the end of the period:

	2Q19	2Q18	2018
Consumer Customers	2,816	2,906	2,754
Corporate Customers	2,137	1,955	2,033
Total	4,953	4,861	4,787

Investments

EUR million	2Q19	2Q18	1H19	1H18
Capital expenditure, of which	61	61	118	114
Consumer Customers	41	41	78	76
Corporate Customers	20	20	39	38
Shares	81	6	81	6
Total	142	67	199	120
Capital expenditure excluding IFRS 16 change	55	61	106	114

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 relate to the Polystar acquisition and Lounea shares. The IFRS 16 change increased capital expenditure by EUR 6 million in the second quarter and EUR 12 million from January-June 2019.

Financing arrangements and ratings

EUR million	Maximum amount	In use on 30 Jun 2019
Committed credit limits	300	0
Commercial paper programme (not commited)	350	80
EMTN programme (not commited)	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	2Q19	2Q18	2018
Nasdaq Helsinki, millions	24.9	22.6	103.9
Other marketplaces, millions[1)]	51.0	57.5	197.8
Total volume, millions	75.9	80.1	301.7
Value, EUR million	2,998.1	3,022.8	11,003.9
% of shares	45.4 %	47.9 %	180.3 %

Shares and market values	30 Jun 2019	30 Jun 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	42.91	39.67	36.08
Market capitalisation, EUR million	7,180	6,638	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[2)]		-174,544	174,544
Shares on 30 Jun 2019	167,335,073	7,437,277	159,897,796

[1)] Other marketplaces based on the Fidessa Fragmentation Index. [2)] Stock exchange release 5 February 2019.

In June, Elisa agreed with five banks to extend its EUR 170 million Revolving Credit Facility for two years from June 2022 to June 2024.

In June, the Board of Directors allocated a maximum of 22,500 Elisa shares under the Restricted Stock Plan.

Significant legal and regulatory issues

In May, the Finnish Transport and Communications Agency granted Elisa a renewed license to apply surcharges for consumer customers' data roaming in the EU and the EEA countries. The new license became valid on 15 June 2019, and is valid until 14 June 2020.

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 34 to the Annual Report 2018.

Events after the financial period

There are no substantial events after the financial period.

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 at the same level or 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	4-6 2019	4-6 2018	1-6 2019	1-6 2018	1-12 2018
Revenue	1	**451.6**	**457.5**	**891.4**	**907.1**	**1,831.5**
Other operating income		1.1	6.0	1.8	7.1	9.8
Materials and services		-168.8	-176.5	-329.3	-346.4	-704.4
Employee expenses		-82.0	-79.6	-165.4	-161.3	-311.4
Other operating expenses		-42.8	-47.6	-84.1	-93.3	-185.4
EBITDA	1	**159.2**	**159.8**	**314.2**	**313.2**	**640.1**
Depreciation, amortisation and impairment	1	-66.8	-59.2	-131.9	-117.5	-236.2
EBIT	1	**92.4**	**100.6**	**182.4**	**195.6**	**403.8**
Financial income		1.6	0.7	5.2	1.2	2.4
Financial expenses		-6.9	-6.2	-17.8	-12.4	-25.0
Share of associated companies' profit		0.0	0.0	-0.1	0.0	-0.4
Profit before tax		**87.0**	**95.0**	**169.7**	**184.4**	**381.0**
Income taxes		-15.8	-17.5	-29.8	-32.4	-65.0
Profit for the period		**71.2**	**77.6**	**139.9**	**152.0**	**316.0**
Attributable to						
Equity holders of the parent		71.2	77.5	139.8	152.0	315.8
Non-controlling interests		0.1	0.0	0.1	0.0	0.2
		71.2	77.6	139.9	152.0	316.0
Earnings per share (EUR)						
Basic		0.45	0.49	0.87	0.95	1.98
Diluted		0.45	0.49	0.87	0.95	1.98
Average number of outstanding shares (1000 shares)						
Basic		159,898	159,762	159,863	159,717	159,737
Diluted		159,898	159,762	159,863	159,717	159,737

Consolidated Statement of Comprehensive Income

	4-6 2019	4-6 2018	1-6 2019	1-6 2018	1-12 2018
Profit for the period	**71.2**	**77.6**	**139.9**	**152.0**	**316.0**
Other comprehensive income, net of tax					
Items which may be reclassified subsequently to profit or loss					
Cash flow hedge	0.0	0.4	-0.3	0.5	0.5
Translation difference	-0.2	-0.1	0.0	0.0	-0.1
	-0.2	0.3	-0.3	0.5	0.4
Items, which are not reclassified subsequently to profit or loss					
Remeasurements of the net defined benefit liability					0.7
Total comprehensive income	**71.0**	**77.9**	**139.6**	**152.5**	**317.0**
Total comprehensive income attributable to					
Equity holders of the parent	70.9	77.9	139.5	152.5	316.9
Non-controlling interest	0.1	0.0	0.1	0.0	0.2
	71.0	77.9	139.6	152.5	317.0

Consolidated Statement of Financial Position

EUR million	Note	30.6. 2019	31.12. 2018
Non-current assets			
Property, plant and equipment	3	815.9	751.6
Goodwill	3	1,084.9	1,020.7
Other intangible assets	3	208.6	206.7
Investments in associated companies	12	2.5	2.7
Other investments	4	12.9	9.6
Deferred tax assets		17.0	16.5
Trade and other receivables	4	87.8	93.8
		2,229.7	2,101.6
Current assets			
Inventories		61.5	65.4
Trade and other receivables		424.8	416.6
Tax receivables		0.9	4.3
Cash and cash equivalents		84.5	80.9
		571.7	567.2
Total assets		**2,801.4**	**2,668.8**
Equity attributable to equity holders of the parent	6	**984.9**	**1,126.3**
Non-controlling interests		**0.6**	**0.5**
Total shareholders' equity		**985.4**	**1,126.9**
Non-current liabilities			
Deferred tax liabilities		23.8	25.7
Pension obligations		15.2	15.2
Provisions	8	2.7	2.3
Financial liabilities	4, 7	1,086.4	861.3
Trade payables and other liabilities	4, 5	36.5	36.3
		1,164.8	940.8
Current liabilities			
Trade and other payables	4, 5	327.3	309.3
Tax liabilities		1.7	1.7
Provisions	8	4.9	2.7
Financial liabilities	4, 7	317.4	287.4
		651.2	601.1
Total equity and liabilities		**2,801.4**	**2,668.8**

Condensed Consolidated Statement of Cash Flows

EUR million	1-6 2019	1-6 2018	1-12 2018
Cash flow from operating activities			
Profit before tax	169.7	184.4	381.0
Adjustments			
Depreciation, amortisation and impairment	131.9	117.5	236.2
Other adjustments	7.3	-4.8	4.4
	139.2	112.8	240.6
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables	14.2	25.9	6.1
Increase (-) / decrease (+) in inventories	5.1	7.9	3.1
Increase (+) / decrease (-) in trade and other payables	-1.9	-30.5	-30.3
	17.3	3.2	-21.1
Financial items, net	-16.1	-12.0	-16.9
Taxes paid	-30.7	-29.6	-68.2
Net cash flow from operating activities	**279.4**	**258.8**	**515.4**
Cash flow from investing activities			
Capital expenditure	-110.0	-120.3	-235.6
Investments in shares and business combinations	-65.1	-4.7	-10.5
Loans granted		-1.5	
Proceeds from asset disposal	0.8	1.1	3.0
Net cash used in investing activities	**-174.3**	**-125.4**	**-243.2**
Cash flow before financing activities	**105.1**	**133.4**	**272.2**
Cash flow from financing activities			
Proceeds from long-term borrowings	168.4		100.0
Repayment of long-term borrowings	0.0	-4.6	-59.5
Increase (+) / decrease (-) in short-term borrowings	13.0	152.0	-9.6
Repayment of finance lease liabilities	-9.7	-1.8	-3.4
Dividends paid	-273.1	-263.1	-263.1
Net cash used in financing activities	**-101.4**	**-117.5**	**-235.6**
Change in cash and cash equivalents	**3.7**	**15.9**	**36.6**
Cash and cash equivalents at the beginning of period	80.9	44.3	44.3
Cash and cash equivalents at the end of period	**84.5**	**60.2**	**80.9**

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 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					152.0	0.0	152.0
Translation differences					0.0		0.0
Cash flow hedge				0.5			0.5
Total comprehensive income				0.5	152.0	0.0	152.5
Dividend distribution					-263.6		-263.6
Share-based compensation		4.5			-0.1		4.4
Acquisition of non-controlling interests						0.2	0.2
Other changes					-5.3		-5.3
Balance at 30 June 2018	**83.0**	**-135.7**	**90.9**	**372.2**	**543.3**	**0.4**	**954.1**

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 2019	**83.0**	**-135.6**	**90.9**	**372.8**	**715.2**	**0.5**	**1,126.9**
Profit for the period					139.8	0.1	139.9
Translation differences					0.0		0.0
Cash flow hedge				-0.3			-0.3
Total comprehensive income				-0.3	139.8	0.1	139.6
Dividend distribution					-279.8	0.0	-279.9
Share-based compensation		3.4					3.4
Other changes					-4.6		-4.6
Balance at 30 June 2019	**83.0**	**-132.2**	**90.9**	**372.5**	**570.6**	**0.6**	**985.4**

Notes

ACCOUNTING PRINCIPLES

The financial statement release is prepared in compliance with IAS 34 Interim Financial Reporting. 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 1-6/2019 rental expenses is EUR +8.5 million, on depreciation EUR -9.0 million, and financial expenses EUR -0.6 million. The effect on EBITDA is EUR +8.5 million, on operating profit EUR -0.5 million, and on profit before taxes EUR -1.1 million. The impact on the Group's 1-6/2019 investments is 11.8 EUR 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 1-6/2019, the Group recognised expenses relating to short-term lease of EUR 15.2 million and expenses relating to leases of low-value assets of EUR 2.1 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 June 2019, the right-of-use assets, calculated in accordance with the standard, amounted to EUR 92.5 million and the corresponding interest-bearing liabilities to EUR 92.7 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 1-6/2019 impact on the Group's cash flow from the operating activities is EUR +8.2 million, on cash flow from financing activities EUR -7.9 million, and on cash flow from investing activities EUR -0.3 million. The increase in prepayments included in right-of-use assets is presented under cash flow from investing activities.

1. Segment Information

4-6/2019 EUR million	Consumer Customers	Corporate Customers	Unallocated Items	Group Total
Revenue	281.7	169.9		451.6
EBITDA	103.8	55.4		159.2
Depreciation, amortisation and impairment	-41.1	-25.6		-66.8
EBIT	62.7	29.7		92.4
Financial income			1.6	1.6
Financial expenses			-6.9	-6.9
Share of associated companies' profit			0.0	0.0
Profit before tax				87.0
Investments	41.0	19.7		60.7

4-6/2018 EUR million	Consumer Customers	Corporate Customers	Unallocated Items	Group Total
Revenue	285.9	171.6		457.5
EBITDA	102.8	56.9		159.8
Depreciation, amortisation and impairment	-36.8	-22.4		-59.2
EBIT	66.0	34.5		100.6
Financial income			0.7	0.7
Financial expenses			-6.2	-6.2
Share of associated companies' profit			0.0	0.0
Profit before tax				95.0
Investments	40.8	20.1		60.9

1-6/2019	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	Total
Revenue	555.1	336.3		891.4
EBITDA	207.9	106.3		314.2
Depreciation, amortisation and impairment	-82.0	-49.8		-131.9
EBIT	125.9	56.5		182.4
Financial income			5.2	5.2
Financial expenses			-17.8	-17.8
Share of associated companies' profit			-0.1	-0.1
Profit before tax				169.7
Investments	78.5	39.1		117.6

1-6/2018	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	Total
Revenue	565.0	342.1		907.1
EBITDA	203.1	110.0		313.2
Depreciation, amortisation and impairment	-73.4	-44.2		-117.5
EBIT	129.8	65.9		195.6
Financial income			1.2	1.2
Financial expenses			-12.4	-12.4
Share of associated companies' profit			0.0	0.0
Profit before tax				184.4
Investments	76.1	37.5		113.7

1-12/2018	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 expense			-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	2,668.8

2. Acquisition and disposals

Acquisition of Polystar OSIX AB group

On 10 June 2019, Elisa acquired Polystar OSIX AB and affiliated companies. The acquisition price was EUR 77.6 million, including a contingent consideration of EUR 5.0 million.

According to the preliminary purchase price allocation, EUR 8.5 million of the purchase price is allocated to the customer base, which is amortised over four years. The acquisition resulted in EUR 64.2 million of goodwill relating to Elisa's strategy to grow digital businesses internationally and to accelerate the Elisa Automate business. Purchase price allocation is prepared mainly using Swedish Krona, hence both goodwill and customer base euro amounts vary. Goodwill is not tax-deductible. The purchase price allocation is preliminary, as the purchase took place just before the end of the reporting period. Possible adjustments are not expected to have a material impact on the purchase price allocation.

The acquired company has been consolidated from 1 June 2019 onwards. External revenue after the acquisition was EUR 3.0 million, and the impact on Group profit for the period was EUR 0.2 million. Had the acquisition been made as of the beginning of the year 2019, the impact on Group revenue and profit for the period would have been EUR 23.2 million and EUR 1.8 million, respectively.

Consideration transferred

EUR million	Preliminary
Cash paid	72.6
Contingent concideration	5.0
Total cost of acquisition	77.6

Analysis of net assets acquired

EUR million	
Customer base	8.5
Tangible assets	1.9
Deferred tax assets	0.1
Inventories	0.7
Trade and other receivables	12.6
Tax receivables	0.2
Cash and cash equivalents	11.8
Deferred tax liabilities	-1.8
Provisions	-0.1
Finance lease liabilities	-1.7
Trade payables and other liabilities	-18.5
Tax liabilities	-0.5
	13.4

Effects of acquisition on cash flow

EUR million	
Purchase price paid in cash	-72.6
Cash and cash equivalents of the acquired entities	11.8
	-60.8

Goodwill arising from business combination

EUR million	
Consideration transferred	77.6
Net asset acquired	13.4
Goodwill	64.2

An EUR 0.9 million expense of expert's and professionals advisors fees is recorded in other operating expenses.

3. Property, plant and equipment and intangible assets

30.6.2019 EUR million	Property plant and equipment	Goodwill	Other intangible assets
Acquisition cost at 1 January 2019	3,947.3	1,035.5	840.4
Adoption of IFRS 16	70.3		
Acquisition cost at 1 January 2019	4,017.5	1,035.5	840.4
Additions	97.2		20.4
Business acquisitions	2.4	64.5	8.8
Disposals	-4.4		
Reclassifications	0.2		-0.1
Translation differences	-0.1	-0.3	0.0
Aquisition cost at 30 June 2019	4,112.7	1,099.7	869.5
Accumulated depreciation, amortisation and impairment at 1 January 2019	3,195.8	14.8	633.7
Depreciation, amortisation and impairment	104.9		26.9
Accumulated depreciation and amortisation on disposals and reclassifications	-4.0		0.1
Translation differences	0.1		0.0
Accumulated depreciation, amortisation and impairment at 30 June 2019	3,296.9	14.8	660.7
Book value at 1 January 2019	751.6	1,020.7	206.7
Book value at 30 June 2019	815.9	1,084.9	208.6

30.6.2018 EUR million	Property plant and equipment	Goodwill	Other intangible assets
Acquisition cost at 1 January 2018	3,776.0	1,028.5	765.1
Additions	92.1	2.6	21.5
Business acquisitions	0.1		
Disposals	-2.6		
Reclassifications	-1.3		1.3
Translation differences	0.0	0.0	0.0
Aquisition cost at 30 June 2018	3,864.2	1,031.1	787.9
Accumulated depreciation, amortisation and impairment at 1 January 2018	3,018.0	15.0	588.0
Depreciation, amortisation and impairment	95.0		22.5
Accumulated depreciation and amortisation on disposals and reclassifications	-2.5		
Translation differences	-0.1		
Accumulated depreciation, amortisation and impairment at 30 June 2018	3,110.5	15.0	610.5
Book value at 1 January 2018	758.1	1,013.5	177.1
Book value at 30 June 2018	753.8	1,016.1	177.5

Commitments to purchase property, plant and equipment and intangible assets amounted to EUR 50.7 million (59.7) on 30 June 2019 .

Liabilities relating to future lease commitments according to IFRS 16 amounted to EUR 10.8 million on 30 June 2019.

4. Carrying amounts of financial assets and liabilities by category

30 June 2019 EUR million	Financial liabilities measured at fair value through profit or loss	Financial asset/liabilities measured at fair value through other compre-hensive income	Financial assets/ liabilities measured at amortised cost	Book values	Fair values
Non-current financial assets					
Other investments [1]			12.9	12.9	12.9
Trade and other receivables		0.0	87.7	87.8	87.8
Current financial assets					
Trade and other receivables			424.8	424.8	424.8
		0.0	525.5	525.5	525.5
Non-current financial liabilities					
Financial liabilities			1,086.4	1,086.4	1,121.2
Trade and other payables [2]	5.0		26.7	31.7	31.7
Current financial liabilities					
Financial liabilities			317.4	317.4	319.4
Trade and other payables [2]	0.9		321.3	322.3	322.3
	5.9		1,751.9	1,757.8	1,794.6

31 December 2018 EUR million	Financial liabilities measured at fair value through profit or loss	Financial asset/liabilities measured at fair value through other compre-hensive income	Financial assets/ liabilities measured at amortised cost	Book values	Fair values
Non-current financial assets					
Other investments [1]			9.6	9.6	9.6
Trade and other receivables		0.4	93.4	93.8	93.8
Current financial assets					
Trade and other receivables			416.6	416.6	416.6
		0.4	519.6	520.0	520.0
Non-current financial liabilities					
Financial liabilities			861.3	861.3	884.9
Trade payables and other liabilities [2]			31.4	31.4	31.4
Current financial liabilities					
Financial liabilities			287.4	287.4	293.0
Trade and other payables [2]	1.6		302.0	303.5	303.5
	1.6		1,482.1	1,483.6	1,512.8

[1] Other investments contains the Group's unlisted equity investments. [2] Excluding advances received.

After 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 fixed-term contracts the cash flow of which 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 expected both to collect contractual cash flows and to sell financial assets.

Financial assets and liabilities measured at fair value through profit or loss include items that do not meet the criteria of the other groups.

The Group categorises the hedge accounting of electricity derivatives as financial assets and liabilities measured at fair value through other comprehensive income, and contingent considerations in the business combinations as financial liabilities measured at fair value through profit or loss.

5. Financial assets and liabilities measured at fair value

EUR million	30.6.2019	Level 1	Level 2	Level 3
Financial assets/liabilities measured at fair value through other comprehensive income				
Electricity derivatives	0.0		0.0	
Financial liabilities measured at fair value through profit or loss				
Contingent considerations relating to business combinations	-5.9			-5.9
	-5.9		0.0	-5.9

EUR million	31.12.2018	Level 1	Level 2	Level 3
Financial assets/liabilities measured at fair value through other comprehensive income				
Electricity derivatives	0.4		0.4	
Financial liabilities measured at fair value through profit or loss				
Contingent considerations relating to business combinations	-1.6			-1.6
	-1.2		0.4	-1.6

Level 1 includes instruments with quoted prices in active markets. Level 2 includes instruments with observable prices based on market data. Level 3 includes instruments with prices that are not based on verfiable market data, but instead on the company's internal information, for example.

6. Equity

	Number of shares pcs	Treasury shares pcs	Holding, % of shares and votes
Shares at 31 December 2018	167,335,073	7,611,821	4.55 %
Disposal of treasury shares		-174,544	
Shares at 30 June 2019	167,335,073	7,437,277	4.44 %

Dividend

On 3 April 2019 Elisa's Annual General Meeting decided of a dividend of 1.75 euros per share. The total dividend amounts to EUR 279.8 million and payment started on 16 April 2019.

7. Issuances and repayment of debt securities

The unused amount of the EUR 1,500 million EMTN program is EUR 546 million as at 30 June 2019.

EUR million	30.6. 2019	31.12. 2018
Issued bonds, nominal value	954.0	780.0
Issued commercial papers	80.0	107.0
Withdrawn committed credit lines	0.0	0.0

8. Provisions

EUR million	Termination benefits	Other	Total
1 January 2019	3.4	1.7	5.0
Increases in provisions	5.4		5.4
Business acquisitions		0.1	0.1
Reversals of unused provisions	-0.6		-0.6
Utilised provisions	-2.3		-2.3
30 June 2019	5.9	1.7	7.6

EUR million	Termination benefits	Other	Total
1 January 2018	7.0	1.7	8.7
Increases in provisions	5.0		5.0
Reversals of unused provisions	-1.9		-1.9
Utilised provisions	-3.2		-3.2
30 June 2018	7.0	1.7	8.6

9. Operating Lease Commitments

Future minimum lease payments under non-cancellable operating leases:

EUR million	30.6. 2019	31.12. 2018
Not later than one year	12.1	28.2
Later than one year not later than five years	2.7	36.4
Later than five years	1.4	14.4
	16.2	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.

10. Contingent Liabilities

EUR million	30.6. 2019	31.12. 2018
For our own commitments		
Mortgages	1.2	2.0
Guarantees	0.1	0.1
Deposits	0.3	0.4
	1.6	2.5
Other contractual obligations		
Venture Capital investment commitment	2.7	2.8
Repurchase obligations	0.0	
Letter of credit	0.1	0.1

11. Derivative Instruments

EUR million	30.6. 2019	31.12. 2018
Nominal values of derivatives		
Electricity derivatives	1.0	2.5
Fair values of derivatives		
Electricity derivatives	0.0	0.4

12. Related party transactions

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

Related party transactions with associated companies EUR million	1-6 2019	1-6 2018	1-12 2018
Sales	0.3	0.2	0.5
Purchases	0.5	0.6	1.1
Receivables	0.7	1.3	0.9
Liabilities		0.1	0.0

There were no related party transactions with the key management.
The salaries and remuneration paid to the management of Elisa Group will be published in the annual consolidated financial statements.

13. Key Figures

EUR million	1-6 2019	1-6 2018	1-12 2018
Shareholders' equity per share, EUR	6.16	5.97	7.05
Interest bearing net debt	1,319.3	1,201.2	1,067.9
Gearing, %	133.9 %	125.9 %	94.8 %
Equity ratio, %	35.3 %	37.0 %	42.4 %
Return on investment (ROI), % *)	16.9 %	18.1 %	18.3 %
Gross investments in fixed assets	117.6	113.7	254.4
of which finance lease investments	13.4	1.5	2.3
Gross investments as % of revenue	13.2 %	12.5 %	13.9 %
Investments in shares and business combinations	81.2	6.2	13.6
Average number of employees	4,823	4,661	4,814

*) rolling 12 months profit preceding the reporting date

Financial Calendar

Interim Report Q3 2019 17 October 2019

Contact Information

Investor Relations:
investor.relations@elisa.fi

Press:
mediadesk@elisa.fi

Elisa website: www.elisa.com