

# Second Quarter Results 2016

15 July 2016

The logo for elisa, written in a blue, lowercase, cursive script font.

### Second quarter 2016

- Revenue amounted to EUR 393 million (390)
- EBITDA was EUR 134 million (131) and EBIT was EUR 81 million (79)
- Profit before taxes amounted to EUR 75 million (74)
- Earnings per share were EUR 0.38 (0.38)
- Cash flow after investments was EUR 69 million (70)
- Mobile ARPU grew to EUR 16.6 (16.3 in previous quarter)
- Mobile churn increased to 17.0 per cent (16.1 in previous quarter)
- Mobile service revenue increased by 7 per cent to EUR 190 million (178)
- The number of Elisa's mobile subscriptions increased by 6,600 during the quarter
- The number of fixed broadband subscriptions decreased by 4,200 on the previous quarter
- Net debt / EBITDA was 1.9 (1.8 at end 2015) and gearing 128 per cent (104 at end 2015)

### January – June 2016

- Revenue was EUR 783 million (771)
- EBITDA was EUR 270 million (260), EBIT EUR 165 million (155)
- Profit before taxes amounted to EUR 153 million (145)
- Earnings per share grew to EUR 0.77 (0.75)
- Cash flow after investments was EUR 133 million (138)
- Acquisition of Anvia's ICT companies was completed on 1 July 2016

### Key indicators

EUR million	2nd Quarter		Year-to-date	
	2016	2015	2016	2015
Revenue	393	390	783	771
EBITDA	134	131	270	260
EBIT	81	79	165	155
Profit before tax	75	74	153	145
Earnings per share, EUR	0.38	0.38	0.77	0.75
Capital expenditure	56	49	100	100

### Financial position and cash flow

EUR million	30 Jun 2016	30 Jun 2015	End 2015
Net debt	1,054	1,075	962
Net debt / EBITDA <sup>1)</sup>	1.9	2.0	1.8
Gearing ratio, %	127.5	135.8	103.9
Equity ratio, %	36.8	35.1	41.4

EUR million	2nd Quarter		Year-to-date	
	2015	2014	2015	2014
Cash flow after investments	69	70	133	138

<sup>1)</sup> (interest-bearing debt – financial assets) / (four previous quarters' EBITDA exclusive of non-recurring items)

<sup>2)</sup> Excluding investments in shares Q2/16 EUR 83m, Q2/15 EUR 79m, H1/16 EUR 156m and H1/15 EUR 148m

Other Key Performance Indicators are available at [elisa.com/investors](http://elisa.com/investors) (Elisa Operational Data.xls).

## CEO Veli-Matti Mattila:

### Elisa's earnings growth continues

The challenging economic situation has remained unchanged, but at Elisa we were still able to strengthen our competitiveness. In the second quarter of the year, our revenue and earnings grew again year-on-year. The result improved over the previous period due to mobile service revenue growth and productivity improvements in Elisa's operational activities.

The shift of consumers, corporate customers and organisations to becoming users of fast mobile broadband subscriptions continued with the active use of smartphones and applications. The mobile subscription base increased by 6,600 subscriptions during the quarter, while the fixed network broadband subscription base fell by 4,200 subscriptions.

The Anvia ICT companies acquisition concluded with a solution where Elisa purchases Anvia's telecom, IT and entertainment services. An extraordinary general meeting of Anvia's shareholders approved the Board of Directors' proposal with a majority of over three-quarters. We believe that by combining the performance of Anvia and Elisa, the customers in the area will receive even better service and a more extensive service offering. The solution is also positive from the point of view of the development of shareholder value.

It is important for our customers that they can surf worry-free on the net, without fearing large telephone bills. According to our studies, 4G users are particularly satisfied with their connections. We are also preparing for the needs of the future, and Elisa became the first operator in the Nordic countries to test the 700 MHz frequency. This new frequency improves the coverage and capacity of the mobile network.

We are pursuing an even better customer experience and testing new technologies in both the mobile and fixed networks. As our latest innovation, we tested the G.fast technology, which enables speeds of up to 1 Gbit/s in the current fixed broadband network. The technology is particularly suitable for low-rise residential areas and old high-rise buildings. Elisa was the first reseller in Europe to launch OnePlus phones to consumers, and particularly to entrepreneurs.

Elisa's open development and service platform, Elisa IoT, received international recognition. Its application, which can visualise process information coming from dozens of different automation systems and other information sources in one 3D view, received the award for best solution of the year for the Internet of Things at the LiveWorx 2016 event. In Finland, S Group, Finland's largest retail store chain, is taking advantage of Elisa's Internet of Things by using it to place all their active network devices under remote monitoring in a data-secure manner.

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

ELISA CORPORATION

## INTERIM REPORT JANUARY–JUNE 2016

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 during the quarter, typically having some campaigning and quite long discount periods in campaigns. The smartphone market grew, and the usage of data services continued to evolve favourably. Approximately 92 per cent of the mobile handsets sold during the second quarter were smartphones. Another factor contributing to mobile market growth has been the increased network coverage and capacity of new 4G speeds. The competition in the fixed broadband market has been fierce, especially 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 consumer online services is also growing.

### Revenue, earnings and financial position

#### Revenue and earnings:

EUR million	2nd Quarter		Year-to-date	
	2016	2015	2016	2015
Revenue	393	390	783	771
EBITDA	134	131	270	260
EBITDA-%	34.0	33.6	34.5	33.8
EBIT	81	79	165	155
EBIT-%	20.6	20.2	21.1	20.1
Return on equity, % <sup>1)</sup>	29.3	29.4	29.3	29.4

<sup>1)</sup> Last four quarters' profit per average of last four quarters' equity

#### Second quarter 2016

Revenue increased by 1 per cent on the previous year. Growth in mobile services and digital services in the Consumer Customer segment and IT services in the Corporate Customer segment, as well as Estonian business, affected revenue positively. Decrease in usage and subscriptions of traditional fixed telecom services in both segments, lower roaming and interconnection revenue in Finland, as well as decrease in equipment sales and visual communication business affected revenue negatively.

EBITDA increased by 2 per cent, mainly due to revenue growth and efficiency improvements.

Financial income and expenses totalled EUR -5 million (-6). Income taxes in the income statement were EUR -15 million (-13). Elisa's net profit was EUR 60 million (60). Earnings per share (EPS) were EUR 0.38 (0.38).

#### January–June 2016

Revenue increased by 2 per cent on the previous year. Growth in mobile services and Consumer Customers digital services and IT services in the Corporate Customer segment, as well as Estonian business, affected revenue positively. Decrease in usage and subscriptions of traditional fixed telecom services in both segments, lower roaming and interconnection revenue in Finland, as well as decrease in equipment sales and visual communication business affected revenue negatively.

EBITDA increased by 4 per cent, mainly due to efficiency improvements and revenue growth.

Financial income and expenses were EUR -11 million (-11). Income taxes in the income statement were EUR -30 million (-26). Elisa's net profit was EUR 123 million (119). Earnings per share (EPS) amounted to EUR 0.77 (0.75).

## Financial position

EUR million	30 Jun 2016	30 Jun 2015	End 2015
Net debt	1,054	1,075	962
Net debt / EBITDA <sup>1)</sup>	1.9	2.0	1.8
Gearing ratio, %	127.5	135.8	103.9
Equity ratio, %	36.8	35.1	41.4

EUR million	2nd Quarter		Year-to-date	
	2016	2015	2016	2015
Cash flow after investments <sup>2)</sup>	69	70	133	138

<sup>1)</sup> (interest-bearing debt – financial assets) / (four previous quarters' EBITDA exclusive of non-recurring items)

<sup>2)</sup> Excluding investments in shares Q2/16 EUR 83m, Q2/15 EUR 79m, H1/16 EUR 156m and H1/15 EUR 148m

### Second quarter

Cash flow after investments was at the previous year's level, EUR 69 million. Positive change in NWC and higher EBITDA affected cash flow positively. Higher investments in shares, EUR 15 million (9), higher CAPEX and paid taxes relating to the previous financial year affected cash flow negatively.

### January–June 2016

Cash flow after investments decreased by 4 per cent to EUR 133 million. Higher investments in shares, EUR 24 million (10) and paid taxes relating to the previous financial year affected cash flow negatively. Higher EBITDA and lower net financial items affected cash flow positively.

The financial position and liquidity are good. Net debt was EUR 1,054 million. Cash and undrawn committed credit lines totalled EUR 425 million at the end of the quarter.

## Changes in corporate structure

Arediv Oyj merged into the parent company Elisa Oyj on 30 June 2016.

## Consumer Customers business

EUR million	2nd Quarter		Year-to-date	
	2016	2015	2016	2015
Revenue	246	243	489	478
EBITDA	88	86	177	168
EBITDA-%	35.9	35.5	36.2	35.2
EBIT	59	57	119	110
CAPEX	31	27	56	57

### Second quarter

Revenue increased by 1 per cent. Growth in mobile services and digital services affected revenue positively. Lower roaming and interconnection revenue in Finland, decrease in traditional fixed network usage and subscriptions as well as lower equipment sales affected revenue negatively. EBITDA increased by 2 per cent, mainly due to revenue growth and productivity improvements.

### January–June 2016

Revenue increased by 2 per cent, mainly due to growth in mobile services and digital services. Lower roaming and interconnection revenue in Finland, decrease in traditional fixed network usage and subscriptions as well as lower equipment sales affected revenue negatively. EBITDA increased by 5 per cent, mainly due to revenue growth and productivity improvements.

## Corporate Customers business

EUR million	2nd Quarter		Year-to-date	
	2016	2015	2016	2015
Revenue	147	147	294	292
EBITDA	45	45	93	92
EBITDA-%	30.9	30.5	31.7	31.5
EBIT	22	22	46	45
CAPEX	25	21	45	44

### Second quarter

Revenue was at the previous year's level. Growth in mobile and IT services affected revenue positively. Visual communication business, lower equipment sales, and lower interconnection and roaming revenue in Finland affected revenue negatively. EBITDA was at the previous year's level.

### January–June 2016

Revenue increased by EUR 1 million. Growth in mobile and IT services affected revenue positively. Visual communication business, lower equipment sales, and lower interconnection and roaming revenue in Finland affected revenue negatively. EBITDA increased by 1 per cent mainly due to growth in revenue.

## Personnel

In January–June, the average number of personnel at Elisa was 4,139 (4,131). Employee expenses totalled EUR 138 million (136). In the second quarter, employee expenses were EUR 71 million (69). Personnel by segment at the end of the period:

	30 Jun 2016	30 Jun 2015	End 2015
Consumer Customers	2,398	2,381	2,290
Corporate Customers	1,801	1,789	1,793
Total	4,199	4,170	4,083

## Investments

EUR million	2nd Quarter		Year-to-date	
	2016	2015	2016	2015
Capital expenditures, of which	56	49	100	100
- Consumer Customers	31	27	56	57
- Corporate Customers	25	21	45	44
Shares	15	13	23	14
Total	71	62	124	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 mainly to the ownership increase in Anvia.

## Financing arrangements and ratings

### Valid financing arrangements

EUR million	Maximum amount	In use on 30 Jun 2016
Committed credit limits	300	80
Committed EIB loan	150	0
Commercial paper programme <sup>1)</sup>	250	215
EMTN programme <sup>2)</sup>	1,000	600

<sup>1)</sup> The programme is not committed

<sup>2)</sup> European Medium Term Note programme, not committed

In May, Elisa agreed with five banks to extend its EUR 130 million Revolving Credit Facility for two years from June 2019 to June 2021.

### Long-term credit ratings

Credit rating agency	Rating	Outlook
Moody's Investor Services	Baa2	Stable
Standard & Poor's	BBB+	Stable

## Share

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

Trading of shares	2nd Quarter		Year-to-date	
	2016	2015	2016	2015
Nasdaq Helsinki, millions	24.6	31,0	50.1	59.3
Other marketplaces, millions <sup>1)</sup>	55.1	47.6	104.9	91.9
Total volume, millions	79.7	78.6	155.0	151.2
Value, EUR million	2,498.1	2,105.0	5,140.1	3,847.3
% of shares	48	47	93	90

Shares and market values	30 Jun 2016	30 Jun 2015	End 2015
Total number of shares	167,335,073	167,335,073	167,335,073
Treasury shares	7,716,969	7,852,846	7,851,006
Outstanding shares	159,618,104	159,482,227	159,484,067
Closing price, EUR	34.40	28.43	34.79
Market capitalisation, EUR million	5,756	4,757	5,822
Treasury shares, %	4.61	4.69	4.69

<sup>1)</sup> Other marketplaces based on the Fidessa Fragmentation Index.

Number of shares	Total number of shares	Treasury shares	Outstanding shares
Shares at 31 Dec 2015	167,335,073	7,851,006	159,484,067
Performance Share Plan 29 Jan 2016 <sup>1)</sup>		-134,037	134,037
Shares at 30 Jun 2016	167,335,073	7,716,969	159,618,104

<sup>1)</sup> Stock exchange bulletin 29 January 2016

## Significant legal and regulatory issues

The Ministry of Transport and Communications has requested opinions about the proposed 700 MHz frequency action rules. The main proposals are that the maximum amount of frequencies is limited to 2x10 MHz per operator (total 700 MHz band is 2x30 MHz) and the reserve price of the total 2x30 MHz band is EUR 90 million. The auction is expected to take place at the end of the year, and the 700 MHz frequencies are expected to be in mobile broadband use in 2017.

The EU Commission has adopted a proposal to lower the current maximum wholesale roaming charges. The Commission proposed on 15 June 2016 that the maximum wholesale roaming charges in the EU would be 0.85 cents per MB, 4 cents per minute and 1 cent per SMS. The proposed maximum charges may still change during the legislative procedure in the EU.

The EU has adopted the General Data Protection Regulation (GDPR), which concerns all processing of personal data. The GDPR comes into force on 25 May 2018.

The court proceedings relating to Anvia treasury shares and the General Meeting decisions in Anvia started in 2015 have been withdrawn.

## 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. Regulation may also require investments which have long payback times.

The final effects of the new EU regulation regarding roaming and net neutrality are still open, and therefore it might have a financial impact on Elisa's mobile business.

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 Elisa's 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 2015.

## **Annual General Meeting 2016 and Board of Directors' organising meeting**

On 31 March 2016, Elisa's Annual General Meeting decided to pay a dividend of EUR 1.40 per share based on the adopted financial statements for 2015. The dividend was paid on 12 April 2016.

The Annual General Meeting adopted the financial statements for 2015. The members of the Board of Directors and the CEO were discharged from liability for 2015.

The number of the members of the Board of Directors was confirmed at seven (7). Mr Raimo Lind, Mr Petteri Koponen, Ms Leena Niemistö, Ms Seija Turunen, Mr Jaakko Uotila and Mr Mika Vehviläinen were re-elected as members of the Board of Directors, and Ms Clarisse Berggårdh was elected as a new member of the Board of Directors.

KPMG Oy Ab, authorised public accountants, was appointed the company's auditor. APA Mr Esa Kailiala is the responsible auditor.

Mr Raimo Lind was elected as the Chairman of the Board and Mr Mika Vehviläinen as the Deputy Chairman. Mr Raimo Lind (Chair), Mr Petteri Koponen, Ms Leena Niemistö and Mr Mika Vehviläinen were appointed to the Compensation & Nomination Committee. Ms Seija Turunen (Chair), Ms Clarisse Berggårdh and Mr Jaakko Uotila were appointed to the Audit Committee.

## **The Board of Directors' authorisations**

The Annual General Meeting decided to authorise the Board of Directors to resolve to repurchase or accept as pledge the company's own shares. The repurchase may be directed. The amount of shares under this authorisation is 5 million shares at maximum. The authorisation is effective until 30 June 2017.

On 2 April 2014, the Annual General Meeting decided to authorise the Board of Directors to pass a resolution concerning the share issue, the right of assignment of treasury shares and/or the granting of special rights entitling to shares. A maximum aggregate of 15 million of the company's shares can be issued under the authorisation. The authorisation is effective until 30 June 2018.

## **Events after the financial period**

On 29 June, an Extraordinary General Meeting of Anvia Oyj approved the sale of Anvia's ICT businesses to Elisa. The transaction was executed on 1 July 2016, when the acquired companies, Anvia Telecom Oy, Anvia IT-palvelut Oy, Anvia Hosting Oy, Anvia TV Oy and Watson Nordic Oy, were consolidated into Elisa. The acquisition price is approximately EUR 107 mil-

lion, of which approximately EUR 76 million will be paid with Anvia shares, approximately EUR 30 million with cash and EUR 1 million with subsidiary company Tansec Oy shares.

On 1 July 2016, Elisa sold its 100 per cent owned company Elisa Rahoitus Oy to Aktia Bank plc.

## **Outlook and guidance for 2016**

The macroeconomic environment in Finland is still expected to be weak in 2016. Competition in the Finnish telecommunications market also remains challenging.

Full-year guidance includes the companies acquired from Anvia for six months. Full-year revenue is estimated to be slightly higher than in 2015. Mobile data, ICT and new online services are expected to increase revenue. Comparable full-year EBITDA, i.e. excluding non-recurring items, is anticipated to be slightly higher than in 2015. Full-year capital expenditure is expected to be a maximum of 12 per cent of revenue. Elisa's financial position and liquidity are good.

Elisa is continuing its productivity improvement measures, for example by streamlining the product portfolio and IT systems and operations. Additionally, Elisa is continuing to increase customer service and sales efficiency, as well as to reduce general administrative 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 mobile data market growth, as well as new online and ICT services.

## **BOARD OF DIRECTORS**

Unaudited

## Consolidated Income Statement

EUR million	Note	4-6 2016	4-6 2015	1-6 2016	1-6 2015	1-12 2015
<b>Revenue</b>	1	<b>393,0</b>	390,0	<b>783,0</b>	770,6	1 569,5
Other operating income		<b>0,6</b>	0,6	<b>1,1</b>	1,1	4,8
Materials and services		<b>-146,5</b>	-147,3	<b>-291,2</b>	-291,7	-609,0
Employee expenses		<b>-70,9</b>	-69,1	<b>-137,5</b>	-136,0	-266,3
Other operating expenses		<b>-42,5</b>	-42,9	<b>-85,1</b>	-83,8	-166,5
<b>EBITDA</b>	1	<b>133,6</b>	131,2	<b>270,3</b>	260,3	532,5
Depreciation, amortisation and impairment		<b>-52,7</b>	-52,5	<b>-105,3</b>	-105,5	-220,4
<b>EBIT</b>	1	<b>81,0</b>	78,7	<b>165,0</b>	154,8	312,1
Financial income		<b>1,2</b>	1,1	<b>1,9</b>	2,3	3,6
Financial expense		<b>-6,4</b>	-6,9	<b>-12,7</b>	-13,6	-27,4
Share of associated companies' profit		<b>-0,5</b>	1,0	<b>-1,4</b>	1,7	2,3
<b>Profit before tax</b>		<b>75,3</b>	74,0	<b>152,7</b>	145,1	290,6
Income taxes		<b>-15,1</b>	-13,5	<b>-29,5</b>	-25,8	-47,1
<b>Profit for the period</b>		<b>60,2</b>	60,5	<b>123,2</b>	119,4	243,5

### Attributable to:

Equity holders of the parent	<b>60,1</b>	60,4	<b>123,1</b>	119,2	243,1
Non-controlling interests	<b>0,1</b>	0,1	<b>0,2</b>	0,2	0,4
	<b>60,2</b>	60,5	<b>123,2</b>	119,4	243,5

### Earnings per share (EUR)

Basic	<b>0,38</b>	0,38	<b>0,77</b>	0,75	1,52
Diluted	<b>0,38</b>	0,38	<b>0,77</b>	0,75	1,52

### Average number of outstanding shares (1000 shares)

Basic	<b>159 618</b>	159 482	<b>159 597</b>	159 456	159 470
Diluted	<b>159 618</b>	159 482	<b>159 597</b>	159 456	159 470

## Consolidated Statement of Comprehensive Income

<b>Profit for the period</b>	<b>60,2</b>	60,5	<b>123,2</b>	119,4	243,5
<b>Other comprehensive income, net of tax</b>					
<b>Items which may be reclassified subsequently to profit or loss:</b>					
Financial assets available-for-sale	<b>3,6</b>	4,1	<b>-0,6</b>	4,0	12,0
Cash flow hedge	<b>0,4</b>	-0,2	<b>-0,1</b>	-0,4	-0,9
Translation difference	<b>0,1</b>	0,0	<b>0,0</b>	0,0	0,0
	<b>4,1</b>	3,9	<b>-0,6</b>	3,5	11,1
<b>Items which are not reclassified subsequently to profit or loss:</b>					
Remeasurements of the net defined benefit liability					1,8
<b>Total comprehensive income</b>	<b>64,3</b>	64,4	<b>122,6</b>	122,9	256,5
<b>Total comprehensive income attributable to:</b>					
Equity holders of the parent	<b>64,3</b>	64,3	<b>122,4</b>	122,7	256,1
Non-controlling interest	<b>0,1</b>	0,1	<b>0,2</b>	0,2	0,4
	<b>64,3</b>	64,4	<b>122,6</b>	122,9	256,5

## Consolidated Statement of Financial Position

	30.6.	31.12.
EUR million	2016	2015
<b>Non-current assets</b>		
Property, plant and equipment	670,8	677,4
Goodwill	829,8	830,1
Other intangible assets	134,7	134,8
Investments in associated companies	1,7	59,5
Financial assets available-for-sale	29,8	30,3
Deferred tax assets	23,1	23,3
Trade and other receivables	71,3	73,7
	<b>1 761,2</b>	<b>1 829,1</b>
<b>Current assets</b>		
Inventories	44,0	54,8
Trade and other receivables	315,7	333,4
Tax receivables	0,3	0,2
Cash and cash equivalents	54,6	29,1
	<b>414,6</b>	<b>417,5</b>
Assets held for sale	79,7	
<b>Total assets</b>	<b>2 255,4</b>	<b>2 246,6</b>
<b>Equity attributable to equity holders of the parent</b>	<b>826,1</b>	<b>925,4</b>
<b>Non-controlling interests</b>	<b>0,3</b>	<b>0,5</b>
<b>Total shareholders' equity</b>	<b>826,3</b>	<b>925,9</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	21,4	22,7
Pension obligations	15,5	15,6
Provisions	3,4	3,4
Financial liabilities	681,4	686,0
Trade payables and other liabilities	22,9	23,9
	<b>744,6</b>	<b>751,6</b>
<b>Current liabilities</b>		
Trade and other payables	248,1	255,5
Tax liabilities	5,4	2,9
Provisions	2,8	5,4
Financial liabilities	427,7	305,2
	<b>684,0</b>	<b>569,1</b>
Liabilities directly attributable to assets held for sale	0,5	
<b>Total equity and liabilities</b>	<b>2 255,4</b>	<b>2 246,6</b>

## Condensed Consolidated Statement of Cash Flows

EUR million	1-6 2016	1-6 2015	1-12 2015
<b>Cash flow from operating activities</b>			
Profit before tax	152,7	145,1	290,6
Adjustments			
Depreciation, amortisation and impairment	105,3	105,5	220,4
Other adjustments	9,9	9,0	22,6
	115,2	114,6	243,0
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables	21,1	10,1	-1,6
Increase (-) / decrease (+) in inventories	9,8	3,0	-5,6
Increase (+) / decrease (-) in trade and other payables	-7,4	8,9	6,9
	23,5	22,0	-0,4
Financial items, net	-8,0	-10,9	-18,5
Taxes paid	-28,0	-23,6	-52,0
<b>Net cash flow from operating activities</b>	<b>255,4</b>	<b>247,1</b>	<b>462,8</b>
<b>Cash flow from investing activities</b>			
Capital expenditure	-99,8	-99,8	-199,8
Investments in shares and business combinations	-23,5	-9,5	-12,7
Repayment of loan assets		0,1	0,1
Proceeds from asset disposal	0,5	0,1	2,6
<b>Net cash used in investing activities</b>	<b>-122,7</b>	<b>-109,1</b>	<b>-209,8</b>
<b>Cash flow before financing activities</b>	<b>132,6</b>	<b>138,0</b>	<b>253,0</b>
<b>Cash flow from financing activities</b>			
Proceeds from long-term borrowings			0,2
Repayment of long-term borrowings	-5,4	-5,4	-10,7
Increase (+) / decrease (-) in short-term borrowings	124,0	98,5	-39,5
Repayment of finance lease liabilities	-2,4	-2,4	-4,8
Dividends paid	-222,5	-209,7	-210,3
<b>Net cash used in financing activities</b>	<b>-106,3</b>	<b>-118,9</b>	<b>-265,2</b>
<b>Change in cash and cash equivalents</b>	<b>26,3</b>	<b>19,1</b>	<b>-12,2</b>
Cash and cash equivalents at the beginning of period	29,1	41,3	41,3
<b>Cash and cash equivalents at the end of period</b>	<b>55,4</b>	<b>60,4</b>	<b>29,1</b>

## Statement of Changes in Equity

EUR million	Share capital	Treasury shares	Other reserves	Reserve for invested non-restricted equity	Retained earnings	Non-controlling interests	Total equity
<b>Balance at 1 January 2015</b>	83,0	-148,2	384,8	90,9	467,5	0,6	<b>878,6</b>
Profit for the period					119,2	0,2	<b>119,4</b>
Translation differences					0,0		<b>0,0</b>
Financial assets available-for-sale			4,0				<b>4,0</b>
Cash flow hedge			-0,4				<b>-0,4</b>
<b>Total comprehensive income</b>			<b>3,6</b>		<b>119,1</b>	<b>0,2</b>	<b>122,9</b>
Dividend distribution					-210,5	-0,5	<b>-211,0</b>
Share-based compensation		2,7			0,9		<b>3,6</b>
Other changes					-2,7		<b>-2,7</b>
<b>Balance at 30 June 2015</b>	<b>83,0</b>	<b>-145,6</b>	<b>388,4</b>	<b>90,9</b>	<b>374,4</b>	<b>0,3</b>	<b>791,4</b>

EUR million	Share capital	Treasury shares	Other reserves	Reserve for invested non-restricted equity	Retained earnings	Non-controlling interests	Total equity
<b>Balance at 1 January 2016</b>	83,0	-145,5	397,7	90,9	499,3	0,5	<b>925,9</b>
Profit for the period					123,1	0,2	<b>123,2</b>
Translation differences					0,0		<b>0,0</b>
Financial assets available-for-sale			-0,6				<b>-0,6</b>
Cash flow hedge			-0,1				<b>-0,1</b>
<b>Total comprehensive income</b>			<b>-0,7</b>		<b>123,1</b>	<b>0,2</b>	<b>122,6</b>
Dividend distribution					-223,5	-0,4	<b>-223,9</b>
Share-based compensation		2,6			1,7		<b>4,4</b>
Other changes					-2,6		<b>-2,6</b>
<b>Balance at 30 June 2016</b>	<b>83,0</b>	<b>-142,9</b>	<b>397,1</b>	<b>90,9</b>	<b>398,0</b>	<b>0,3</b>	<b>826,3</b>

## Notes

### ACCOUNTING PRINCIPLES

The Interim consolidated financial statements are in compliance with IAS 34 Interim Financial Reporting. The information has been prepared in accordance with International Financial Reporting Standards (IFRS) effective at the time of preparation and adopted for use by the 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 2015.

#### Changes in the accounting principles

The Group adopted the following standards, amendments to standards and interpretations as from 1 January 2016 onward:  
- Annual improvements of IFRS-standards

### 1. Segment Information

<b>4-6/2016</b>	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	Total
Revenue	245,7	147,3		393,0
EBITDA	88,2	45,4		133,6
Depreciation, amortisation and impairment	-29,2	-23,5		-52,7
EBIT	59,0	22,0		81,0
Financial income			1,2	1,2
Financial expense			-6,4	-6,4
Share of associated companies' profit			-0,5	-0,5
Profit before tax				75,3
Investments	30,8	25,0		55,8
<b>4-6/2015</b>	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	Total
Revenue	242,9	147,1		390,0
EBITDA	86,3	44,9		131,2
Depreciation, amortisation and impairment	-29,2	-23,3		-52,5
EBIT	57,2	21,6		78,7
Financial income			1,1	1,1
Financial expense			-6,9	-6,9
Share of associated companies' profit			1,0	1,0
Profit before tax				74,0
Investments	27,3	21,4		48,7

<b>1-6/2016</b>	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	Total
Revenue	489,4	293,6		783,0
EBITDA	177,2	93,1		270,3
Depreciation, amortisation and impairment	-58,4	-46,9		-105,3
EBIT	118,9	46,1		165,0
Financial income			1,9	1,9
Financial expense			-12,7	-12,7
Share of associated companies' profit			-1,4	-1,4
Profit before tax				152,7

Investments	55,5	44,7		100,2
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<b>1-6/2015</b>	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	Total
Revenue	478,4	292,2		770,6
EBITDA	168,4	92,0		260,3
Depreciation, amortisation and impairment	-58,8	-46,7		-105,5
EBIT	109,6	45,2		154,8
Financial income			2,3	2,3
Financial expense			-13,6	-13,6
Share of associated companies' profit			1,7	1,7
Profit before tax				145,1

Investments	56,5	43,8		100,3
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<b>1-12/2015</b>	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	Total
Revenue	983,2	586,3		1 569,5
EBITDA	347,7	184,8		532,5
Depreciation, amortisation and impairment	-126,3	-94,2		-220,4
EBIT	221,5	90,6		312,1
Financial income			3,6	3,6
Financial expense			-27,4	-27,4
Share of associated companies' profit			2,3	2,3
Profit before tax				290,6

Investments	110,6	85,2		195,8
Total assets	1 271,6	832,1	143,0	2 246,6

## 2. Acquisitions and disposals

### Acquisition of Anvia's ICT companies

Elisa acquired 100% of shares in Anvia Telecom Oy, Anvia IT-Palvelut Oy, Anvia Hosting Oy, Anvia TV Oy and Watson Nordic Oy on 1 July 2016. The acquisition price is approximately EUR 107 million. The final acquisition price will be adjusted based on, among the others, net debt position of acquired companies on 30 June 2016. Elisa pays the acquisition price with Anvia Oyj's shares, cash and subsidiary Tansec Oy's shares.

Through this acquisition Elisa strengthens its market position in the field of activity of Anvia's ICT companies.

The amount of acquired assets and liabilities as well as the amount of resulted goodwill cannot be determined in final as the companies' financial statements 30 June 2016 are not yet available and the initial accounting for business combinations is not thus finalized. According to the preliminary purchase price allocation EUR 7.5 million is allocated to customer base, which is amortised in five years. The acquisition results in EUR 64.7 million goodwill relating to market access in the field of activity of the purchased entities and expected synergy benefits. Goodwill is not tax deductible.

The acquired companies will be consolidated from 1 July 2016 onwards.

There were no pre-existing relationships between the Group and the acquired company at the time of the acquisition that should be taken into account in the consolidation of the business operations.

### Consideration transferred

EUR million	Preliminary
Anvia Oyj's shares	76,0
Tansec Oy's shares	1,0
Cash paid	30,0
Total cost of acquisition	107,0

### Analysis of net assets acquired

EUR million	Preliminary
Customer base	7,5
Other intangible assets	0,9
Tangible assets	41,8
Equity investments and funds	1,4
Deferred tax assets	0,0
Inventories	1,9
Trade and other receivables	11,8
Cash and cash equivalents	0,8
Deferred tax liabilities	-4,8
Provisions	-0,2
Financial liabilities	-3,0
Trade payables and other liabilities	-15,9
	42,3

### Effects of acquisition on cash flow

EUR million	Preliminary
Purchase price paid in cash	-30,0
Cash and cash equivalents of the acquired entity	0,8
	-29,2

### Goodwill arising from business combination

EUR million	Preliminary
Consideration transferred	107,0
Net asset acquired	42,3
Goodwill	64,7

Expenses related to the acquisition of approximately EUR 1.5 million were recorded in other operating expenses in the consolidated statement of comprehensive income in April-June 2016. The expenses related mainly to expert's and professionals advisors fees from share purchase and transactions realisation. The acquisition will result in an approximately EUR 1.7 million expense of transfer tax, which will be recorded in other operating expenses in July 2016.

In addition to the above mentioned divestments of Anvia Oyj's and Tansec Oy's shares Elisa sold the shares of Elisa Rahoitus Oy to Aktia Pankki Oyj after the interim period.

Elisa Rahoitus is consolidated in Elisa Group until 30 June 2016.

Anvia Oyj's associated company shares are reported in the unallocated items and Tansec as a part of the Corporate Customers segment. Elisa Rahoitus is reported as a part of the Consumer Customers segment.

In the second quarter asset of the above mentioned divested companies, Anvia Oyj, Tansec Oy and Elisa Rahoitus Oy, have been transferred into non-current assets held for sale according to the specification below.

#### Non-current assets held for sale

milj.euroa	30.6.2016
Property, plant and equipment	0,1
Other intangible assets	1,6
Investments in associated companies	76,6
Inventories	0,1
Trade and other receivables	0,5
Tax receivables	0,0
Cash and cash equivalents	0,8
Non-current assets held for sale in total	79,7
Deferred tax liabilities	0,0
Trade payables and other liabilities	0,5
Liabilities directly attributable to asset held for sale in total	0,5

### 3. Property, plant and equipment and intangible assets

<b>30.6.2016</b>	Property plant and equipment	Goodwill	Other intangible assets
EUR million			
Acquisition cost at 1 January 2016	3 386,8	836,1	638,2
Additions	78,9		21,3
Business acquisitions		0,0	
Disposals	-5,6		
Reclassifications	-1,2		-9,2
Translation differences	0,1	-0,3	
Acquisition cost at 30 June 2016	3 458,9	835,8	650,4
Accumulated depreciation, amortisation and impairment at 1 January 2016	2 709,4	6,0	503,5
Depreciation, amortisation and impairment	84,9		20,4
Accumulated depreciation and amortisation on disposals and reclassifications	-6,2		-8,2
Translation differences	0,0		
Accumulated depreciation, amortisation and impairment at 30 June 2016	2 788,1	6,0	515,7
Book value at 1 January 2016	677,4	830,1	134,8
Book value at 30 June 2016	670,8	829,8	134,7

<b>30.6.2015</b>	Property plant and equipment	Goodwill	Other intangible assets
EUR million			
Acquisition cost at 1 January 2015	3 257,1	831,5	596,7
Additions	80,0		20,3
Business acquisitions		3,2	
Disposals	-4,4		0,0
Reclassifications	-0,3		0,2
Translation differences	0,1		0,0
Acquisition cost at 30 June 2015	3 332,4	834,7	617,1
Accumulated depreciation, amortisation and impairment at 1 January 2015	2 565,1		459,6
Depreciation, amortisation and impairment	84,7		20,8
Accumulated depreciation and amortisation on disposals and reclassifications	-4,5		-0,1
Translation differences	0,0		
Accumulated depreciation, amortisation and impairment at 30 June 2015	2 645,3		480,4
Book value at 1 January 2015	692,0	831,5	137,0
Book value at 30 June 2015	687,1	834,7	136,7

Commitments to purchase property, plant and equipment and intangible assets amounts to EUR 45.4 million (50.1) at 30 June 2016.

## 4. Carrying amounts of financial assets and liabilities by category

	Financial assets available-for-sale	Financial assets/liabilities recognised at fair value through profit or loss <sup>(1)</sup>	Financial liabilities measured at amortised cost	Book values	Fair values
<b>30 June 2016</b>					
EUR million					
<b>Non-current financial assets</b>					
Financial assets available-for-sale	29,8			29,8	29,8
Trade and other receivables		71,3		71,3	71,3
<b>Current financial assets</b>					
Trade and other receivables		315,7		315,7	315,7
	29,8	387,0		416,8	416,8
<b>Non-current financial liabilities</b>					
Financial liabilities			681,4	681,4	736,9
Trade and other payables <sup>(2)</sup>			1,8	15,8	17,6
<b>Current financial liabilities</b>					
Financial liabilities			427,7	427,7	427,7
Trade and other payables <sup>(2)</sup>			244,5	244,5	244,5
			1,8	1 369,3	1 371,1
				1 371,1	1 426,6
<b>31 December 2015</b>					
EUR million					
<b>Non-current financial assets</b>					
Financial assets available-for-sale	30,3			30,3	30,3
Trade and other receivables		73,7		73,7	73,7
<b>Current financial assets</b>					
Trade and other receivables		333,4		333,4	333,4
	30,3	407,1		437,4	437,4
<b>Non-current financial liabilities</b>					
Financial liabilities			686,0	686,0	731,8
Trade payables and other liabilities <sup>(2)</sup>			0,7	17,8	18,5
<b>Current financial liabilities</b>					
Financial liabilities			305,2	305,2	305,2
Trade and other payables <sup>(2)</sup>			251,6	251,6	251,6
			0,7	1 260,5	1 261,2
				1 261,2	1 307,1

<sup>1)</sup> Assets classified as such at initial recognition

<sup>2)</sup> Excluding advances received

Equity investments are classified as financial assets available-for-sale and are generally measured at fair value. Equity investments for which values cannot be measured reliably are reported at cost less impairment.

Loans and receivables are valued at amortised cost less impairment loss.

Derivatives are recognised at cost on the date of acquisition and are subsequently remeasured at fair value. They are classified as financial assets or liabilities recognised at fair value through profit or loss.

Financial liabilities are initially recognised at fair value equalling the net proceeds received and are subsequently measured at amortised cost by using the effective interest method.

The classification and measurement of each financial asset and liability item are presented in more detail under the financial statements accounting principles at 31 December 2015.

## 5. Financial assets and liabilities recognised at fair value

EUR million	30.6.2016	Level 1	Level 2	Level 3
Financial assets/liabilities recognised at fair value <sup>(1)</sup>	-1,8		-1,8	
Financial assets available-for-sale <sup>(2)</sup>	25,6	25,6		
Other liabilities <sup>(3)</sup>	-1,4			-1,4
	22,4	25,6	-1,8	-1,4

  

EUR million	31.12.2015	Level 1	Level 2	Level 3
Financial assets/liabilities recognised at fair value <sup>(1)</sup>	-0,7		-0,7	
Financial assets available-for-sale <sup>(2)</sup>	26,2	26,2		
Other liabilities <sup>(3)</sup>	-1,8			-1,8
	23,7	26,2	-0,7	-1,8

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 verifiable market data but instead on the company's internal information, for example.

<sup>1)</sup> Interest rate and currency swap and electricity derivatives. The fair value is expected to approximate the quoted market price or, if this is not available it is estimated using commonly used valuation methods.

<sup>2)</sup> Publicly listed equity investments and funds. Fair values are measured by using quoted market rates.

<sup>3)</sup> Contingent considerations relating to business combinations.

## 6. Financial assets available-for-sale

EUR million	30.6.2016	31.12.2015
Publicly listed equity investments and funds	25,6	26,2
Unlisted equity investments and funds	4,2	4,1
	29,8	30,3

Listed shares are measured at fair value. The unlisted equity investments are recognised at acquisition cost less possible impairment, because the fair value of the equity investment cannot be determined reliably.

## 7. Inventories

Write-down of inventories of EUR 0.8 million (1.5) was recorded during the accounting period.

## 8. Equity

	Number of shares pcs	Treasury shares pcs	Holding, % of shares and votes
Shares at 31 December 2015	167 335 073	7 851 006	4,69 %
Disposal of treasury shares		-134 037	
Shares at 30 June 2016	167 335 073	7 716 969	4,61 %

### Dividend

On 31 March 2016 Elisa's Annual General Meeting decided of a dividend of 1.40 euros per share. The total dividend amounts to EUR 223.5 million and payment started on 12 April 2015.

## 9. Issuances and repayment of debt

The group has not issued bonds during 1 January - 30 June 2016.

The unused amount of EUR 1,000 million EMTN program is EUR 400 million as at 30 June 2016. The base prospectus has been updated on 15 June 2016.

EUR million	<b>30.6</b>	31.12.
	<b>2016</b>	2015
Issued commercial papers	<b>214,5</b>	170,5
Withdrawn committed credit lines	<b>80,0</b>	0,0

## 10. Provisions

EUR million	Termination		Total
	benefits	Other	
1 January 2016	6,8	2,1	8,9
Increases in provisions	1,3		1,3
Reversals of unused provisions	-1,3		-1,3
Utilised provisions	-2,6		-2,6
30 June 2016	4,1	2,1	6,2

EUR million	Termination		Total
	benefits	Other	
1 January 2015	4,4	2,5	6,8
Increases in provisions	1,3		1,3
Reversals of unused provisions	-0,1		-0,1
Utilised provisions	-1,6	-0,1	-1,7
30 June 2015	3,9	2,4	6,3

## 11. Operating Lease Commitments

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

	30.6.	31.12.
EUR million	2016	2015
Not later than one year	28,4	29,0
Later than one year not later than than five years	38,9	42,3
Later than five years	27,9	28,0
	<b>95,2</b>	<b>99,4</b>

## 12. Contingent Liabilities

	30.6.	31.12.
EUR million	2016	2015
For our own commitments		
Mortgages	1,2	2,3
Pledged securities	0,1	0,1
Deposits	0,7	0,7
Guarantees	1,1	1,1
On behalf of others		
Guarantees	0,6	0,5
	<b>3,7</b>	<b>4,8</b>
Other contractual obligations		
Repurchase obligations	0,0	0,1
Letter of credit	0,1	0,1
Capital loan's unrecognised interest payable	0,0	0,0

## 13. Derivative Instruments

	30.6.	31.12.
EUR million	2016	2015
Nominal values of derivatives		
Interest rate and currency swap	0,8	1,5
Electricity derivatives	5,0	5,6
	<b>5,8</b>	<b>7,1</b>
Fair values of derivatives		
Interest rate and currency swap	0,0	-0,1
Electricity derivatives	-0,9	-0,6
	<b>-1,0</b>	<b>-0,7</b>

## 14. 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, the CEO and the Executive Board.

Acquisitions and disposals during the period are presented in Note 2.

Related party transactions with associated companies

EUR million	1-6/2016	1-6/2015	1-12/2015
Sales	0,2	0,2	0,4
Purchases	1,9	2,1	2,7
Receivables	0,8	0,8	0,8
Liabilities	0,3	0,4	

There were no related party transactions with key management.

Management remuneration will be announced in Annual financial statements.

## Key Figures

EUR million	1-6 2016	1-6 2015	1-12 2015
Shareholders' equity per share, EUR	5,18	4,96	5,80
Interest bearing net debt	1 053,6	1 074,7	962,0
Gearing, %	127,5	135,8	103,9
Equity ratio, %	36,8	35,1	41,4
Return on investment (ROI), % *	17,3	16,7	16,5
Gross investments in fixed assets	100,2	100,3	195,8
of which finance lease investments	1,0	0,9	1,8
Gross investments as % of revenue	12,8	13,0	12,5
Investments in shares and business combinations	23,4	14,2	17,6
Average number of employees	4 139	4 131	4 146

\*) rolling 12 months profit preceding the reporting date

## Financial Calendar

Third quarter 2016

19 October 2016

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