2019

financials

annual report
responsibility
governance

Contents

Report of the board of directors 2019

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 demand for 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	2019	2018	2017
Revenue	1,844	1,832	1,787
EBITDA [1]	661	640	608
EBITDA-%	35.8	34.9	34.0
Comparable EBITDA [1][2]	668	639	613
Comparable EBITDA-%	36.2	34.9	34.3
EBIT [3]	395	404	378
EBIT-%	21.4	22.0	21.2
Comparable EBIT	402	403	384
Comparable EBIT-%	21.8	22.0	21.5
Return on equity, %	26.6	29.2	33.5

[1] Includes EUR 18 million IFRS 16 impact on 2019.
[2] 2019 includes EUR 6 million restructuring costs and EUR 1 million one-off transaction cost relating to Polystar acquisition.
[3] IFRS 16 has no material impact on EBIT.

Revenue increased slightly on the previous year, mainly due to the Polystar acquisition, growth in mobile services, consumer digital services, equipment sales and Estonian business. Lower roaming and interconnection prices, divestments, as well as decreases in usage and subscriptions of traditional fixed telecom services, affected revenue negatively.

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. Depreciation was higher, mainly due to the IFRS 16 change. Comparable EBIT was at the previous year's level.

Net financial income and expenses were EUR -23 million (-23). Income taxes in the income statement were EUR -69 million (-65). Net profit was EUR 303 million (316), and earnings per share were EUR 1.90 (1.98). Comparable earnings per share were EUR 1.93 (1.95).

Financial position

EUR million	2019	2018	2017
Net debt	1,184	1,068	1,073
Net debt / EBITDA[1]	1.8	1.7	1.8
Gearing ratio, %	103.0	94.8	103.2
Equity ratio, %	41.0	42.4	40.5
Cash flow	257	272	300
Comparable cash flow [2]	323	282	246

[1] (Interest-bearing debt – financial assets) / (four previous quarters' comparable EBITDA)
[2] 2019 excluding EUR 66 million acquisition and investments in shares.

Comparable cash flow after investments increased by 15 per cent to EUR 323 million (282). A change in net working capital, higher EBITDA and lower capital expenditure affected cash flow positively. Higher net financial expenses and taxes paid affected cash flow negatively.

The financial position and liquidity are strong. Cash and undrawn committed credit lines totalled EUR 352 million at the end of the year.

Changes in corporate structure

In June, Elisa and Swedish Polystar Instruments AB signed an agreement in which Elisa acquired 100 per cent of Polystar OSIX AB and the shares of the affiliated companies. Polystar has been consolidated into Elisa from the beginning of June. More about the transaction in Note 3 to the consolidated financial statements, and Stock exchange release 10 June 2019.

Consumer Customers business

EUR million	2019	2018	2017
Revenue	1,152	1,150	1,125
EBITDA [1]	433	416	388
EBITDA-%	37.6	36.2	34.5
Comparable EBITDA [1,2]	435	415	391
Comparable EBITDA-%	37.8	36.1	34.8
EBIT	268	268	247
EBIT-%	23.3	23.3	22.0
Comparable EBIT	271	268	250
Comparable EBIT-%	23.5	23.3	22.2
CAPEX	171	166	164

1) Includes EUR 11 million IFRS 16 impact on 2019.
2) 2019 includes EUR 2 million restructuring costs

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

Corporate Customers business

EUR million	2019	2018	2017
Revenue	692	681	663
EBITDA [1]	228	224	219
EBITDA-%	32.9	32.9	33.1
Comparable EBITDA [1,2]	232	224	222
Comparable EBITDA-%	33.6	32.9	33.5
EBIT	127	135	131
EBIT-%	18.3	19.9	19.8
Comparable EBIT	131	135	134
Comparable EBIT-%	19.0	19.9	20.2
CAPEX	85	88	82

1) Includes EUR 6 million IFRS 16 impact on 2019.
2) 2019 includes EUR 4 million restructuring costs and EUR 1 million one-off transaction cost.

Revenue grew by 2 per cent. Revenue was positively affected by the Polystar acquisition and 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. Comparable EBITDA increased by 4 per cent, mainly due to the IFRS 16 change and efficiency improvements.

Personnel

In 2019, the average number of personnel at Elisa was 4,882 (4,814). Employee expenses totalled EUR 320 million (311). Personnel by segment at the end of the period was:

	2019	2018	2017
Consumer Customers	2,736	2,754	2,793
Corporate Customers	2,148	2,033	1,922
Total	4,884	4,787	4,715

Investments

EUR million	2019	2018	2017
Capital expenditure, of which	256	254	246
Consumer Customers	171	166	164
Corporate Customers	85	88	82
Shares	83	14	104
Total	339	268	350
Capital expenditure excluding leasing	227	252	244

The main capital expenditures related to the capacity and coverage increases in the 4G networks, as well as to other network and IT investments. In 2019, investments in shares related mainly to the Polystar acquisition and Lounea shares. In 2019 capital expenditure includes IFRS 16 Leases EUR 29 million.

Financing arrangements and ratings

EUR million	Maximum amount	In use on 31 Dec. 2019
Committed credit limits	300	0
Commercial paper programme (not committed)	350	133
EMTN programme (not committed)	1,500	774

Long term credit ratings

Credit rating agency	Rating	Outlook
Moody's Investor Services	Baa2	Stable
S&P Global Ratings	BBB+	Stable

Shares

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

Trading of shares	2019	2018	2017
Nasdaq Helsinki, millions	96.7	104.9	104.5
Other marketplaces, millions [1]	168.5	196.8	151.9
Total volume, millions	265.1	301.7	256.5
Value, EUR million	11,145.4	11,003.9	8,627.8
% of shares	158.4	180.3	153.3

Shares and market values	2019	2018	2017
Total number of shares	167,335,073	167,335,073	167,335,073
Treasury shares	7,437,277	7,611,821	7,801,397
Outstanding shares	159,897,796	159,723,252	159,533,676
Closing price, EUR	49.25	36.08	32.72
Market capitalisation, EUR million	8,241	6,037	5,475
Treasury shares, %	4.44	4.55	4.66

Number of shares	Total	Treasury shares	Outstanding shares
Shares on 31 Dec. 2018	167,335,073	7,611,821	159,723,252
Perfomance Share Plan 5 Feb. 2019 [2]		–174,544	174,544
Shares on 31 Dec. 2019	167,335,073	7,437,277	159,897,796

[1] Other marketplaces: 2019 based on Bloomberg and Fidessa Fragmentation Index, 2018 based on the Fidessa Fragmentation Index.
[2] Stock exchange bulletin 5 February 2019.

For more information on shares and management shareholding, please see Shares and Shareholders section and Note 4.1 to the consolidated financial statements.

Research and development

The majority of the service development occurs during the ordinary course of business and is accounted for as a normal operating expense. Elisa invested EUR 8 million (8) in research and development, of which EUR 6 million (7) was capitalised in 2019, corresponding to 0.4 per cent (0.5) of revenue.

Annual General Meeting 2019

On 3 April 2019, Elisa's Annual General Meeting decided to pay a dividend of EUR 1.75 per share based on the adopted financial statements for 2018. The dividend was paid to the shareholders who were registered in the company's share register maintained by Euroclear Finland Ltd on 5 April 2019. The dividend was paid on 16 April 2019.

The Annual General Meeting adopted the financial statements for 2018. The members of the Board of Directors and the CEO were discharged from liability for 2018.

The number of the members of the Board of Directors was confirmed at seven (7). Ms Clarisse Berggårdh, Mr Petteri Koponen, Ms Leena Niemistö, Ms Seija Turunen, Mr Anssi Vanjoki and Mr Antti Vasara were re-elected as members of the Board of Directors, and Mr Kim Ignatius was elected as a new member of the Board of Directors. Mr Anssi Vanjoki was appointed as the Chair and Mr Petteri Koponen as the Deputy Chair of the Board of Directors.

The Annual General Meeting decided to change the amount of annual remuneration for the members of the Board of Directors and to keep remuneration for meeting participation unchanged. The Chair is paid annual remuneration of EUR 120,000, the Deputy Chair and the Chairs of the Committees EUR 80,000, and other Board members EUR 65,000; and in additional participants also receive EUR 700 per meeting of the Board and of its committees.

The audit firm KPMG Oy Ab was re-elected as the company's auditor. Mr Toni Aaltonen, APA, is the responsible auditor.

Composition of the Committees of the Elisa's Board of Directors

The Board of Directors held its organising meeting and appointed Mr Petteri Koponen (Chair), Ms Leena Niemistö and Mr Antti Vasara to the People and Compensation Committee. Ms Seija Turunen (Chair), Ms Clarisse Berggårdh and Mr Kim Ignatius were appointed to the Audit Committee.

Authorisations of the Board of Directors

The Annual General Meeting decided on 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 2020.

The Board of Directors already has authorisation 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. The authorisation entitles the Board of Directors to issue the shares in a proportion other than that of the current shareholdings (directed share issue). A maximum aggregate of 15 million of the company's shares can be issued under the authorisation. The authorisation is effective until 30 June 2020.

Elisa Shareholders' Nomination Board

The largest 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, Chair of the Board of Elisa

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

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 March 2018, the Finnish Communications Regulatory Authority issued significant market power decisions concerning local loop and bitstream markets. Elisa has appealed FICORA's decision to the Supreme Administrative Court.

In March, Elisa's 2,100 MHz licence was renewed in the Åland region. The licence is valid until 31 December 2033.

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

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 has started a new procurement process.

In October, the Market Court overruled a procurement decision by the City of Espoo to choose Elisa as the provider of IT services due to deficiencies in the proposal stage of City of Espoo's invitation to tender. Elisa has applied to the Supreme Administrative Court for leave to appeal against the decision of the Market Court.

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 intensely competitive 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 network 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 7.1 to the consolidated financial statements.

Corporate responsibility and non-financial reporting

Elisa is committed to the principles of the UN Global Compact. Digital responsibility is a core element in our corporate responsibility in addition to social, environmental and economical responsibility. The reduction of carbon dioxide emissions has been part of Elisa's strategy since 2009, and the company has set goals in line with Science Based Targets aligned with the goals of the Paris Agreement.

Elisa will publish its seventh verified responsibility report as part of the Annual Report 2019. The responsibility report is aligned with the GRI standards and meets the requirements of non-financial reporting. The report includes mid-term targets, performance and metrics.

In recognising Elisa's material corporate responsibility, the most important financial, social and environmental effects and risks of the company, as well as other significant trends affecting the industry, have been taken into account. The management's description of corporate responsibility is available on the company website.

Corporate Governance Statement

The Group has published a Corporate Governance Statement on 29 January 2020.

Events after the financial period

There are no substantial events after the financial period.

Outlook and guidance for 2020

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 2019. 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 2019. 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 growth in the mobile data market, as well as digital online and ICT services.

Profit distribution

According to Elisa's distribution policy, profit distribution is 80–100 per cent of the previous fiscal year's net profit. In addition, any excess capital can be distributed to shareholders. When making the distribution proposal or decision, the Board of Directors will take into consideration the company's financial position, future financial needs and financial targets. Profit distribution includes dividend payment, capital repayment and purchase of treasury shares.

The Board of Directors proposes to the Annual General Meeting a dividend of EUR 1.85 per share. The dividend payment corresponds to 96 per cent of the financial period's comparable net profit.

Shareholders who are listed in the company's register of shareholders maintained by Euroclear Finland Ltd on 6 April 2020 are entitled to funds distributed by the General Meeting. The Board of Directors proposes that the payment date be 15 April 2020. The profit for the period will be added to retained earnings.

The Board of Directors also decided to propose to the General Meeting that the Board of Directors be authorised to acquire a maximum of 5 million treasury shares, which corresponds to 3 per cent of the total shares.

BOARD OF DIRECTORS

Consolidated income statement

EUR million	Note	2019	2018
Revenue	2.1, 2.3	1,843.5	1,831.5
Other operating income	2.4	5.7	9.8
Materials and services	2.5	–693.1	–704.4
Employee expenses	4.1	–320.3	–311.4
Other operating expenses	2.5	–175.0	–185.4
EBITDA	2.1	**660.8**	**640.1**
Depreciation, amortisation and impairment	2.1, 5.1	–265.8	–236.2
EBIT	2.1	**395.0**	**403.8**
Financial income	7.3.1	6.1	2.4
Financial expenses	7.3.1	–29.0	–25.0
Share of associated companies' profit		–0.2	–0.4
Profit before tax		**371.9**	**381.0**
Income taxes	8.1.1	–68.7	–65.0
Profit for the period		**303.1**	**316.0**
Attributable to			
Equity holders of the parent		303.0	315.8
Non-controlling interests		0.2	0.2
		303.1	316.0
Earnings per share (EUR)			
Basic	2.6	1.90	1.98
Diluted	2.6	1.90	1.98
Average number of outstanding shares (1,000 shares)			
Basic	2.6	159,881	159,737
Diluted	2.6	159,881	159,737

Consolidated statement of comprehensive income

EUR million	Note	2019	2018
Profit for the period		**303.1**	**316.0**
Other comprehensive income, net of tax			
Items which may be reclassified subsequently to profit or loss			
Cash flow hedge		–0.4	0.5
Translation differences		1.2	–0.1
		0.9	0.4
Items which are not reclassified subsequently to profit or loss			
Remeasurements of the net defined benefit liability	4.3	–1.7	0.7
Total comprehensive income		**302.3**	**317.0**
Total comprehensive income attributable to			
Equity holders of the parent		302.2	316.9
Non-controlling interests		0.2	0.2
		302.3	317.0

Consolidated statement of financial position

EUR million	Note	31 Dec. 2019	31 Dec. 2018
ASSETS			
Non-current assets			
Tangible assets	5.2	826.8	751.6
Goodwill	5.3, 5.3.1	1,086.1	1,020.7
Other intangible assets	5.3	202.5	206.7
Investments in associated companies	8.3.2	2.4	2.7
Other investments	7.3.3, 7.3.4	13.7	9.6
Deferred tax assets	8.1.2	14.4	16.5
Trade and other receivables	6.2.2, 7.3.5	91.9	93.8
		2,237.7	2,101.6
Current assets			
Inventories	6.1	67.7	65.4
Trade and other receivables	6.2.1	453.5	416.6
Tax receivables		3.3	4.3
Cash and cash equivalents	7.3.3	52.0	80.9
		576.5	567.2
TOTAL ASSETS	2.1	2,814.2	2,668.8

Consolidated statement of financial position

EUR million	Note	31 Dec. 2019	31 Dec. 2018
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		83.0	83.0
Treasury shares		−132.2	−135.6
Reserve for invested non-restricted equity		90.9	90.9
Contingency reserve		3.4	3.4
Fair value reserve		−13.6	−11.6
Other funds		381.0	381.0
Retained earnings		737.0	715.2
Equity attributable to equity holders of the parent	4.2, 7.2	1,149.6	1,126.3
Non-controlling interests		0.7	0.5
TOTAL SHAREHOLDERS' EQUITY		1,150.3	1,126.9
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	8.1.2	25.6	25.7
Pension obligations	4.3	16.7	15.2
Provisions	8.2	2.9	2.3
Financial liabilities	7.3.2, 7.3.4	1,085.1	861.3
Trade payables and other liabilities	6.3, 7.3.4, 7.3.5	36.8	36.3
		1,167.2	940.8
Current liabilities			
Trade and other payables	6.3, 7.3.4	343.2	309.3
Income tax liabilities		0.4	1.7
Provisions	8.2	2.1	2.7
Financial liabilities	7.3.2, 7.3.4	151.1	287.4
		496.7	601.1
TOTAL LIABILITIES		1,663.9	1,541.9
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,814.2	2,668.8

Consolidated cash flow statement

EUR million	Note	2019	2018
Cash flow from operating activities			
Profit before tax		371.9	381.0
Adjustments			
Depreciation, amortisation and impairment	5.1	265.8	236.2
Financial income (-) and expenses (+)	7.3.1	22.9	22.5
Gains (-) and losses (+) on the disposal of fixed assets		–0.6	–4.1
Increase (+) / decrease (-) in provisions on the income statement		–0.1	–3.6
Other adjustments		–10.3	–10.4
		277.7	240.6
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables		–20.4	6.1
Increase (-) / decrease (+) in inventories		–1.9	3.1
Increase (+) / decrease (-) in trade and other payables		16.8	–30.3
		–5.4	–21.1
Dividends received		0.6	0.2
Interest received		2.6	2.1
Interest paid		–24.4	–19.2
Taxes paid		–69.0	–68.2
Net cash flow from operating activities		553.9	515.4

Consolidated cash flow statement

EUR million	Note	2019	2018
Cash flow from investing activities			
Investments in shares and business acquisitions	3	–61.9	–9.8
Contingent consideration of subsidiaries		–0.7	
Other investments		–4.5	–0.7
Capital expenditure		–231.6	–235.6
Proceeds from disposal of subsidiaries and businesses	3	1.2	1.1
Proceeds from disposal of other investments		0.3	0.3
Proceeds from disposal of tangible and intangible assets		0.8	1.6
Net cash flow used in investing activities		–296.5	–243.2
Cash flow before financing activities		257.4	272.2
Cash flow from financing activities			
Proceeds from long-term borrowings		167.9	100.0
Repayment of long-term borrowings		–180.1	–59.5
Increase (+) / decrease (-) in short-term borrowings		26.0	–9.6
Repayment of lease liabilities		–22.5	–3.4
Dividends paid		–279.6	–263.1
Net cash used in financing activities		–288.3	–235.6
Change in cash and cash equivalents		–30.9	36.6
Translation differences		2.0	
Cash and cash equivalents at the beginning of the period		80.9	44.3
Cash and cash equivalents at the end of the period	7.3.3	52.0	80.9

Consolidated statement of changes in equity

	Equity attributable to equity holders of the parent							
EUR million	**Share capital**	**Treasury shares**	**Reserve for invested non-restricted equity**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2018	83.0	–140.2	90.9	371.6	634.2	1,039.6	0.1	1,039.7
Adoption of IFRS 15					7.5	7.5		7.5
Adoption of IFRS 9					4.2	4.2		4.2
Adoption of amendment to IFRS 2					14.5	14.5		14.5
Balance at 1 January 2018	83.0	–140.2	90.9	371.6	660.4	1,065.8	0.1	1,065.9
Profit for the period					315.8	315.8	0.2	316.0
Translation differences					–0.1	–0.1		–0.1
Cash flow hedge				0.5		0.5		0.5
Remeasurements of the net defined benefit liability				0.7		0.7		0.7
Total comprehensive income				1.2	315.7	316.9	0.2	317.0
Dividend distribution					–263.6	–263.6		–263.6
Share-based compensation		4.6			7.6	12.2		12.2
Acquisition of non-controlling interests							0.2	0.2
Other changes					–4.9	–4.9		–4.9
Balance at 31 December 2018	83.0	–135.6	90.9	372.8	715.2	1,126.3	0.5	1,126.9
Profit for the period					303.0	303.0	0.2	303.1
Translation differences					1.2	1.2		1.2
Cash flow hedge				–0.4		–0.4		–0.4
Remeasurements of the net defined benefit liability				–1.7		–1.7		–1.7
Total comprehensive income				–2.0	304.2	302.2	0.2	302.3
Dividend distribution					–279.8	–279.8		–279.8
Share-based compensation		3.4				3.4		3.4
Other changes					–2.5	–2.5		–2.5
Balance at 31 December 2019	83.0	–132.2	90.9	370.8	737.0	1,149.6	0.7	1,150.3

Notes to the consolidated financial statements

1 General accounting principles

1.1 Basic information about the Group

Elisa Corporation ("Elisa" or "the Group") engages in telecommunications activities and provides ICT and online services in Finland and in selected international market areas. The parent company of the Group is Elisa Corporation ("the parent") domiciled in Helsinki, and its registered address is Ratavartijankatu 5. The shares of the parent company, Elisa Corporation, have been listed on the Nasdaq Helsinki since 1997.

On 28 January 2020, Elisa Corporation's Board of Directors accepted this financial statement for publication. A copy of financial statement is available from Elisa's head office at Ratavartijankatu 5, Helsinki, or on the company's website at corporate.elisa.com.

1.2 Basis of preparation of financial statements

Elisa's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), including adherence to IAS and IFRS standards and SIC and IFRIC interpretations valid as at 31 December 2019. In the Finnish Accounting Act and the provisions issued pursuant to it, the International Financial Reporting Standards refer to standards and interpretations that have been approved for application in the EU according to the procedures provided for in EU regulation (EC) No. 1606/2002 ("IFRS"). The notes to the consolidated financial statements are also compliant with Finnish accounting and corporate legislation.

The consolidated financial statements have been prepared under the historical cost convention with the exception of financial assets and liabilities, share-based payments and derivatives recognised at fair value through profit or loss or statement of comprehensive income. The financial statements are presented in EUR million and the figures are rounded to one decimal place.

1.2.1 Accounting principles, structure and presentation of the consolidated financial statements

The accounting policies and descriptions of management's judgment-based conclusions are mainly found in the notes to the financial statements, which are listed in the table below. Only some general accounting policies are described in this section.

The notes are grouped according to the materiality.

Summary of notes, related to accounting principles for the consolidated financial statements of Elisa Group

Accounting principle	Note
Operating segments	2.1
Revenue recognition	2.3
Other operating income	2.4
Research and development costs	2.5
Earnings per share	2.6
Business acquisitions and disposals	3
Share-based incentives	4.2
Pension obligations	4.3
Tangible assets	5.2
Right-of-use assets	5.2
Adoption of IFRS 16 Leases	5.2
Intangible assets	5.3
Goodwill	5.3.1
Inventories, trade and other receivables, trade and other liabilities	6
Financial assets and liabilities	7.3
Derivative instruments	7.3.5
Income taxes	8.1.1
Deferred tax assets and liabilities	8.1.2
Provisions	8.2
Consolidation principles, subsidiaries	8.3.1
Consolidation principles, joint arrangements	8.3.2
Off-balance sheet leases	8.4

The symbols below indicate the figures mentioned in the notes that match the balances in the income statement, statement of financial position and the cash flow statement.

I/S = Income Statement
B/S = Balance Sheet
C/F = Cash Flow Statement

Consolidation principles

The consolidated financial statements include the parent company, Elisa Corporation, subsidiaries, associates and joint arrangements as described in detail in Notes 8.3.1 and 8.3.2.

Foreign currency items

The consolidated financial statements are presented in euros, which is the functional and presentation currency of the parent company.

Transactions in foreign currencies

Foreign currencies transactions are translated into functional using the exchange rates prevailing on the dates of the transactions. Monetary items have been translated into the functional currency at the exchange rates prevailing at the end of the reporting period. Non-monetary items denominated in foreign currencies are translated at the exchange rate at the date of the transaction, excluding items measured at fair value that are translated at the exchange rates prevailing on the valuation date. Gains and losses arising from the currency translations are recognised through profit or loss. Foreign exchange gains and losses resulting from operating activities are included in the respective items above operating profit. Foreign exchange gains and losses from the loans denominated in a foreign currency are included in financial income and expenses. Exchange differences arising from the translation of the net investment in foreign entities are presented in other comprehensive income as foreign currency translation reserve in consolidated shareholders' equity. Accumulated translation differences are recognised in the income statement when a foreign entity is disposed.

Translation of foreign Group companies' financial statements

Foreign currency income statements of subsidiaries are converted into Group's functional currency at the average exchange rate prevailing during the year. Statements of financial position are translated at the exchange rate at the closing date. Resulting translation differences are recognised in other comprehensive income and presented under translation differences in consolidated shareholders' equity. Translation differences arising from the consolidation of equity of foreign operation are recognised in equity. Accumulated exchange differences are recognised in profit or loss on disposal of the foreign operation.

1.2.2 Accounting principles that require management's judgement and key sources of estimation uncertainty

When preparing the financial statements, it is necessary for the management of the company to make estimates and certain assumptions. In addition, judgement in applying the accounting policies is required.

When preparing the financial statements, it is necessary for the Management of the Company to make decisions regarding the selection and application of accounting principles. A high degree of judgement is involved especially in applying accounting policies, where effective IFRS standards provide possibilities to choose between different recognition, measurement or presentation methods.

The estimates are based on the management's best view at the end of the financial period. Estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Any changes in estimates and assumptions are recorded for the financial year during which the estimate or assumption was adjusted, and for all subsequent periods.

Significant areas of estimation and uncertainty in applying accounting policies that have the most significant impact on amounts recognised in the financial statements are related to business combinations (3), impairment of intangible assets (5.3.1), share-based payments (4.2), recognition of net defined pension liability (4.3) and recognition of deferred tax assets (8.1.2). For detailed information, please refer to the notes indicated above.

1.3 Applied new and revised standards

The Company has adopted the new IFRS 16 standard with the initial date of application as of 1 January 2019. The impacts of the adopted standard on the consolidated financial statements are presented within the note 5.2.

The annual improvements to IFRS standards adopted as of 1 January 2019 did not have an impact on the consolidated financial statements.

New or revised accounting standards adopted as of 1 January 2020 are not expected to have a material impact on the Company's consolidated financial statements.

2 Operational result

2.1 Operating segments

The Group has two reporting segments: Consumer Customers and Corporate Customers. The organisational and management structure of Elisa Group is based on a customer-oriented operating model. The reportable segments are based on the internal reporting provided to management.

The Consumer Customers segment provides consumers and households with telecommunications services, such as voice and data services.

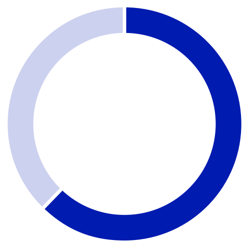
The Corporate Customers segment provides corporate and community customers with voice and data services and ICT solutions.

Operating segments

2019 EUR million	Consumer Customers	Corporate Customers	Unallocated items	Group Total
Revenue	1,151.9	691.6		1,843.5
EBITDA	433.2	227.6		660.8
Depreciation, amortisation and impairment	−164.8	−101.0		−265.8
EBIT	268.3	126.7		395.0
Financial income			6.1	6.1
Financial expenses			−29.0	−29.0
Share of associated companies' profit			−0.2	−0.2
Profit before tax				371.9
Investments	170.7	85.3		256.0
Assets	1,748.2	980.2	85.8	2,814.2

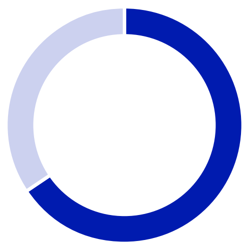
2018 EUR million	Consumer Customers	Corporate Customers	Unallocated items	Group Total
Revenue	1,150.2	681.4		1,831.5
EBITDA	416.1	223.9		640.1
Depreciation, amortisation and impairment	−147.7	−88.5		−236.2
EBIT	268.4	135.4		403.8
Financial income			2.4	2.4
Financial expenses			−25.0	−25.0
Share of associated companies' profit			−0.4	−0.4
Profit before tax				381.0
Investments	166.1	88.3		254.4
Assets	1,680.2	874.7	114.0	2,668.8

Revenue 2019



Consumer Customers 1,151,9
Corporate Customers 691,6

EBIDTA 2019



Consumer Customers 433,2
Corporate Customers 227,6

Geographical segments

2019 EUR million	Finland	Rest of Europe	Other countries	Eliminations	Group total
Revenue	1,605.0	218.3	20.3		1,843.5
Assets	2,439.1	366.6	8.5		2,814.2

2018 EUR million	Finland	Rest of Europe	Other countries	Eliminations	Group total
Revenue	1,633.3	200.7	8.0	–10.4	1,831.5
Assets	2,397.1	270.1	1.6		2,668.8

Accounting Principles – Operating Segments:

The segments are controlled by segment-specific performance reporting that includes external revenue, EBITDA, EBIT and capital investments. Financial items, share of associated companies' profit and income taxes are not allocated to operating segments. The costs of production and support functions are allocated to operating segments on the matching principle. Operations in Estonia are divided into the Consumer Customers and Corporate Customers operating segments on the basis of customer accounts.

Segment assets consist of intangible and tangible assets, inventories, trade and other non-interest bearing receivables. Deferred tax assets, investments in associated companies, other investments, interest-bearing receivables, financial items and income tax receivables are not included in segment assets. Liabilities are not allocated to operating segments.

The accounting principles of the segments are the same as those used in the preparation of the financial statements.

The reported geographical areas are Finland, Rest of Europe and Other Countries. Revenues are presented on the basis of customer location. Assets are presented on the basis of their location.

2.2 Items affecting comparability

Elisa uses alternative performance measures in its reporting. Alternative performance measures provide significant additional information, because items that do not necessarily reflect the Group's results and cash flows have been eliminated from them. Items affecting comparability are relevant for understanding financial performance when comparing the financial result with the previous periods.

Exceptional transactions outside the ordinary course of business are treated as items affecting comparability. Such items, as identified by the Group, are capital gains and losses from divestments of assets and businesses, acquisition costs of assets and businesses, impairments, restructuring expenses and costs of legislative changes, damages or litigations.

Income statement

EUR million	2019	2018
Capital gains and losses		5.5
Expenses related to acquisitions of subsidiaries and business combinations	-0.9	
Restructuring costs	-6.0	-4.7
Items affecting comparability in EBITDA and EBIT	-6.9	0.8
Items affecting comparability in profit before tax	-6.9	0.8
Income taxes	1.2	3.6
Items affecting comparability in profit for the period	-5.7	4.4

Items affecting comparability in 2019 include restructuring costs of EUR 6.0 million and Polystar acquisition costs of EUR 0.9 million.

Items affecting comparability in 2018 include capital gains of EUR 5.5 million (EUR 2.2 million from Habbo and Hideaway businesses and EUR 3.3 million from outsourced customer service and corporate switchboard businesses for Corporate Customers), restructuring costs of EUR 4.7 million and utilisation of confirmed tax losses of EUR 3.3 million.

EUR million	2019	2018
Comparable EBITDA		
I/S EBITDA	660.8	640.1
Items affecting comparability in EBITDA	6.9	–0.8
	667.7	639.2
Comparable EBIT		
I/S EBIT	395.0	403.8
Items affecting comparability in EBIT	6.9	–0.8
	401.9	403.0
Comparable profit before taxes		
I/S Profit before taxes	371.9	381.0
Items affecting comparability in profit before taxes	6.9	–0.8
	378.8	380.2
Comparable profit for the period		
I/S Profit for the period	303.1	316.0
Items affecting comparability in profit for the period	5.7	–4.4
	308.8	311.6
Comparable profit for the period attributable to equity holders of the parent		
Comparable profit for the period	308.8	311.6
Non-controlling interests	0.2	0.2
	308.7	311.4
Comparable earnings per share, EUR		
Comparable profit for the period attributable to equity holders of the parent	308.7	311.4
Average number of outstanding shares, diluted (1,000 shares)	159,881	159,737
	1.93	1.95

The impact of the finance leases on the Group's rental expenses for 2019, in accordance with the IFRS 16 standard adopted on 1 January 2019, was EUR +17.8 million, on depreciation EUR -18.5 million, and on financial expenses EUR -1.2 million. The effect on EBITDA was EUR +17.8 million, on EBIT EUR -0.7 million, and on profit before taxes EUR -1.9 million.

The adoption of IFRS 16 and its implications are presented in note 5.2.

Cash flow

EUR million	2019	2018
Investment in shares and business combinations	67.1	10.5
Proceeds from disposal of subsidiaries and businesses	−1.5	−1.1
Items affecting comparability in cash flow before financing	65.6	9.4

The main item affecting comparability in 2019 was the acquisition of Polystar OSIX AB together with its subsidiaries and sister companies for EUR 60.8 million.

Items affecting comparability in 2018 include, among others, the following acquisitions: Kepit Systems EUR 2.3 million, Ukkoverkot EUR 1.6 million and Fenix Solutions Oy EUR 3.9 million.

Comparable cash flow after investments		
C/F Cash flow before financing	257.4	272.2
Items affecting comparability in cash flow before financing	65.6	9.4
	323.0	281.6

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 2019 impact on the Group's cash flow from the operating activities is EUR +17.2 million, on cash flow from financing activities EUR -16.6 million, and on cash flow from investing activities EUR -0.6 million.

CALCULATION METHODS USED FOR ALTERNATIVE PERFOMANCE MEASURES

Comparable EBITDA	EBIT + depreciation, amortisation and impairment + /- items affecting comparability	
Comparable EBIT	Profit for the period + income taxes + financial income and expenses + share of associated companies' profit +/- items affecting comparability	
Comparable profit for the period	Profit for the period +/- items affecting comparability	
Comparable EPS	Profit attributable to owners of the parent company +/- items affecting comparability / Average number of shares during the period adjusted for share issues	
Comparable return on equity (ROE), %	Profit for the period +/- items affecting comparability / Total shareholders' equity (on average)	X 100
Comparable return on investment (ROI), %	Profit before taxes + interest and other financial expenses +/- items affecting comparability / Total equity + interest bearing liabilities (on average)	X 100
Comparable cash flow after investments	Net cash flow from operating activities - net cash used in investing activities +/- items affecting comparability	

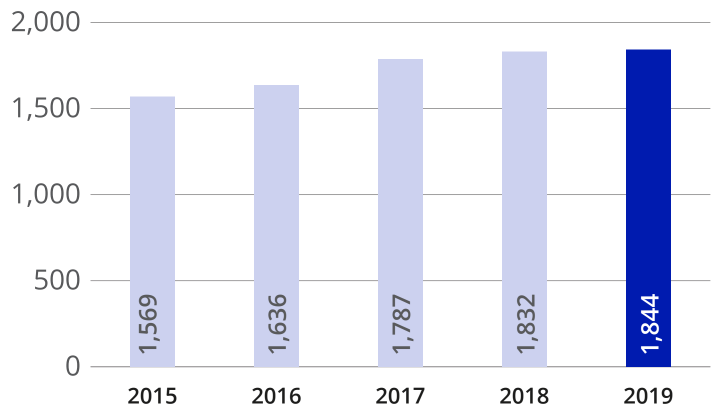
2.3 Revenue

Division of Group's revenue

EUR million	2019	2018
Rendering of services	1,546.6	1,538.1
Equipment sales	297.0	293.5
I/S	1,843.5	1,831.5

EUR million	2019	2018
Mobile telecommunications	1,107.0	1,105.0
Fixed-network broadband and others	736.5	726.5
I/S	1,843.5	1,831.5

Development of revenue, EUR million



Accounting Principles – Revenue recognition:

IFRS 15 Revenue from customer contracts was adopted on 1 January 2018. The adoption and its implications are described in more detail in note 2.3 in the annual financial statements 2018.

The Group revenue consists mainly of income from voice and data traffic, periodic fees, opening fees and maintenance fees, as well as income from equipment sales. Revenue includes normal sales income from business operations less taxes related to the sales and discounts granted.

The Group recognises revenue over time or at certain points of time and the key criterion for the revenue recognition is the transfer of control. Revenue for equipment sales is recognised when the equipment is transferred to the customer, and revenue for service sales is recognised over time as the services are provided.

Fixed-term service agreements are recognised over the agreement period and the opening fees of fixed-term service agreements and related expenses, as well as discounts granted and sales provisions, are allocated to the entire agreement period. Service agreements valid until further notice are recognised over time. The opening fees of service agreements valid until further notice and related expenses are recognised at the time when the service is connected.

A service contract may include the delivery or rendering of a product and a service or access right (service bundle). In that case, sales revenue is allocated to performance obligations based on relative transaction prices.

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

Revenue from prepaid mobile phone cards is recognised over the period of realised use of the cards. Service fees invoiced from a customer on behalf of a third-party content service provider are not recognised as revenue.

Customers participating in loyalty programmes are entitled to certain discounts on services and products provided by the Group. Discounts earned by the customers are recognised as reduction of revenue. The Group does not currently have any valid loyalty programmes.

2.4 Other operating income

EUR million	2019	2018
Gain on disposals of property, plant and equipment	1.4	1.1
Gain on disposal of subsidiaries and businesses [1]		5.4
Other items [2]	4.3	3.3
I/S	5.7	9.8

[1] The comparison period includes a profit of EUR 3.3 million on the divestment of outsourced customer service and corporate switchboard businesses for Corporate Customers, and a EUR 2.2 million profit on divestment of Sulake companies.

[2] Other items include rental income from real estate and other income items not associated with ordinary operating activities.

Accounting Principles – Other operating income:

Other operating income includes non-operating income, such as capital gains on the disposal of tangible and intangible assets, subsidiaries and businesses, and rental income from real estate.

Government grants associated with development projects are recognised as other operating income when the related costs are recognised as expenses. Government grants associated with capitalised development costs are recorded as a reduction of capital expenditure.

2.5 Other operating expenses

Materials and services

EUR million	2019	2018
Purchases of materials, supplies and goods	446.1	446.2
Change in inventories	-2.2	5.6
External services	249.2	252.7
I/S	693.1	704.4

Gains and losses arising from foreign currency translations are recognised in accordance with their nature either in materials and services or financial income and expenses. Gains and losses arising from foreign currency translations included in Materials and services have been minor.

Employee expenses

More detailed analysis of employee expenses is included in Note 4.

Auditor fees

EUR million	2019	2018
Auditing	0.3	0.3
Tax advisory services	0.0	0.1
Other services	0.2	0.1
	0.6	0.4

In 2019, non-audit fees charged by KPMG Oy Ab were EUR 0.2 (0.1) million.

Research and development costs

EUR million	2019	2018
Research and development costs recognised as expenses	1.6	1.0
Capitalised development costs	6.1	7.5
	7.7	8.4

The focus area for the research and development activities in 2019 was the development of a customer relationship management system.

Accounting Principles – Research and development:

Research costs are recorded as expenses in the income statement. Development expenses are recognised on the statement of financial position from the date the product is technically feasible, it can be utilised commercially and the asset is expected to generate future economic benefit. Otherwise, development costs are recorded as an expense. Development costs initially recognised as expenses cannot be capitalised subsequently.

2.6 Earnings per share

Earnings per share, basic	2019	2018
I/S Net profit for the period attributable to equity holders of the parent (EUR million)	303.0	315.8
Weighted average number of shares outstanding (1,000 shares)	159,881	159,737
Earnings/share, basic (EUR/share)	1.90	1.98

Earnings per share, diluted	2019	2018
I/S Net profit for the period attributable to equity holders of the parent adjusted by dilutive effect (EUR million)	303.0	315.8
Weighted average number of shares outstanding (1,000 shares)	159,881	159,737
Weighted average number of shares outstanding adjusted by dilutive effect (1,000 shares)	159,881	159,737
Earnings/share, diluted (EUR/share)	1.90	1.98

Accounting principles – Earnings per share:

Basic earnings per share are calculated by dividing the net profit for the period attributable to the parent company's equity holders by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated on the same basis as earnings per basic share, with the exception of taking into account the dilutive effect of the conversion of all potential dilutive shares into the basic shares.

The Group had no dilutive effect on the number of shares during the financial years 2019 and 2018.

3. Acquisitions and disposals

Acquired businesses in 2019

Acquisition of Polystar OSIX AB group

On 10 June 2019, Elisa acquired Polystar OSIX AB and affiliated companies. Polystar OSIX is a global provider of analytics, assurance and monitoring software solutions for mobile operators. The transaction is consistent with Elisa's strategy to grow digital businesses internationally and to accelerate the Elisa Automate business.

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 the euro amounts of both goodwill and customer base vary. Goodwill is not tax-deductible. The purchase price allocation is preliminary, as the verification of net assets acquired has not yet been fully completed. 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 21.4 million and the impact on Group profit was EUR 0.5 million in 2019. Had the acquisition been made as of the beginning of the year 2019, the impact on Group revenue and profit for the period in 2019 would have been EUR 41.6 million and EUR 2.1 million, respectively.

Consideration transferred

EUR million	Preliminary
Cash paid	72.6
Contingent consideration	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

A EUR 0.9 million expense of fees for experts and professional advisors is recorded in other operating expenses.

Acquired businesses in 2018

Acquisition of Kepit Systems Oy

On 26 April 2018, Elisa acquired 70 per cent of the shares of Kepit Systems Oy. The acquisition price was EUR 3.2 million, including a contingent consideration of EUR 0.7 million. The contingent consideration of EUR 0.7 million was paid during the financial year 2019.

According to the purchase price allocation, the acquisition resulted in EUR 2.6 million of goodwill relating to strengthening Group's market position in offering streaming services and e-commerce solutions. Goodwill is not tax-deductible.

The acquisition generated a non-controlling interest amounting to EUR 0.2 million, which is included in the non-controlling interest balance sheet item. The non-controlling interest is measured at a proportionate share of the acquiree's identifiable net assets.

The acquired company has been consolidated from 1 May 2018 onwards. External revenue after the acquisition was EUR 1.5 million and the impact on Group profit was EUR 0.6 million in 2018. Had the acquisition been made as of the beginning of the year 2018, the impact on Group revenue and profit for the period in 2018 would have been EUR 1.9 million and EUR 0.8 million, respectively.

Consideration transferred

EUR million	Carrying amount
Cash paid	2.5
Contingent consideration	0.7
Total cost of acquisition	3.2

Analysis of net assets acquired

EUR million	
Tangible assets	0.1
Trade and other receivables	0.6
Cash and cash equivalents	0.3
Trade payables and other liabilities	–0.2
	0.8

Effects of acquisition on cash flow

EUR million	
Purchase price paid in cash	–2.5
Cash and cash equivalents of the acquired entities	0.3
	–2.3

Goodwill arising from business combination

EUR million	
Consideration transferred	3.2
Identifiable net assets acquired	0.8
Non-controlling interests of the identifiable net assets	–0.2
Goodwill	2.6

A EUR 0.1 million expense of transfer tax and fees for experts and professional advisors is recorded in other operating expenses.

Acquisition of Ukkoverkot Oy's license and capital stock of Ukkonet Oy

On 30 July 2018, Elisa acquired from Ukkoverkot Oy Band 38 of the 2,6 GHz spectrum, as well as all shares of its managing company Ukkonet Oy. Elisa uses the spectrum to increase mobile network capacity.

The share acquisition price was EUR 2.7 million. In addition to that, Elisa took out a loan of EUR 1.5 million. The net assets of the acquired company were EUR 0.1 million. According to the purchase price allocation, EUR 3.3 million was allocated to the spectrum and EUR 0.7 million to deferred tax liabilities. The balance sheet value of the spectrum is EUR 4.8 million, which consists of the balance sheet value of the acquired company EUR 1.5 million and purchase price allocation of EUR 3.3 million. The spectrum will be amortised over 12 years.

The acquired company has been consolidated from 1 July 2018 onwards. External revenue after the acquisition was EUR 0.0 million and the impact on Group profit was EUR -0.1 million in 2018. Had the acquisition been made as of beginning of the year 2018, the impact on Group revenue and profit for the period in 2018 would have been EUR 0.2 million and EUR -0.2 million, respectively.

Ukkonet Oy merged with Elisa Corporation on 30 April 2019.

Consideration transferred

EUR million	Carrying amount
Cash paid	1,7
Settlement of pre-existing relationship	0,5
Consideration to be settled	0,5
Total cost of acquisition	2,7

Net assets acquired

EUR million	
Spectrum	4,8
Trade and other receivables	0,1
Cash and cash equivalents	0,0
Financial liabilities	–1,4
Deferred tax liabilities	–0,7
Trade payables and other liabilities	–0,1
	2,7

Effects of acquisition on cash flow

EUR million	
Purchase price paid in cash	–1,7
Loan paid in connection with acquisition	–1,5
Cash and cash equivalents of the acquired entities	0,0
	–3,3

A EUR 0.1 million expense of transfer tax and fees for experts and professional advisors is recorded in other operating expenses.

Acquisition of Fenix Solutions Oy

On 1 October 2018, Elisa acquired 100 per cent of Fenix Solutions Oy and all the shares of its managing company, Fenix Enterprise Solutions Oy. The company specialises in automation solutions that support services provided to the clients of the Elisa Corporation's Corporate Customer segment.

The share acquisition price was EUR 5.6 million, including a contingent consideration of EUR 0.9 million. According to the purchase price allocation, EUR 0.8 million of the purchase price is allocated to customer base, which is amortised over three years. The acquisition results in EUR 4.6 million in goodwill relating to strengthening the Corporate Customers business and expected synergy benefits. Goodwill is not tax deductible.

The acquired company has been consolidated from 1 October 2018 onwards. External revenue after the acquisition was EUR 0.6 million and the impact on Group profit was EUR 0.1 million in 2018. Had the acquisition been made as of the beginning of the year 2018, the impact on Group revenue and profit for the period in 2018 would have been EUR 2.5 million and EUR 0.4 million, respectively.

Fenix Enterprise Solutions Oy merged with Elisa Corporation on 30 April 2019.

Consideration transferred

EUR million	Carrying amount
Cash paid	4.7
Contingent consideration	0.9
Total cost of acquisition	5.6

Net assets acquired

EUR million	
Customer base	0.8
Tangible assets	0.0
Trade and other receivables	0.4
Cash and cash equivalents	0.7
Financial liabilities	–0.4
Deferred tax liabilities	–0.2
Trade payables and other liabilities	–0.4
	1.0

Effects of acquisition on cash flow

EUR million	
Purchase price paid in cash	–4.7
Cash and cash equivalents of the acquired entities	0.7
	–3.9

Goodwill arising from business combination

EUR million	
Consideration transferred	5.6
Net asset acquired	1.0
Goodwill	4.6

A EUR 0.1 million expense of transfer tax and fees for experts and professional advisors is recorded in other operating expenses.

Disposals of businesses in 2018

Disposal of Habbo and Hideaway businesses

On 6 June 2018, the Group's ownership in Sulake Suomi Oy (currently Sulake Oy) decreased to 49 per cent in a share issue where Orangegames Holding B.V., a Dutch company specialising in digital content, subscribed for 51 per cent of Sulake Suomi Oy's share stock for a price of EUR 3.0 million. As a result of the share issue, control of the Habbo and Hideaway businesses transferred to Orangegames Holding B.V., and Elisa became a minority shareholder of the company. Through the divestment, Elisa gained a partner and Sulake Suomi Oy an owner that has a strong understanding and experience of the game design business.

As a result of the share issue, Elisa's ownership of Sulake Suomi Oy and its subsidiaries (Sulake Spain S.L.U, Sulake Brasil and Sulake UK Ltd) decreased to 49 per cent, and Elisa lost control of the companies. The change in ownership was recorded in the Group as a sale of a subsidiary, and it resulted in a profit of EUR 2.2 million, recorded in other operating income.

The Group has consolidated the result of the companies as a subsidiary until 31 May 2018 and, starting from 1 June 2018, as an associated companies.

Net assets of the sold entity

EUR million	Carrying amount
Long term trade and other receivables	0.1
Deferred tax assets	0.1
Trade and other receivables	1.1
Cash and cash equivalents	0.6
Trade payables and other liabilities	–1.5
	0.4

Effects of disposal on cash flow

EUR million	
Cash and cash equivalent of a sold entity	–0.6
	–0.6

Effects of disposal on consolidated income statement and balance sheet

EUR million	
Investments in associated companies	1.2
Net assets of a sold entity	–0.4
Pre-existing relationships between the Group and the sold entity [1]	1.3
Profit from the sale	2.2

1) As a result of the loss of control, the Group's net assets increased as the net receivables, totalling EUR 1.3 million and previously eliminated as intra-group items, were treated as the external receivables.

Disposal of customer service and corporate switchboard businesses

On 2 May 2018, Elisa Group divested the outsourced customer service and corporate switchboard businesses for Corporate Customers to Oy Eniro Finland Ab. The total sale price was EUR 2.9 million and the net assets sold EUR -0.4 million. The divestment resulted in a profit of EUR 3.3 million, recorded within other operating income. The whole sales price will be paid in cash.

Accounting principles – Business acquisitions and disposals:

Subsidiaries are consolidated from the date the Group obtains control, and divested companies until the loss of control.

Acquisitions are measured at amortised costs. Identifiable assets acquired and assumed liabilities are measured at their fair value on the acquisition date. Possible investments in non-controlling interests are measured either at a proportionate share of the acquiree's identifiable net assets or at fair value. The method to be used is selected on a case-by-case basis. Subsequent changes in non-controlling interests are treated as equity transactions. In business combinations carried out in stages, previously held equity share in the acquiree is measured at fair value and the resulting gain or loss is recognised through profit or loss.

The acquisition price consists of the fair value of cash and contingent consideration transferred. The amount of the purchase price that exceeds the fair value of the acquired net assets is recognised as goodwill. Additional information regarding valuation and impairment testing of goodwill is available under note 5.3.1.

The changes in contingent consideration are expensed through profit and loss. Acquisition-related costs, such as consulting fees and transfer tax, are accounted as expenses for the periods, when the costs were incurred and the services received. The costs are presented as Other operating expenses in the income statement.

In connection with loss of control, any investment retained in a former subsidiary is measured at fair value through profit or loss at the date of transaction. Changes in ownership interest that do not result in a loss of control are accounted for as equity transactions.

Accounting policies that require management's judgements – Acquisitions:

The identifiable assets and liabilities acquired in a business combination are measured at fair value at the acquisition date. When determining the fair value of the acquired net assets, consideration and estimates may be required. Estimates and judgement are based on the management's best view of the situation at the time of the acquisition.

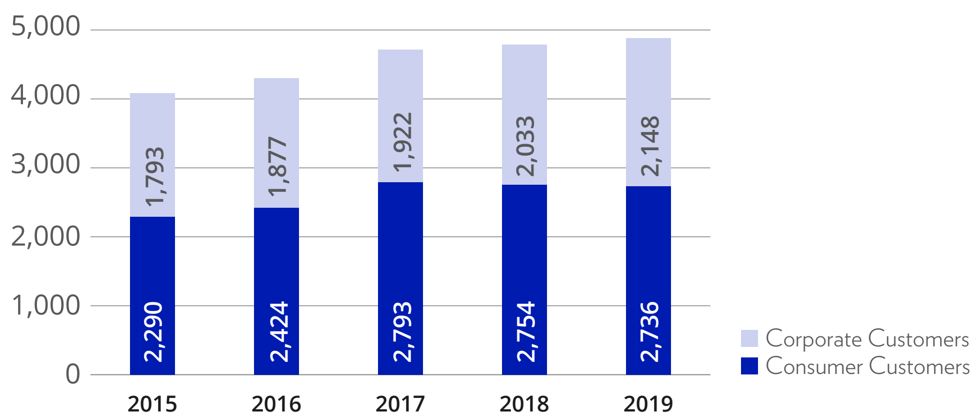
4 Personnel

4.1 Employee expenses

EUR million	2019	2018
Salaries and wages	255.1	241.7
Share-based payments	9.9	15.9
Pension expenses - defined contribution plans	40.2	40.1
Pension expenses - defined benefit plans	0.4	0.4
Other employee costs	14.8	13.3
I/S	320.3	311.4

Number of personnel at the end of the reporting period	2019	2018
Consumer Customers	2,736	2,754
Corporate Customers	2,148	2,033
	4,884	4,787

Number of personnel at the year end



Employee bonus and incentive schemes

All employees are included in the scope of performance-, incentive-, commission- or provision-based bonus schemes. The Group also has a personnel fund. The costs of the performance-based bonus scheme and personnel fund are recognised on an accrual basis and the costs are based on the best available estimate of realised amounts.

Performance-based bonus scheme

Rewards are based on financial and operational metrics of Elisa Corporation and its units. Targets are set and the maximum amount of reward is confirmed semi-annually. Some of the Group's key personnel also participated in the share-based compensation plan in 2019.

Personnel fund

The objective of the personnel fund is to secure the commitment of the personnel to Elisa's long-term objectives and to reinforce their interest in the company's financial success and its metrics.

The evaluation metrics for the performance-based bonus system is the earnings per share (EPS) and achievement of defined strategic goals. The Board of Directors decides on the performance-based bonus system and sets the earning criteria for the profit share award annually.

The members of the personnel fund are the employees of Elisa Group, with the exception of those employees who are part of the share incentive plan. In 2019, the Group's personnel fund contribution was EUR 1.4 (2.3) million.

Management remuneration

EUR million	2019	2018
Managing Directors	6.0	6.6
Members and deputy members of Boards of Directors	0.6	0.6

Managing Directors' pension commitments

The retirement age of the Group companies' Managing Directors is 60–65 years.

Employment benefits for key management

Key management consists of Elisa's Board of Directors, the CEO and the Executive Board. Management remuneration is described under parent company's Note 4.

Annual employee benefits recognised on the income statement

EUR million	2019	2018
Remunerations and other short-term employee benefits	4.3	4.2
Post-employment benefits	0.5	0.5
Share-based compensation (1	3.8	6.5
	8.6	11.2

1) In 2019, the share-based compensation expenses were EUR 9.9 (15.9) million, of which EUR 0.9 (1.6) million is allocated to the CEO and EUR 2.9 (4.9) million to the Executive Board. The terms and conditions of share-based incentive plans are described under Note 4.2.

Benefits paid

EUR million	2019	2018
Board of Directors	0.6	0.6
CEO	0.9	0.8
Executive Board	2.8	2.8
Share-based compensations [1]	5.5	7.1
	9.9	11.3

[1] The award paid to the CEO under the share-based compensation plans was EUR 0.8 (1.9) million and to the Executive Board members EUR 4.7 (5.2) million.

If the service contract is terminated by the Group, the period of notice for the CEO is six months, and if the contract is terminated by the CEO, the period of notice is three months. If the service contract is terminated by the Group, the CEO is entitled to a severance payment equalling the total salary for 24 months less the salary for the period of notice.

The period of notice for other members of the Executive Board is six months, if the service contract is terminated by the Group. In addition to the notice period salary, the members of the Executive Board are entitled to a severance payment equalling the total salary for nine months.

The executive agreement with the Group CEO expires at the age of 60, and he/she is entitled to retire according to the agreement. The defined benefit pension plan includes vested rights. The company is liable for the pension at the age of 60–63, and the related accumulated liability of EUR 1.5 million is included in pension obligations on the balance sheet. Pension is accrued annually by 5.1 per cent of the annual income under Employees Pensions Act (TyEL), and annually by EUR 120,000 during the period 2017–2020. In the management's cash-based supplementary pension insurance, the pension is accrued from 20.7 per cent of the annual income under the Employees Pensions Act (TyEL) starting at the age of 62. The pension arrangement of the CEO is a cash-based plan and it covers an increase in the statutory retirement age.

The executive agreements of the Group Management Board members appointed before the year 2013 expire mainly at the age of 62, when they have the right to retire. Pension provisions are cash-based and they are covered by management supplementary pension insurance, which includes vested rights.

Share-based compensation granted to the management

The award paid in 2018 to the CEO under the 2014 share-based compensation plan's 2015–2017 vesting period equals the value of 46,789 shares and to the Executive Board 146,333 shares.

The award paid in 2019 to the CEO under the 2014 plan's 2016–2018 vesting period equals the value of 38,263 shares and for the rest of the Executive Board 122,352 shares.

The maximum award granted to the CEO under the 2014 plan's 2017–2019 vesting period equals the value of 45,000 shares and for the rest of the Executive Board 143,200 shares. The award will be paid after the publication of the 2019 financial statements.

The maximum award granted to the CEO under the 2017 plan's 2018–2020 vesting period equals the value of 39,650 shares and for the rest of the Executive Board 134,350 shares. The award will be paid after the publication of the 2020 financial statements.

The maximum award granted to the CEO under the 2017 plan's 2019–2021 vesting period equals the value of 39,000 shares and for the rest of the Executive Board 128,350 shares. The award will be paid after the publication of the 2021 financial statements.

The maximum award granted to the CEO under the 2017 plan's 2020–2022 vesting period equals the value of 32,000 shares and for the rest of the Executive Board 114,000 shares. The award will be paid after the publication of the 2022 financial statements.

Within the vesting period 2016–2018, the CEO received a share-based compensation equivalent to 5,000 shares during the financial year 2018.

Elisa shares held by key members of the management

The members of Elisa's Board of Directors, the CEO, the members of the Executive Board and their related parties held a total of 384,717 shares and votes, corresponding to 0.23 per cent of all shares and votes.

4.2 Share-based incentives

The Group has share-based incentive plans in use, the aim of which is to align the objectives of the shareholders and key employees in order to increase the value of the company in the long-term, and to retain key employees at the company, and to offer them a competitive reward plan that is based on receiving the company's shares. The amount of the possible award to be paid is tied to the accomplishment of the set goals.

4.2.1 Share-based incentive plan 2017

On 15 December 2017, Elisa's Board of Directors decided on the share-based incentive plan for key personnel for 2018–2022.

The new performance-based incentive plan has three vesting periods: the calendar years 2018–2020, 2019–2021 and 2020–2022. The Board of Directors decides the performance criteria for the plan and required performance levels for each criterion at the beginning of a vesting period. After the end of the vesting period, the award is paid as a combination of company shares and cash after the completion of financial statements. The cash portion intends to cover the tax obligations resulting from the share-based payment. If the contract of employment is terminated before the payment of the award, as a rule no award shall be paid.

The earnings criteria for the vesting period 2020–2022 are based on earnings per share (EPS), revenues from new businesses and other key objectives. The total maximum amount to be paid for the vesting period 2020–2022 equals the value of 407,600 Elisa shares.

The earnings criteria for the vesting period 2019–2021 are based on earnings per share (EPS), revenues from new businesses and other key objectives. The total maximum amount to be paid for the vesting period 2019–2021 equals the value of 536,000 Elisa shares.

The earnings criteria for the vesting period 2018–2020 are based on earnings per share (EPS), revenues from new businesses and other key objectives. The total maximum amount to be paid for the vesting period 2018–2020 equals the value of 550,000 Elisa shares.

The CEO of the Group and the members of the Board of Directors shall own at the minimum 50.0 per cent of the net shares paid under the share-based incentive plan until share ownership for the CEO reaches 100 per cent of his/her gross yearly income and for the member of the Board of Directors 50 per cent of his/her gross yearly income.

Amount of share incentives and terms and assumptions in the fair value calculation	**Vesting period 2020–2022**	**Vesting period 2019–2021**	**Vesting period 2018–2020**
Maximum number of shares granted, pcs	407,600	536,000	550,000
Grant date	31.12.2019	31.12.2018	31.12.2017
Fair value of the share at the grant date, EUR (1	44.00	31.13	28.22
Share price at the grant date, EUR	49.25	36.08	32.72
Estimated realisation of share price after vesting period (2	54.62	38.63	35.57
Vesting period starts	1.1.2020	1.1.2019	1.1.2018
Vesting period ends	31.12.2022	31.12.2021	31.12.2020
Estimated realisation of earnings criteria at the beginning of vesting period, %	61	74	85
Estimated realisation of earnings criteria at the closing date, %	61	65	48
Number of participants in the plan at the closing date	193	189	173

1) The fair value of the share is the share price at the grant date, less estimated dividend. Estimated dividend used in the calculation equals the dividend for the previous period.

2) The estimated realisation of share price is calculated using the CAP model (Capital Asset Pricing Model). The basic variables in the model are interest rate level, general risk premium and the so-called beta risk on the Elisa share. The assumed dividend equals the dividend for the previous period.

4.2.2 Share-based incentive plan 2014

On 11 December 2014, Elisa's Board of Directors decided on the share-based incentive plan for key personnel for 2015–2019.

The performance-based incentive plan has three vesting periods: the calendar years 2015–2017, 2016–2018 and 2017–2019. The Board of Directors will decide on the performance criteria for the plan and required performance levels for each criterion at the beginning of a vesting period. After the end of the vesting period, the award is paid as a combination of company shares and cash after the completion of financial statements. If the contract of employment is terminated before the payment of the award, as a rule no award shall be paid.

The earnings criteria for the vesting period 2017–2019 are based on earnings per share (EPS), revenues from new businesses and other key objectives. The total maximum amount to be paid for the vesting period 2017–2019 equals the value of 448,360 Elisa shares.

The earnings criteria for the vesting period 2016–2018 were based on earnings per share (EPS), revenues from new businesses and other key objectives. The total performance was EUR 13.8 million of which EUR 7.2 million was paid in cash. In accordance with the Board's decision, on 5 February 2019, Elisa transferred 174,544 shares to 147 persons covered by the incentive scheme, of which 58,113 shares to the Executive Board members and 18,175 shares to the CEO.

The earnings criteria for the vesting period 2015–2017 plan were based on earnings per share (EPS), revenues from new businesses and other key objectives. The total performance was EUR 17.1 million of which EUR 8.9 million was paid in cash. In accordance with the Board's decision, on 5 February 2018, Elisa transferred 228,543 shares to 143 persons covered by the incentive scheme, of which 69,428 shares to the Executive Board members and 22,224 shares to the CEO.

Amount of share incentives and terms and assumptions in the fair value calculation	**Vesting period 2017–2019**	**Vesting period 2016–2018**	**Vesting period 2015–2017**
Maximum number of awards granted, pcs	448,360	406,450	569,900
Grant date	31.12.2016	31.12.2015	31.12.2014
Fair value of share at the grant date, EUR [1]	26.73	30.83	18.71
Share price at the grant date, EUR	30.93	34.79	22.61
Estimated realisation of share price after vesting period [2]	34.25	36.69	22.34
Vesting period starts	1.1.2017	1.1.2016	1.1.2015
Vesting period ends	31.12.2019	31.12.2018	31.12.2017
Estimated realisation of earnings criteria at the beginning of vesting period, %	50	50	50
Estimated realisation of earnings criteria at the closing date, %	84		
Realisation of earning criteria, %		81	75
Distributed number, pcs		174,544	228,543
Volume weighted average share price at distribution date, EUR		37.13	35.30
Distributed number out of the maximum number of share awards granted, %		43	40
Number of participants in the plan at the closing date	157	148	143

1) The fair value of the share is the share price at the grant date, less estimated dividend. Estimated dividend used in the calculation equals the dividend for the previous period.

2) The estimated realisation of share price is calculated using the CAP model (Capital Asset Pricing Model). The basic variables in the model are interest rate level, general risk premium and the so-called beta risk on the Elisa share. The assumed dividend equals the dividend for the previous period.

4.2.3 Committed share-based incentive plan 2019

On 31 January 2019, Elisa's Board of Directors decided on a new committed share-based incentive plan for 2019–2025.

The awards granted under the plan have a restriction period of 1–3 years. The potential award is based on the validity of the key person's contract of employment. The maximum amount of awards paid under the plan equals the value of 500,000 Elisa shares.

Amount of share incentives and terms and assumptions in the fair value calculation	Restriction period 2019–2020
Maximum number of awards granted, pcs	22,500
Grant date	10.6.2019
Fair value of share at the grant date, EUR [1]	38.00
Share price at the grant date, EUR	41.50
Estimated realisation of share price after vesting period [2]	43.38
Restriction period started	10.6.2019
Restriction period ends	10.6.2021
Estimated realisation of earnings criteria at the beginning of vesting period, %	100
Estimated realisation of earnings criteria at the closing date, %	100
Number of participants in the plan at the closing date	9

[1] The fair value of the share is the share price at the grant date, less estimated dividend. Estimated dividend used in the calculation equals the dividend for the previous period.

[2] The estimated realisation of share price is calculated using the CAP model (Capital Asset Pricing Model). The basic variables in the model are interest rate level, general risk premium and the so-called beta risk on the Elisa share. The assumed dividend equals the dividend for the previous period.

Expenses of share-based incentive planst

In 2019, expenses recognised for share incentive plans were EUR 9.9 (15.9) million.

Accounting principles – Share-based payments:

In the Group's share-based payment scheme, the total award amount is the gross earning of shares granted less the applicable withholding tax, with the remaining net amount being paid to the award recipient in shares. Compensation costs for the share-based incentive plans are entirely recognised as equity-settled arrangements. As a result, share-based incentive costs, recognised in equity, also include a cash component that is equal to the value of the shares paid to cover the taxes and tax-like costs incurred under the award. The Group settles a cash payment of a portion, required to meet withholding tax obligations, to the Tax Administration. The withholding tax paid to the Tax Administration is recognised directly in equity.

Share-based incentive plans are measured at the fair value at the grant date. If the assumption regarding the realised number of shares changes, an adjustment will be recorded through profit and loss. The share-based incentive plans do not include any other non-market based terms and conditions. Transfer restrictions related to the share-based incentive plans are out of the scope of the fair value measurement and expense recognition.

Accounting policies that require management's judgements – Share-based payments:

The expense recognition for the share-based incentive plans is based on an estimate of the fulfilment of the share incentive plan criteria and the development of Elisa Group's share price. The fulfilment of the share incentive plan criteria and the development of the share price might deviate from the estimates. In 2019, compensation expenses were EUR 9.9 million.

4.3 Pension obligations

The Group's pension obligations are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Group pays fixed contributions to pension insurance companies. If the pension insurance company does not hold sufficient assets to pay all employees the benefits in question, the Group will have no legal or constructive obligation to pay further contributions. The contributions for defined contribution pension plans are recognised as expenses during the financial year, in which the payment obligation has arisen. All other plans not meeting the above criteria are classified as defined benefit plans.

The pension schemes for the Group's personnel in Finland are covered by the Employees Pensions Act (TyEL) and are arranged through pension insurance companies. The Finnish Employees Pensions Act (TyEL) is a defined contribution plan. Supplementary pensions are arranged through life insurance companies. Some supplementary pension plans and pension plans under the responsibility of some group companies have been classified as defined benefit plans. The defined benefit plans are mainly funded by yearly contributions to the insurance companies based, on actuarial valuation. Local tax and other legislation is applied to the pension plans' arrangements. Only Elisa Corporation has defined benefit plans. The pension plans in foreign subsidiaries are defined contribution plans.

Post-employment benefits of key management are described in Note 4.1.

The net defined benefit related to pension liability

EUR million	2019	2018
Present value of unfunded obligations	–2.9	–2.6
Present value of funded obligations	–68.4	–63.9
Fair value of plan assets	54.6	51.3
B/S Net pension liability (-) / receivable (+) in the statement of financial position	–16.7	–15.2

Pension expenses recognised in the statement of comprehensive income

EUR million	2019	2018
Expense recognised in profit or loss		
Service cost	0.1	0.2
Net interest	0.2	0.3
	0.4	0.4
Remeasurements	2.1	–0.9
Tax effect of the remeasurements	–0.4	0.2
I/S	1.7	–0.7

Reconciliation of the net defined benefit obligations in the statement of financial position

EUR million	2019	2018
Net defined benefit obligation at the beginning of the period	15.2	16.0
Pension expenses recognised in profit or loss	0.4	0.4
Remeasurements	2.1	-0.9
Contributions paid by employer	-0.9	-0.4
Net defined benefit obligation at the end of period	16.7	15.2

Changes in the present value of the defined benefit obligations

EUR million	2019	2018
Obligation at the beginning of the period	-66.5	-70.7
Current service cost	-0.1	-0.2
Interest expenses	-1.0	-1.1
Remeasurements		
Actuarial gain (+) or loss (-) arising from changes in economic assumptions	-7.4	0.0
Gain (+) or loss (-) arising from experience adjustments	-0.9	0.5
Benefits paid	4.7	5.0
Obligation at the end of period	-71.3	-66.5

Changes in the fair value of plan assets

EUR million	2019	2018
Fair value of plan assets at the beginning of the period	51.3	54.7
Interest income	0.8	0.8
Remeasurements. gain (+) or loss (-)	6.2	0.4
Benefits paid	-4.7	-5.0
Contributions paid by employer	0.9	0.4
Fair value of plan assets at the end of period	54.6	51.3

The principal actuarial assumptions used	2019	2018
Discount rate, %	0.7	1.6
Future pension increase, %	1.9	1.9
Inflation, %	1.2	1.7

Sensitivity analysis of net defined benefit obligation

	Effect on the net defined benefit obligation,EUR million	
Change in actuarial assumptions	2019	2018
Discount rate + 0.5%	-1.5	-1.6
Future pension increase +0.5%	4.9	4.1
Expected mortality +1 year	1.1	0.4

When calculating a change in one assumption of the sensitivity analysis, the other assumptions are assumed to remain unchanged. In practice, this is not likely to happen and some changes in the assumptions may correlate with each other. The figures in the sensitivity analysis have been calculated using the same method which is applied when calculating defined benefit obligations.

Defined benefit obligations expose the Group to various risks. Decreases in the gain of corporate bonds, higher inflation and higher expected retirement age may predispose the Group to the growth of defined benefit obligations. On the other hand, since the fair value of assets is calculated using the same discount rate which is used when calculating the obligation, the change in the discount rate will only affect the net defined benefit obligation. Similarly, a rise in life expectancy will increase the assets and affect the net defined benefit obligation.

Weighted average duration of the obligation is 14.0 (14.0) years.

The Group expects to contribute EUR 0.5 (0.3) million to defined benefit pension plans in 2020.

The assets of the defined benefit obligations are 100 per cent acceptable insurances.

Accounting principles – Pension obligations:

The Group's defined benefit obligation has been calculated separately from each plan using the projected unit credit method. Pension expenses calculated by authorised actuaries are recognised in profit or loss over the employees' working lives. The rate used to discount the present value of the defined benefit obligation is determined by reference to market yields of high-quality corporate bonds. If such information is not available, the market yields on government bonds are used. The maturity of corporate bonds and government bonds are substantially consistent with the maturity of pension obligations. The present value of defined benefit obligation is reduced by the fair value of the plan assets at the end of the reporting period. The net defined benefit pension liability is recognised in the statement of financial position.

Current service cost and net interest of the net defined benefit liability are recorded in employee expenses on the income statement. The remeasurements of the net defined benefit liability, for example actuarial gains and losses and the return on plan assets, are recognised in other comprehensive income during the financial period in which they incur.

Accounting policies that require management's judgements – Pension obligations:

The book value of defined pension obligations is based on actuarial valuations. Assumptions and estimates used in the valuations include, among others, the discount rate used on the valuation of the pension obligation and plan assets as well as the development of inflation and salary levels.

5 Tangible and intangible assets

5.1 Depreciation, amortisation and impairment

EUR million	2019	2018
Tangible assets		
Land and water areas		
Right-of-use assets	0.9	
Buildings and constructions		
Owned buildings and constructions	12.7	12.3
Right-of-use assets [1]	15.3	0.4
Telecom devices, machinery and equipment		
Owned telecom devices, machinery and equipment	176.2	174.2
Right-of-use assets [1]	5.5	3.4
Other tangible assets	0.0	0.0
	210.7	190.3
Intangible assets		
Customer base	6.0	5.0
Other intangible assets	49.1	40.9
	55.1	45.9
I/S	265.8	236.2

1) In comparison year, assets leased under finance lease agreements in accordance with IAS 17.

Impairment losses were EUR 2.2 (0.4) million.

5.2 Tangible assets

2019 EUR million	Land and water areas	Buildings and constructions	Telecom devices, machinery and equipment	Other tangible assets	Tangible assets under construction	Total
Acquisition cost at 1 Jan.	10.7	286.2	3,584.1	35.7	30.6	3,947.3
Adoption of IFRS 16	11.5	52.1	6.7			70.3
Acquisition cost at 1 Jan.	22.2	338.3	3,590.8	35.7	30.6	4,017.5
Business acquisitions		1.9	0.5			2.3
Additions	0.2	10.5	156.3		21.5	188.5
Additions, right-of-use assets	1.3	24.8	3.0			29.0
Disposals	0.0	–0.1	–18.0			–18.1
Disposals, right-of-use assets	0.0	0.0	–2.3			–2.3
Reclassifications	0.0	1.2	18.8		–20.3	–0.3
Translation differences		0.0	0.1			0.1
Acquisition cost at 31 Dec.	23.7	376.5	3,749.2	35.7	31.7	4,216.7
Accumulated depreciation and impairment at 1 Jan.	0.0	165.0	2,995.6	35.1		3,195.8
Depreciation and impairment	0.9	28.1	181.7	0.0		210.7
Accumulated depreciation on business acquisitions		0.1	0.4			0.5
Accumulated depreciation on disposals and reclassifications		–0.1	–16.9			–16.9
Translation differences		0.0	0.1			0.1
Accumulated depreciation and impairment at 31 Dec.	0.9	193.1	3,160.9	35.0		3,390.0
B/S Book value at 1 Jan.	10.7	121.1	588.5	0.7	30.6	751.6
B/S Book value at 31 Dec.	22.8	183.3	588.3	0.6	31.7	826.8

2018 EUR million	Land and water areas	Buildings and constructions	Telecom devices, machinery and equipment	Other tangible assets	Tangible assets under construction	Total
Acquisition cost at 1 Jan.	9.3	271.9	3,420.3	35.7	38.7	3,776.0
Business acquisitions		0.0	0.1		0.0	0.1
Additions	1.0	10.1	159.9		15.0	186.0
Business disposals			–0.1	–0.1		–0.2
Disposals	0.0	1.0	–14.1	0.0		–13.1
Reclassifications	0.4	3.1	18.1		–23.1	–1.5
Translation differences			–0.1			–0.1
Acquisition cost at 31 Dec.	10.7	286.2	3,584.1	35.7	30.6	3,947.3
Accumulated depreciation and impairment at 1 Jan.	0.0	150.8	2,832.1	35.0		3,018.0
Depreciation and impairment		12.7	177.6	0.0		190.3
Accumulated depreciation on disposals and reclassifications		1.5	–13.9			–12.5
Translation differences			–0.1	0.0		–0.1
Accumulated depreciation and impairment at 31 Dec.	0.0	165.0	2,995.6	35.1		3,195.8
B/S Book value at 1 Jan.	9.3	121.1	588.2	0.7	38.7	758.1
B/S Book value at 31 Dec.	10.7	121.1	588.5	0.7	30.6	751.6

On 31 December 2019, the investment commitments for tangible and intangible assets were EUR 29.5 (41.7) million.

The lease commitments for rental agreements commencing in the future, in accordance with IFRS 16, were EUR 15.0 million on 31 December 2019.

In the comparison year 2018, additions contain EUR 2.3 million of assets leased under finance lease agreements.

Property, plant and equipment include right-of-use assets as follows:

2019 EUR million	Land and water areas	Buildings and constructions	Telecom devices, machines and equipment	Total
Acquisition cost at 1 Jan.		17.4	122.3	139.7
Adoption of IFRS 16	11.5	52.1	6.7	70.3
Acquisition cost at 1 Jan.	11.5	69.5	129.0	210.0
Change in acquisition cost during the period	1.3	26.5	0.7	28.4
Acquisition cost at 31 Dec.	12.8	96.0	129.7	238.4
Accumulated depreciation at 31 Dec.	0.9	21.9	120.6	143.4
Book value at 31 Dec.	11.9	74.0	9.1	95.0

Property, plant and equipment include assets leased under finance lease agreements as follows:

2018 EUR million	Buildings and constructions	Telecom devices, machines and equipment	Total
Acquisition cost	17.4	122.3	139.7
Accumulated depreciation	6.6	115.2	121.8
Book value at 31 Dec.	10.8	7.2	18.0

Accounting principles – Tangible assets:

Property, plant and equipment are recognised in the statement of financial position at the original cost. Property, plant and equipment are stated at cost less accumulated depreciation and impairments. Depreciation is recorded on a straight-line basis over the useful life of tangible assets. The residual value and the useful life of an asset is reviewed at year-end and adjusted, if necessary.

Subsequent costs, such as renewals and major renovation projects, are capitalised when it is probable that future economic benefit associated with the item will flow to the Group. Ordinary repair, service and maintenance costs are recognised as expenses during the financial period in which they incur.

Expected useful life of property, plant and equipment:

Buildings and constructions	25–40 years
Machinery and equipment in buildings	10–25 years
Telecommunications network (line, backbone, area, subscription, cable TV)	8–15 years
Exchanges and concentrators (fixed and mobile core)	6–10 years
Equipment for the network and exchanges	3–8 years
Telecommunication terminals	2–4 years
Other machinery and equipment	3–5 years

Land and water areas are not depreciated.

Accounting principles – Right-of-use assets:

A lease agreement is an agreement or a part of an agreement that conveys the right to use the underlying asset for a period of time in exchange for consideration. When a new agreement is made, Elisa assesses whether the agreement in question is a lease agreement or contains a lease agreement.

The right-of-use assets and lease liabilities presented in the balance sheet are measured at present value of future lease payments at the time of initial recognition. The lease payments are discounted using industry-specific interest rates and taking into account the length of the lease contracts. The depreciation costs of the right-of-use assets and the interest portion of the lease liabilities are expensed. The depreciation of right-of-use assets is recorded on a straight-line basis starting on the commencement of the agreement over the useful life of the asset or over the lease period, depending on which of these is shorter.

In addition, the right-of-use asset is adjusted in certain cases with remeasurements of the lease liability. Lease liabilities are mainly remeasured when future payments change due to index or interest rate changes or when the Group's assessment of using a possible extension option changes. When a lease liability is remeasured, the book value of the right-of-use-asset is usually adjusted accordingly.

The Group's right-of-use assets related to land and water areas mainly consist of the land areas of telecom premises and equipment spaces in Finland and Estonia. The right-of-use assets related to buildings and constructions consist of business and telecom premises as well as retail facilities. The right-of-use assets related to machinery and equipment consist of vehicles and other machinery and equipment.

Accounting principles – Adoption of IFRS 16, Leases:

On 1 January 2019, the Group adopted IFRS 16, Leases, which replaced the IAS 17 standard and related interpretations. The new lease standard requires the lessee to recognise on the balance sheet a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The lessee's agreements are no longer classified as operative and finance lease agreements. For the lessor, the situation remains largely unchanged.

The Group has adopted the standard using a modified retrospective approach on all the lease contracts valid on 1 January 2019. The adoption of the standard had not effect the Group's retained earnings. The figures for the comparative year have not been restated.

On 1 January 2019, the opening balance of lease liability was EUR 85.3 million and of the corresponding right-of-use assets 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 by EUR 70.3 million and the lease liability by 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 lease contracts capitalised on the balance sheet are mostly related to business and telecom premises, retail facilities and vehicles.

The carrying amounts of leases previously treated as finance lease agreements did not change at the time of adoption. On 1 January 2019, the lease liability for these agreements was EUR 22.1 million. With the adoption of IFRS16, the accounting treatment of these capitalised lease liabilities will also change, as IFRS 16 requires the index increases of rental payments to be taken into account in the valuation of lease liabilities.

The Group applies the exemptions allowed by the standard not to recognise assets and liabilities for short-term leases and low-value assets. The rental costs of these contracts will be recognised on a straight-line basis in the income statement also in future and presented as off-balance sheet commitments. In 2019, the Group recognised EUR 32.2 million of expenses relating to short-term leases and EUR 3.2 million of expenses relating to leases of low-value assets.

The Group applies the exemptions allowed by the standard regarding the treatment of service components in certain asset groups. The Group separates the service components included in the lease agreements of business premises, retail facilities and vehicles, and recognises their share as an expense in the income statement.

The Group's agreements on rights to use land mainly do not fulfil the definition of a lease according to IFRS 16 and thus are not in the standard's scope. The Group's telecom premises have been acquired through agreements that fulfil the definition of a lease contracts and to which the standard's requirements are applied.

The Group's last mile rentals from other operators are mainly treated as service agreements, and related expenses are recognised during the contract period according to the requirements of IFRS 15.

The impact of the finance leases on the Group's 2019 rental expenses is EUR +17.8 million, on depreciation EUR -18.5 million, and financial expenses EUR -1.2 million. The effect on EBITDA is EUR +17.8 million, on EBIT EUR -0.7 million, and on profit before taxes EUR -1.9 million. The impact on the Group's 2019 investments is 26.7 EUR million, of which EUR 5.1 million is related to the indexation of finance leases previously accounted for under IAS 17.

On 31 December 2019, the right-of-use assets, calculated in accordance with the standard, amounted to EUR 95.0 million and the corresponding interest-bearing liabilities to EUR 95.7 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 2019 impact on the Group's cash flow from the operating activities is EUR +17.2 million, on cash flow from financing activities EUR -16.6 million, and on cash flow from investing activities EUR -0.6 million. The increase in prepayments included in right-of-use assets is presented under cash flow from investing activities.

Bridge calculation of the adoption of the IFRS 16 standard:

EUR million	2019
Operating lease liabilities 31 December 2018	79.0
Short-term leases and low-value assets	–11.8
Service components	–9.5
New contracts [1]	6.2
Discount rate	–5.8
Definition of lease term	2.7
Other	2.4
Increase in lease liabilities 1 January 2019	63.2
Finance lease liabilities IAS 17	22.1
Lease liability 1 January 2019	85.3

[1] Includes lease agreements not previously presented as off-balance sheet lease commitments.

5.3 Intangible assets

2019 EUR million	Goodwill	Customer base	Other intangible assets	Intangible assets under construction	Total
Acquisition cost at 1 Jan.	1,035.7	109.6	717.2	12.8	1,875.3
Business acquisitions	64.4	9.0	1.2	0.0	74.6
Additions			31.8	9.0	40.8
Disposals			–0.4	0.0	–0.4
Reclassifications	0.0		8.6	–8.8	–0.2
Translation differences	1.0	0.1	0.0		1.1
Acquisition cost at 31 Dec.	1,101.2	118.8	758.3	13.0	1,991.3
Accumulated amortisation and impairment at 1 Jan.	15.0	97.7	535.3		648.0
Depreciation and impairment		6.0	49.1		55.1
Accumulated amortisation on disposal and reclassifications			–0.5		–0.5
Translation differences		0.0	0.0		0.0
Accumulated depreciation and impairment at 31 Dec.	15.0	103.7	583.9		702.6
Book value at 1 Jan.	1,020.7	12.0	181.9	12.8	1,227.4
Book value at 31 Dec.	1,086.1	15.1	174.4 [1]	13.0	1,288.6

[1] Includes software in carrying amount of EUR 87.0 (92.5) million.

2018 EUR million	Goodwill	Customer base	Other intangible assets	Intangible assets under construction	Total
Acquisition cost at 1 Jan.	1,028.5	108.8	640.9	14.6	1,792.8
Business acquisitions	7.2	0.8	4.8 [2]	0.0	12.9
Additions			65.9 [3]	2.5	68.4
Business disposals			0.0	0.0	0.0
Disposals			–0.2		–0.2
Reclassifications			5.8	–4.3	1.5
Translation differences	0.0		0.0		0.0
Acquisition cost at 31 Dec.	1,035.7	109.6	717.2	12.8	1,875.3
Accumulated depreciation and impairment at 1 Jan.	15.0	92.7	494.6		602.3
Depreciation and impairment		5.0	40.9		45.9
Accumulated depreciation on disposals and reclassifications			–0.2		–0.2
Translation differences					0.0
Accumulated depreciation and impairment at 31 Dec.	15.0	97.7	535.3		648.0
Book value at 1 Jan.	1,013.5	16.2	146.3	14.6	1,190.6
Book value at 31 Dec.	1,020.7	12.0	181.9 [1]	12.8	1,227.4

[1] Includes software in carrying amount of EUR 87.0 (92.5) million.

[2] 2.6 GHz Band 38 spectrum licence acquired in connection with the acquisition of Ukkonet Oy.

[3] Includes Finnish 3.5 GHz spectrum licence in carrying amount of EUR 26.3 million.

Accounting principles – Intangible assets:

An intangible asset is recognised only if it is probable that the expected future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. Subsequent costs related to the intangible assets are capitalised only if the future economic benefits that will flow to the Group exceed the level of performance originally assessed. In other cases, the costs are recognised as an expense as incurred.

In connection with the business combinations, intangible assets (such as customer base and brand) are measured at fair value. Other intangible assets are measured at original acquisition cost and amortised on a straight-line basis over their estimated useful life.

Amortisation periods for intangible assets:

Customer base	3–5 years
Brand	10 years
Development expenses	3 years
IT software	5 years
Other intangible assets	3–10 years

Research costs are recorded as expenses in the income statement. Development expenses are recognised on the statement of financial position from the date the product is technically feasible, it can be utilised commercially and the asset is expected to generate future economic benefit. Otherwise, development costs are recorded as an expense. Development costs initially recognised as expenses cannot be capitalised subsequently.

Government grants related to the acquisition of property, plant and equipment are recorded as a reduction of the carrying value of property, plant and equipment. The grants are recognised in income as lower depreciation charges over the useful life of the asset.

Government grants associated with development projects are recognised as other operating income when the related costs are recognised as expenses. Government grants, associated with capitalised development costs, are recorded as a reduction of cost.

The Group assesses at the end of each reporting period whether there is objective evidence that an asset is impaired. If such evidence exists, the recoverable amount of the asset is assessed. Additionally, regardless of any existence of impairment indications, the recoverable amount of intangible assets under construction is assessed annually. The Group does not have any intangible assets with an indefinite useful life.

The recoverable amount of the asset is its fair value less costs of disposal or its value in use, if it is higher. Value in use is a discounted present value of future net cash flows expected to be derived from an asset. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. An impairment loss is recognised immediately in the income statement. An impairment loss is reversed, if there are indications that a change in circumstances has taken place, and the asset's recoverable amount has changed since the impairment loss was recognised. However, the reversal of an impairment loss will never exceed the carrying amount of the asset had no impairment loss been recognised.

5.3.1 Goodwill

Goodwill is allocated to the Group's cash generating units as follows:

EUR million	2019	2018
Consumer Customers	643.5	643.5
Corporate Customers	442.6	377.1
B/S	1,086.1	1,020.7

The reported operating segments based on Elisa's organisational and management structure are Consumer Customers and Corporate Customers.

Impairment testing

In annual impairment tests, the recoverable amount of the segments is determined based on the value in use, which is calculated on the basis of projected discounted cash flows (DCF model). Covering a five-year period, the cash flow projections are based on plans approved by the management. The projections are mostly consistent with information from external sources and reflect actual development. The used discount rate before taxes is 6.3 per cent (7.1 per cent in comparison period). Cash flows after five years have been projected by estimating the change in future cash flows as 2 per cent growth.

As a result of the performed impairment tests, there is no need for impairment of the segments' goodwill in 2019 and 2018.

Usage of the DCF model requires forecasts and assumptions concerning market growth, prices, volume development, investment needs and general interest rate. The major sensitivities in the performance are associated with forecast revenue and profitability levels.

Sensitivity analysis **Projection parameters applied**	Consumer Customers 2019	Corporate Customers 2019	Consumer Customers 2018	Corporate Customers 2018
Amount in excess of CGU carrying value, EUR million	5,587	3,005	4,440	2,727
EBITDA margin on average, % [1]	38.2	34.1	36.9	33.3
Horizon growth, %	2.0	2.0	2.0	2.0
Pre-tax discount rate, %	6.3	6.3	7.1	7.1

[1] On average during a five-year projection period

Change in projection parameters that makes the fair value equal to book value	Consumer Customers 2019	Corporate Customers 2019	Consumer Customers 2018	Corporate Customers 2018
EBITDA margin on average, %	–19.6	–17.5	–18.7	–18.3
Horizon growth, %	–29.5	–31.8	–29.4	–48.2
Pre-tax discount rate, %	17.1	17.5	16.9	20.4

Accounting principles – Goodwill:

Goodwill arising from business combinations prior to 2004 is accounted for in accordance with the previous financial statements regulations and the book value is the assumed acquisition cost in accordance with IFRS. Business combinations incurred between 1 January 2004 and 31 December 2009 have been accounted for in accordance with IFRS 3 (2004). Goodwill arising from business combinations incurred after 1 January 2010 represents the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable net assets acquired and the amount of non-controlling interest, and in a business combination achieved in stages, the acquisition-date fair value of the equity interest.

Goodwill is not amortised. Goodwill is tested for impairment annually, or more frequently, if there is any indication of a potential impairment. For the purpose of impairment testing, goodwill is allocated to the cash-generating units (CGU's) – Consumer Customers and Corporate Customers. Goodwill is carried at its cost less any accumulated impairment losses.

An impairment loss is recognised, when the carrying amount of an asset exceeds its recoverable amount. An impairment loss is recognised immediately in the income statement. If an impairment loss is allocated to a cash-generating unit, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to the other assets of the unit on a pro rata basis. An impairment loss recognised for goodwill is never reversed under any circumstances.

Accounting policies that require management's judgements – Goodwill impairment testing:

The recoverable amount of cash-generating units is determined by calculations based on value in use, the preparation of which requires estimates and assumptions. The main uncertainties are associated with the estimated levels of revenue and profitability and the discount rate. Any changes may lead to the recognition of impairment losses. On 31 December 2019, the carrying value of goodwill was EUR 1,086.1 million.

6 Inventories, trade and other receivables, trade and other liabilities

6.1 Inventories

EUR million	2019	2018
Materials and supplies	19.3	15.7
Finished goods	48.4	49.7
B/S	67.7	65.4

An impairment on inventories of EUR 0.3 (2.4) million was recognised during the financial period.

6.2 Trade and other receivables

6.2.1 Current receivables

EUR million	2019	2018
Trade receivables	386.5	349.5
Impaired trade receivables	–11.1	–9.1
Contract assets, from costs	5.8	5.9
Contract assets, from revenue	1.7	4.1
Accrued income	56.0	47.8
Finance lease receivables	9.1	10.9
Loan receivables	0.1	0.1
Receivables from associated companies	0.5	0.9
Other receivables	4.9	6.6
B/S	453.5	416.6

Accrued income includes interest receivables and cost accruals from the operating activities.

Aging of trade receivables

EUR million	2019 Nominal value	2019 Impairment	2019 Book value	2018 Nominal value	2018 Impairment	2018 Book value
Not past due	326.8	-0.3	396.5	296.5	-0.1	296.5
Past due						
Past due less than 30 days	37.2	-0.2	37.0	34.9	-0.2	34.7
Past due 31–60 days	7.4	-0.4	6.9	5.1	-0.5	4.5
Past due 61–90 days	2.4	-0.4	2.0	3.2	-0.5	2.6
Past due 91–180 days	4.3	-2.5	1.8	3.9	-2.4	1.5
Past due more than 181 days	8.4	-7.2	1.2	6.0	-5.4	0.6
	386.5	-9.1	375.4	349.5	-9.1	340.4

The book value of trade receivables approximates their fair value. The credit risk associated with trade receivables is described in note 7.1. The maximum exposure to credit risk is the carrying amount of the trade receivables on the closing date, EUR 375.4 million.

6.2.2 Non-current receivables

EUR million	2019	2018
Loan receivables	0.1	0.1
Trade receivables	83.9	76.5
Finance lease receivables	4.6	6.5
Accrued income	2.7	8.5
Non-current derivatives	0.0	0.4
Other non-current receivables	0.6	1.9
B/S	91.9	93.8

The effective interest rate on receivables (current and non-current) was 0.00 (0.00) per cent.

Gross finance lease receivables – maturity of minimum lease payment receivables

EUR million	2019	2018
Within one year	9.3	11.1
Later than one year, not later than five years	4.7	6.6
	14.0	17.7
Future finance income	–0.2	–0.4
Present value of finance lease receivables	13.8	17.4

Maturity of present value of future minimum lease payment receivables

EUR million	2019	2018
Within one year	9.1	10.9
Later than one year, not later than five years	4.6	6.5
	13.8	17.4

Lease periods vary from one to five years, and conditions vary in terms of index clauses.

6.3 Trade and other liabilities

EUR million	2019	2018
Non-current		
Trade payables [1]	20.2	24.6
Advances received	5.0	4.9
Derivative instruments	0.1	0.0
Other liabilities [2]	11.6	6.8
B/S	36.8	36.3
Current		
Trade payables [1]	172.7	162.5
Advances received	5.2	5.7
Contract liabilities, from revenue	0.5	0.2
Accrued employee-related expenses	50.3	46.9
Other accruals	27.1	19.1
Liabilities to associated companies	0.0	0.0
Other liabilities [2]	87.3	74.9
B/S	343.2	309.3
	380.0	345.5

1) Non-current trade payables include liabilities for a 700 MHz spectrum licence, EUR 4.4 (8.8) million, and for a 3540–3670 MHz spectrum licence, EUR 15.8 (15.8) million. Current trade payables include liabilities for a 700 MHz spectrum licence of EUR 4.4 (4.4) million, and for a 3540–3670 MHz spectrum licence, EUR 5.3 (5.3) million.

2) Other non-current liabilities include a contingent consideration from the business acquisitions EUR 5.5 (0.0) million and other current liabilities EUR 0.9 (1.6) million.

Other accruals consist of accrued interest expenses and other cost accruals.

Accounting principles – Inventories, trade and other receivables, trade and other liabilities:

Inventories:
Inventories are measured at their costs of purchase or at the net realisable value, if lower than the cost. The cost is determined using a weighted average price.

Receivables:
Receivables are valued at amortised cost and recognised at the original invoiced amount. The Group records the provision for the impairment losses arising from trade receivables based on historical default rates over the expected life and recognises the impairment loss when the trade receivables are stated as lost. The impairment loss is adjusted by the amount of factored receivables.

Trade receivables and other receivables are classified as non-current receivables, if they mature in more than 12 months. In other cases, they are classified as current receivables.

The Group provides Consumer Customers with the various payment methods granting possibility to purchase equipment on 12–36 months credit. At the time of the sale of the equipment, such transactions are recorded as revenue and trade receivable. The trade receivables are classified as non-current, if their maturity exceeds 12 months. The non-current trade receivables are presented on the balance sheet at original invoiced amount.

Finance lease receivables:
The Group acts as a lessor in the lease arrangements for video conferencing and data terminal equipment, which is accounted for as finance leases. At the time of the sale of the equipment, the proceeds are recorded as revenue and a receivable at present value. Rental income is recorded as financial income and as a reduction of the receivable over the lease period, reflecting a constant periodic rate of return on the net investment.

Trade payables:
The current value of trade payables and other liabilities is a reasonable estimate of their fair value. The time of payment for the Group's trade payables corresponds to conventional corporate terms of payment.

7 Capital structure

7.1 Financial risk management

Elisa's central treasury department manages the exchange rate, interest rate, liquidity and refinancing risks for the entire Group. The financing policies, covering funding and investment principles, are annually discussed and ratified by the Audit Committee of the Board of Directors. Funding risks are monitored as a part of the regular business monitoring procedure.

Market risks

Interest rate risk

Elisa is exposed to interest rate risk mainly through its financial liabilities. In order to manage interest rate risk, the Group's borrowings and investments are diversified in fixed- and variable-rate instruments. Derivative financial instruments may also be used in managing interest rate risk. The purpose is to minimise the negative effects caused by changes in the interest rate level.

Timing of interest rate changes for interest-bearing financial liabilities (EUR million) 31 Dec. 2019, at nominal value

Time of interest rate change	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Variable-rate financing instruments				
Commercial paper loans	133.0			133.0
Bank loans	100.0			100.0
Fixed-rate financing instruments				
Bonds		474.0	300.0	774.0
Bank loans		150.0		150.0
Lease liabilities	18.1	37.7	40.0	95.7
	251.1	661.7	340.0	1,252.8

On 31 December 2019, the Group's interest-bearing financial assets consisted of commercial papers and bank deposits amounting to EUR 0.0 million and cash in bank amounting to EUR 52.0 million.

Lease agreements contain index-linkages which affect the amounts of lease liabilities, right-of-use assets and depreciation.

The sensitivity analysis includes the financial liabilities at the balance sheet date. The change in interest rate level is assumed to be one percentage point and the effect on income is calculated before taxes. The interest rate position is assumed to include interest-bearing financial liabilities and receivables, as well as interest rate swaps on the balance sheet date, assuming that all the contracts will be valid and stay unchanged for the entire year.

	2019		2018	
EUR million	Income statement	Shareholders' equity	Income statement	Shareholders' equity
Change in interest rate level +/- 1%	–2.3/+0.5		–2.1/+0.5	

Foreign exchange risk

Most of Elisa Group's cash flows are denominated in euros, which means that the company's exposure to exchange rate risk (economic risk and transaction risk) is low. Business related exchange rate risks arise from Polystar Osix Ab and its subsidiaries acquired during the financial year, international interconnection traffic and, to a minor extent, other acquisitions. The most essential currencies are the US dollar (USD), Swedish Krona (SEK), the Canadian dollar (CAD), the British pound (GBP), the International Monetary Fund's Special Drawing Rights (SDR), the Australian dollar (AUD), the Russian rouble (RUB), the Swiss franc (CHF), the Singapore dollar (SGD) and the Norwegian Krone (NOK). The impact of other currencies is insignificant.

During the financial year, exchange rate hedges have been used against changes in the value of the Swedish Krona. Prior to the acquisition, Polystar Osix Ab has hedged its income in euros against the Swedish Krona using foreign currency forward contract. After the acquisition, Elisa Corporation has hedged Swedish Krona denominated expenses with foreign currency forward contracts. The Group's financial liabilities do not involve exchange rate risk.

The translation difference exposure from foreign subsidiaries included in consolidated equity is minor, with the exception of Polystar Osix AB's parent company Elistar AB. The translation difference exposure has not been hedged during the reporting period.

Foreign currency position

EUR million	**31 Dec. 2019**		**31 Dec 2018**	
	Trade receivables	**Trade payables**	**Trade receivables**	**Trade payables**
USD	4,6	9,2	1,6	6,5
SEK	3,2	0,2	0,0	0,1
CAD	1,5	0,0		
GBP	1,3	0,5	0,0	0,3
SDR	0,8	0,8	0,8	0,8
AUD	0,5	0,0		
RUB	0,4	0,0	0,1	0,0
CHF	0,3	0,0		
SGD	0,3	0,1		
NOK	0,2	0,0	0,1	0,0

The Group level currency exposure is the basis for the sensitivity analysis of foreign exchange risk. Assuming euro to appreciate or depreciate 20 percent against all other currencies, the impact on cash flows would be:

EUR million	**31 Dec. 2019**	**31 Dec. .2018**
USD	+/- 0,9	+/- 1,0
SEK	+/- 0,6	+/- 0,0
CAD	+/- 0,3	
GBP	+/- 0,2	+/- 0,1
SDR	+/- 0,0	+/- 0,0
AUD	+/- 0,1	
RUB	+/- 0,1	+/- 0,0
CHF	+/- 0,1	
Other	+/- 0,1	+/- 0,0

Liquidity risk

The objective of liquidity risk management is to ensure the Group's financing under all circumstances. The Group's most important financing arrangement is an EMTN programme of EUR 1,500 million, under which the Company issued bonds for EUR 774.0 million. Furthermore, the Company has a EUR 350 million commercial paper programme and committed credit limit of EUR 300 million, out of which EUR 130 million credit limit will fall due on 11 June 2021 and EUR 170 million will fall due on 7 July 2024. Both credits were fully undrawn on 31 December 2019. The loan margin is determined based on the Company's credit rating.

As part of ensuring its financing, Elisa has acquired international credit ratings. Moody's Investor Services have rated Elisa's long-term commitments as Baa2 (outlook stable). Standard & Poor's has rated the company's long-term commitments as BBB+ (outlook stable) and short-term commitments as A-2

Cash and undrawn committed limits

EUR million	2019	2018
Cash and cash equivalents	52.0	80.9
Credit limits	300.0	300.0
	352.0	380.9

On 31 December 2019, cash and cash equivalents, as well as undrawn committed credit limits less commercial papers issued by Elisa, were EUR 219.0 (273.9) million.

Contract-based cash flows for financial liabilities are presented under Note 7.3.2.

Credit risk

Financial instruments contain an element of risk of the respective parties failing to fulfil their obligations. Liquid assets are invested within confirmed limits in investment targets with good credit ratings. Investments and the limits specified for them are reviewed annually, or more often, if necessary. Derivative contracts are only signed with Finnish and foreign banks with good credit ratings.

The business units are liable for credit risk associated with trade receivables. The units have written credit policies that are mainly consistent with uniform principles. The credit ratings of new customers are always reviewed from external sources when selling products or services invoiced in arrears. In case of additional sales to existing customers, creditworthiness is reviewed on the basis of the company's own accounts. The Group may also collect advance or guarantee payments in accordance with its credit policy.

Credit risk concentrations in trade receivables are minor, as the Group's customer base is wide; the ten largest customers represent approximately 6 per cent of customer invoicing. EUR 11.1 (9.1) million of uncertain receivables have been deducted from consolidated trade receivables. The Group's previous experience in the collection of trade receivables corresponds to the recognised impairment. Furthermore, the Group regularly sells the past due trade receivables of defined customer groups. Based on these facts, the management is confident that the Group's trade receivables do not involve any substantial credit risk. The maximum credit risk is the value of trade receivables, which on 31 December 2019 was EUR 375.4 million. The aging of trade receivables is described in note 6.2.1.

Commodity risks

Elisa hedges electricity purchases with physical purchase agreements and derivatives. The electricity price risk is assessed for a five-year period. Hedge accounting is applied to contracts hedging future purchases. The effective portion of derivatives that qualify for hedge accounting is recognised in the revaluation reserve of equity and the ineffective portion is recognised in the income statement under other operating income or expenses. The change in the revaluation reserve, recognised in equity, is presented in the statement of comprehensive income under Cash flow hedge.

At the end of the year, the ineffective portion of hedge accounting was EUR 0.0 (0.0) million.

The hedging rate for purchases in the following years, %	2019	2018
0–1 years	90.0	88.5
1–2 years	53.3	54.3
2–3 years	0.0	0.0
3–4 years	0.0	0.0
4–5 years	0.0	0.0

If the market price of electricity derivatives changed by +/- 10 per cent from the balance sheet date (31 December 2019), it would contribute EUR +/- 0.1 (0.1) million to equity. The impact has been calculated before tax.

Capital structure

Elisa's capital consists of equity and liabilities. To develop its business, Elisa may carry out expansion investments and acquisitions that may be financed through equity or liabilities, directly or indirectly.

The target for the company's equity ratio is over 35 per cent and comparable net debt / EBITDA 1.5 to 2.0.

The company's distribution of profit to shareholders consists of dividends, capital repayment and purchase of treasury shares. Effective profit distribution is 80 per cent to 100 per cent of profit for the period. Furthermore, additional profit distribution to the shareholders may occur. When proposing or deciding on the profit distribution, the Board takes into account the company's financial position, future financing needs, and the set financial objectives.

Capital structure and key indicators

EUR million	2019	2018
Interest-bearing net debt	1,184.2	1,067.8
B/S Total equity	1,150.3	1,126.9
Total capital	2,334.5	2,194.7
Gearing ratio, %	103.0	94.8
Net debt / EBITDA	1.8	1.7
Equity ratio, %	41.0	42.4

Available sources of financing

With regard to capital financing, the company's objective is to maintain sufficient flexibility for the Board of Directors to issue shares. The Annual General Meeting 2018 authorised 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. The authorisation entitles the Board of Directors to issue the shares in a proportion other than that of the current shareholdings (directed share issue). A maximum aggregate of 15 million of the company's shares can be issued under the authorisation. In 2019, the authorisation has been used in executing share-based incentive plans.

Shareholders' equity	2019	2018
Treasury shares, 1,000 pcs	7,437	7,612
Share issue authorisation, 1,000 pcs	14,823	14,998

On 31 December 2019, the maximum amount of the share issue authorisation at the share closing price was EUR 730.0 (541.1) million.

With regard to capital financing, the company maintains loan programmes and credit arrangements that allow quick issuance. The arrangements are committed and non-committed, and allow issuances for different maturities.

Debt capital	2019	2018
Commercial paper programme (non-committed) (1	217.0	243.0
Revolving credits (committed) (2	300.0	300.0
EMTN programme (non-committed) (3	726.0	720.0
Total, EUR million	1,243.0	1,263.0

On the closing date, the share issue authorisation as well as committed and non-committed credit arrangements totalled EUR 1,973.0 (1,804.1) million.

1) The commercial paper programme amounted to EUR 350 million, of which EUR 133.0 million was in use on 31 December 2019.

2) Elisa has two committed revolving credit facilities of EUR 300 million in total. Both credits were undrawn on 31 December 2019.

3) Elisa has a European Medium Term Note programme (EMTN) for a total of EUR 1,500 million, of which EUR 774.0 million was in use on 31 December 2019. The programme was updated on 4 July 2019, and it is valid for one year as of the update.

7.2 Equity

Share capital and treasury shares

EUR million	Number of shares (thousands)	Share capital	Treasury shares
1 Jan. 2018	167,335	83.0	–140.2
Disposal of treasury shares			4.6
B/S 31 Dec. 2018	167,335	83.0	–135.6
Disposal of treasury shares			3.4
B/S 31 Dec. 2019	167,335	83.0	–132.2

At the end of the reporting period, the company's paid-in share capital registered in the Trade Register was EUR 83,033,008 (83,033,008).

According to its Articles of Association, Elisa Corporation has only one series of shares, each share entitling to one vote. All issued shares have been paid for. Shares do not have a nominal value.

Treasury shares include the acquisition cost of treasury shares held by the Group, and they are deducted from shareholder's equity in the consolidated financial statements.

Treasury shares	Shares, pcs	Accounting countervalue, EUR	Holding, % of shares and votes
Treasury shares held by the Group at 1 Jan. 2018	7,801,397	3,871,116	4.66
Disposal of treasury shares	–230,843		
Transfer from unallocated account	41,267		
Treasury shares held by the Group at 31 Dec. 2018	7,611,821	3,777,047	4.55
Disposal of treasury shares	–174,544		
Treasury shares held by the Group at 31 Dec. 2019	7,437,277	3,690,437	4.44

Dividends

The Annual General Meeting has proposed a total dividend of EUR 1.85 per share to be paid for the 2019 result. A dividend of EUR 1.75 per share was paid for the 2018 result.

Other reserves

EUR million	Reserve for invested non-restricted equity	Contin-gency reserve	Fair value reserve	Other reserves	Total
1 Jan. 2018	90.9	3.4	−12.8	381.0	462.5
Cash flow hedge			0.5		0.5
Remeasurements of the net defined benefit liability			0.7		0.7
B/S 31 Dec. 2018	90.9	3.4	−11.6	381.0	463.7
Cash flow hedge			−0.4		−0.4
Remeasurements of the net defined benefit liability			−1.7		−1.7
B/S 31 Dec. 2019	90.9	3.4	−13.6	381.0	461.7

The reserve for invested non-restricted equity includes the proportion of share subscription prices that was not recognised as share capital in accordance with the share issue terms.

The EUR 3.4 million contingency reserve includes the amount transferred from distributable equity under the Articles of Association or by General Meeting decision. The fair value reserve of EUR -13.6 million includes changes in the fair value of other investments, the remeasurements of the net defined benefit liability and the effective portion of the changes in the fair values of derivatives designated as cash flow hedges. The other reserves of EUR 381.0 million were formed through equity issues in business acquisitions.

7.3 Financial assets and liabilities

7.3.1 Financial income and expenses

EUR million	2019	2018
Financial income		
Dividend income from other investments	0.6	0.1
Interest and financial income from loans and other receivables	5.1	2.0
Gains on disposal of investments	0.0	0.0
Other financial income	0.4	0.2
I/S	6.1	2.4
Financial expenses		
Interest expenses on financial liabilities measured at amortised cost	–19.6	–21.4
Interest expenses on lease liabilities	–3.0	–1.8
Other financial expenses on financial liabilities measured at amortised cost	–5.8	–1.3
Loss on disposal of investments	–0.1	0.0
Other interest expenses	–0.1	–0.1
Other financial expenses	–0.4	–0.4
I/S	–29.0	–25.0

Interest income and expenses are recognised using the effective interest rate method, and dividend income is recognised when the right to dividend is incurred.

Foreign exchange rate gains and losses are recognised in accordance with their nature either in materials and services or in financial income and expenses. Foreign exchange rate gains and losses included in financial income and expenses have not been material.

7.3.2 Financial liabilities

EUR million	2019 Balance sheet values	2019 Fair values	2018 Balance sheet values	2018 Fair values
Non-current				
Bonds	757.4	793.3	589.4	613.1
Bank loans	250.0	250.0	250.0	250.0
Lease liabilities [1]	77.6	77.6	21.8	21.8
B/S	1,085.1	1,120.9	861.3	884.9
Current				
Bonds			177.5	183.1
Bank loans	0.0	0.0	0.0	0.0
Lease liabilities [1]	18.1	18.1	2.9	2.9
Commercial paper	133.0	133.0	107.0	107.0
B/S	151.1	151.1	287.4	293.0
	1,236.2	1,272.1	1,148.7	1,177.9

[1] Comparison year includes IAS 17 Finance lease liabilities.

Interest-bearing liabilities include a total of EUR 95.7 (24.7) million of secured lease liabilities. In practice, lease liabilities are secured liabilities, as the rights to the leased property will revert to the lessor if the payments are neglected. More information on the adoption of IFRS 16 on 1 January 2019 is presented in the accounting principles under note 5.2.

All financial liabilities are denominated in euros. Financial liabilities are measured at amortised cost. The fair values of financial liabilities are based on quoted market prices, or are calculated by discounting the related cash flows using the market interest rate valid on the balance sheet date.

The average maturity of non-current liabilities was 5.3 (3.6) years and the effective average interest rate was 1.2 (1.6) per cent.

Contract-based cash flows on the repayment of financial liabilities and costs

2019 EUR million	2020	2021	2022	2023	2024	2025-	Total
Bonds	10.8	184.7	6.0	6.0	306.0	306.8	820.3
Financial costs	10.8	10.8	6.0	6.0	6.0	6.8	46.3
Repayments		174.0			300.0	300.0	774.0
Bank loans	0.8	0.7	0.7	150.7	0.1	100.1	253.2
Financial costs	0.7	0.7	0.7	0.7	0.1	0.1	3.2
Repayments	0.0			150.0		100.0	250.0
Commercial papers	133.0						133.0
Financial costs	0.1						0.1
Repayments	132.9						132.9
Lease liabilities	20.9	15.6	11.5	10.5	9.8	77.7	146.0
Financial costs	2.8	2.7	2.5	2.4	2.2	37.8	50.3
Repayments	18.1	13.0	9.0	8.1	7.6	40.0	95.7
Derivatives	0.0						0.0
Electricity derivatives	0.1						0.1
Currency derivatives	0.0						0.0
Trade payables	172.7						172.7
Total	338.2	201.1	18.2	167.2	315.9	484.6	1,525.2
Financial costs	14.5	14.2	9.2	9.1	8.3	44.6	99.9
Repayments	323.7	186.9	9.0	158.1	307.6	440.0	1,425.3

2018 **EUR million**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024-**	**Total**
Bonds	194.9	10.9	310.9	2.6	2.6	302.6	824.5
Financial costs	14.9	10.9	10.9	2.6	2.6	2.6	44.5
Repayments	180.0		300.0			300.0	780.0
Bank loans	0.9	0.9	0.8	0.8	150.8	101.0	255.3
Financial costs	0.8	0.8	0.8	0.8	0.8	1.0	5.2
Repayments	0.0	0.0			150.0	100.0	250.1
Commercial papers	107.0						107.0
Financial costs	0.2						0.2
Repayments	106.8						106.8
Finance lease liabilities	4.6	3.8	2.8	2.4	2.4	47.0	63.0
Financial costs	1.8	1.7	1.6	1.6	1.5	30.1	38.3
Repayments	2.9	2.1	1.2	0.9	0.9	16.9	24.7
Electricity derivatives	–0.4						–0.4
Expected payments	–0.4						–0.4
Trade payables	162.5						162.5
Total	469.5	15.5	314.5	5.9	155.8	450.7	1,411.8
Financial costs	17.3	13.4	13.3	5.0	4.9	33.8	87.8
Repayments	452.2	2.1	301.2	0.9	150.9	416.9	1,324.1

Future financial costs of variable-rate financial liabilities as well as interest rate and currency swaps have been calculated at the interest rate prevailing on the period end date.

The company has EUR 300 million in credit facilities, of which EUR 130 million matures in 2021 and EUR 170 million in 2024. Both credits were undrawn on 31 December 2019.

Bonds

In the framework of its bond programme, the parent company has issued the following bonds:

	31 Dec. 2019					
	Fair value EUR million	Balance sheet value EUR million	Nominal value EUR million	Nominal interest rate, %	Effective interest rate, %	Maturity date
EMTN programme 2001 / EUR 1,000 million						
I/2012	179.2	173.8	174.0	2.750	2.785	22.1.2021
I/2013	306.4	292.3	300.0	0.875	1.032	17.3.2024
I/2017	307.8	291.3	300.0	1.125	1.236	26.2.2026
	793.3	757.4	774.0			

The fair value of bonds is based on market quotes.

Maturity of lease liabilities' cash flows

EUR million	2019	2018
Within one year	18.1	2.9
Later than one year, but not later than five years	37.7	5.0
Later than five years	40.0	16.9
	95.7	24.7

7.3.3 Cash and cash equivalents, other investments

Cash and cash equivalents

EUR million	2019	2018
Cash and cash equivalents	52.0	80.9
B/S	52.0	80.9

Cash and cash equivalents consist of cash, short-term bank deposits and other highly liquid short-term investments with a maximum maturity of three months.

Other investments

EUR million	2019	2018
Unlisted equity investments	13.7	9.6
B/S	13.7	9.6

7.3.4 Financial assets and liabilities recognised at fair value

Carrying amounts of financial assets and liabilities by category

2019 EUR million	Financial liabilities measured at fair value through profit or loss	Financial assets/liabilities measured at fair value through other comprehensive income	Financial assets/liabilities measured at amortised cost	Book values	Fair values	Note
Non-current financial assets						
Other investments [1]			13.7	13.7	13.7	7.3.3
Trade and other receivables			91.9	91.9	91.9	6.2.2
Current financial assets						
Trade and other receivables	0.0	0.0	453.4	453.5	453.5	6.2.1
	0.0	0.0	559.0	559.0	559.0	
Non-current financial liabilities						
Financial liabilities			1,085.1	1,085.1	1,120.9	7.3.2
Trade and other payables [2]	5.0	0.1	26.8	31.8	31.8	6.3
Current financial liabilities						
Financial liabilities			151.1	151.1	151.1	7.3.2
Trade and other payables [2]	0.9		337.1	338.0	338.0	6.3
	5.9	0.1	1,600.0	1,606.0	1,641.9	

[1] Other investments contains the Group's unlisted equity investments

[2] Excluding advances received

2018 EUR million	Financial liabilities measured at fair value through profit or loss	Financial assets/liabilities measured at fair value through other comprehensive income	Financial assets/liabilities measured at amortised cost	Book values	Fair values	Note
Non-current financial assets						
Other investments (1			9.6	9.6	9.6	7.3.3
Trade and other receivables		0.4	93.4	93.8	93.8	6.2.2
Current financial assets						
Trade and other receivables			416.6	416.6	416.6	6.2.1
		0.4	519.6	520.0	520.0	
Non-current financial liabilities						
Financial liabilities			861.3	861.3	884.9	7.3.2
Trade and other payables (2			31.4	31.4	31.4	6.3
Current financial liabilities						
Financial liabilities			287.4	287.4	293.0	7.3.2
Trade and other payables (2	1.6		302.0	303.5	303.5	6.3
	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

The fair values of financial asset and liability items are presented in detail under the specified note number.

Financial assets and liabilities recognised at fair value

EUR million	**2019**	**Level 1**	**Level 2**	**Level 3**
Financial assets and liabilities measured at fair value through other comprehensive income				
Electricity derivatives	–0.1		–0.1	
Currency derivatives	0.0		0.0	
Financial assets and liabilities measured at fair value through profit or loss				
Currency derivatives	0.0		0.0	
Contingent considerations in business combinations	–5.9			–5.9
	–5.9		0.0	–5.9

EUR million	**2018**	**Level 1**	**Level 2**	**Level 3**
Financial assets and liabilities measured at fair value through other comprehensive income				
Electricity derivatives	0.4		0.4	
Financial assets and liabilities measured at fair value through profit or loss				
Contingent considerations in business combinations	–1.6			–1.6
	–1.2		0.4	–1.6

Items measured at fair value are categorised using a three-level value hierarchy. Level 1 includes instruments with quoted prices in active markets. Listed shares owned by the Group are categorised at Level 1. Level 2 includes instruments with observable prices based on market data. The Group's electricity derivatives are categorised at Level 2. Level 3 includes instruments with prices that are not based on observable market data, but instead, on the company's internal information, for example. Contingent considerations relating to business combinations are categorised at Level 3.

Level 3 reconciliation
Contingent considerations related to business acquisitions

EUR million	**2019**	**2018**
At the beginning of the period	1.6	0.0
Increase of contingent consideration	5.0	1.6
Payment of contingent consideration	–0.7	
At the end of the period	5.9	1.6

According to the management's estimation for the financial instruments valued at Level 3, replacing one or more of the pieces of fair value measurement data with a possible alternative assumption would not significantly change the fair value of the items within Level 3, considering the small total amount of underlying liabilities.

Accounting principles – Financial assets and liabilities:

Financial assets and other investments:
Purchases and sales of financial assets are recognised on the settlement date. The Group derecognises financial assets when its contractual rights to the cash flows from the financial asset expire or when it has transferred substantially all the risks and rewards to an external party.

Investments in shares, excluding investments in associated companies and mutual real estate companies, are classified as other investments and generally measured at fair value. Investments in unlisted companies are recorded at original acquisition cost less any impairment. Such investments are measured at fair value either on the basis of the value of comparable companies, the discounted cash flow method or available market rates. Investments in shares of listed companies are measured at fair value and are included in non-current assets.

Financial liabilities:
Financial liabilities are initially recognised at fair value equalling the net proceeds received. Subsequently, financial liabilities are measured at amortised cost using the effective interest method. Directly attributable transaction costs are included in the original cost of financial liabilities. Financial liabilities are recorded in non-current and current liabilities, and they may be non-interest-bearing or interest-bearing.

In cases where the terms of the financial liability measured at amortised cost are amended in such a way that the change does not result in derecognition of the liability from the balance sheet, the Group must nevertheless recognise the profit or loss in the income statement. The profit or loss is calculated as the difference between the original contractual cash flows and the cash equivalents, discounted at the original effective interest rate of amended agreements.

Lease liabilities:
On 1 January 2019, the Group adopted IFRS 16, Leases. The new lease standard requires the lessee to recognise on the balance sheet a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Earlier the Group has primarily leased under finance lease arrangements telecom facilities, telecom connections, workstations and network terminal devices, as well as servers. The carrying amounts of leases previously treated as finance lease agreements did not change at the time of adoption. Going forward, the treatment of also those capitalised lease liabilities will change, as the index increases for rental payments will affect the valuation of lease commitments. The lease contracts capitalised on the balance sheet are mostly related to business and telecom premises, retail facilities and vehicles. The contractual terms vary in terms of purchase options/redemption clauses, index clauses and lease periods.

A lease agreement is an agreement or a part of an agreement that conveys the right to use the underlying asset for a period of time in exchange for consideration. The right-of-use assets and lease liabilities presented in the balance sheet are measured at present value of future lease payments at the time of initial recognition. The lease payments are discounted using industry-specific interest rates and taking into account the length of the lease contracts. The depreciation costs of the right-of-use assets and the interest portion of the lease liabilities are expensed.

Classification of assets and liabilities:
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 assets and liabilities measured at fair value through other comprehensive income include financial items that are expected both to collect contractual cash flows and to sell financial assets/liabilities. 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 electricity derivatives that qualify for hedge accounting as financial assets or liabilities measured at fair value through other comprehensive income. Contingent considerations in the business combinations and listed equity investments are recognised as financial assets or liabilities measured at fair value through profit or loss. Other financial assets and liabilities are measured at amortised cost.

7.3.5 Derivative instruments

Nominal values of derivatives

	2019 Period of validity			2018 Period of validity		
EUR million	**Less than 1 year**	**1–5 years**	**Over 5 years**	**Less than 1 year**	**1–5 years**	**Over 5 years**
Electricity derivatives	0.9	0.0		2.5		
Currency derivatives	4.4					
	5.4	0.0		2.5		

Fair values of derivatives

	2019			2018		
EUR million	**Positive fair value**	**Negative fair value**	**Total**	**Positive fair value**	**Negative fair value**	**Total**
Electricity derivatives		–0.1	–0.1	0.4		0.4
Currency derivatives	0.0		0.0			
	0.0	–0.1	0.0	0.4		0.4

Determination of fair value and categorisation

The fair value of derivative instruments is determined using quoted prices in active markets, the cash flow discounting method or option pricing models.

The Group recognises the derivative instruments at the fair value hierarchy Level 2. Please see note 7.3.4.

Accounting principles – Derivative instruments:

Derivatives are recognised at fair value as financial assets or liabilities on the date of acquisition. Gains and losses arising from the fair value remeasurements are recognised in accordance with the nature of derivative contracts. Outstanding derivatives that do not qualify for hedge accounting are measured at the end of the reporting period at fair value and fair value changes are immediately recognised in financial items on the income statement. The fair value of derivatives is expected to approximate the quoted market prices or, if the quoted market prices are not available, the value is estimated using commonly used valuation methods.

The Group applies hedge accounting for electricity price risk and treats electricity derivative contracts as cash flow hedges. The change in fair value of effective portion of derivatives that qualify for hedge accounting is recognised in other comprehensive income and presented in the equity hedge revaluation reserve (as part of "Other reserves"). Gains or losses on derivative instruments accumulated in equity are expensed when any hedged item affects profit or loss. The ineffective portion is recognised in other operative income or expenses on the income statement. The hedge accounting is discontinued when the hedge contract is expired, sold, terminated or completed. Any cumulative gain or loss arising from the hedge instrument remains in equity until the expected transaction is realised.

8 Other notes

8.1 Taxes

8.1.1 Income taxes

EUR million	2019	2018
Taxes for the period	–68.5	–66.5
Taxes for previous periods	0.1	0.0
Deferred taxes	–0.4	1.5
I/S	–68.7	–65.0

Income taxes recognised directly in comprehensive income:

	2019			2018		
EUR million	Before taxes	Tax effect	After axes	Before taxes	Tax effect	After taxes
Remeasurements of the net defined benefit liability	–2.1	0.4	–1.7	0.9	–0.2	0.7
Cash flow hedge	–0.4	0.1	–0.4	0.6	–0.1	0.5
	–2.6	0.5	–2.0	1.5	–0.3	1.2

Translation differences do not include a tax effect.

Reconciliation of the tax expense on the income statement and taxes calculated at the Group's domestic statutory tax rate 20 (20):

EUR million	2019	2018
I/S Profit before tax	371.9	381.0
Tax according to the domestic tax rate	–74.4	–76.2
Tax effects of the following:		
Tax-free income	0.5	0.7
Non-deductible expenses	–0.5	–0.3
Tax effect related to foreign subsidiaries	7.6	6.6
Tax losses, for which no deferred tax asset was recognised	0.0	0.0
Usage of tax losses, for which no deferred tax was recognised	0.3	3.5
Taxes for previous periods	0.1	0.0
Other items	–2.3	0.8
I/S Taxes on the income statement	–68.7	–65.0
Effective tax rate, %	18.5	17.1

Accounting principles – Income taxes for the period and deferred taxes:

The taxes recognised on the income statement include current and deferred taxes. Income taxes for the financial year are calculated on the net profit for the period at the current tax rate and are adjusted by taxes for the prior periods.

The reporting period as well as prior reporting periods may be subject to a tax audit, which may subsequently result in a change in tax decisions, additional tax payments or refunds.

Deferred taxes are calculated from all temporary differences arising between the tax bases and the carrying amounts of assets and liabilities. Please refer to the next note 8.1.2 for details.

8.1.2 Deferred tax assets and liabilities

The change in deferred tax assets and liabilities during 2019

Deferred tax assets EUR million	1 Jan. 2019	Recognised on the income statement	Recognised on consolidated statement of comprehensive income	31 Dec. 2019
Provisions	1.0	0.0		1.0
Right-of-use assets	1.3	0.0		1.4
Internal margins	2.7	–0.3		2.4
Share-based incentive plans	7.0	–2.3		4.7
Pension obligations	3.4	–0.1	0.4	3.7
Other temporary differences	1.1	0.0	0.1	1.1
B/S	16.5	–2.7	0.5	14.4

Deferred tax liabilities EUR million	1 Jan. 2019	Recognised on the income statement	Business combinations	31 Dec. 2019
Fair value measurement of tangible and intangible assets in business combinations	2.1	–0.9	2.1	3.3
Accumulated depreciation differences	18.6	–1.5		17.1
Finance lease agreements	0.6	0.0		0.6
Customer contracts	1.9	–0.1		1.8
Bonds	0.8	0.2		1.0
Other temporary differences	1.8	0.1		1.8
B/S	25.7	–2.3	2.1	25.6

Deferred income tax assets recognised for tax losses are carried forward to the extent that the realisation of the related tax benefit through future profits is probable. No deferred tax assets were recorded on 31 December 2019 (EUR 0.0 million on 31 December 2018). On 31 December 2019, the Group had EUR 8.5 (7.7) million of unused tax losses for which no tax assets have been recognised. These losses will expire in 2023–2028.

The change in deferred tax assets and liabilities during 2018

Deferred tax assets EUR million	1 Jan. 2018	Recognised on the income statement	Recognised on consolidated statement of comprehensive income	31 Dec. 2018
Provisions	1.8	–0.7		1.0
Tax losses carry-forward	0.9	–0.9		0.0
Finance lease agreements	1.1	0.2		1.3
Internal margins	3.0	–0.3		2.7
Share-based incentive plans	5.7	1.4		7.0
Pension obligations	3.6	0.0	–0.2	3.4
Customer contracts	0.1	–0.1		0.0
Impairment of trade receivables	0.2	–0.2		0.0
Other temporary differences	0.9	0.2	–0.1	1.1
B/S	17.2	–0.3	–0.3	16.5

Deferred tax liabilities EUR million	1 Jan. 2018	Recognised on the income statement	Business combinations	31 Dec. 2018
Fair value measurement of tangible and intangible assets in business combinations	2.0	–0.7	0.8	2.1
Accumulated depreciation differences	19.8	–1.2		18.6
Finance lease agreements	0.5	0.1		0.6
Customer contracts	2.0	–0.1		1.9
Bonds	1.2	–0.4		0.8
Other temporary differences	1.3	0.5		1.8
B/S	26.7	–1.9	0.8	25.7

Accounting principles – Deferred tax assets and liabilities:

Deferred taxes are calculated from all temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The principal temporary difference arises from depreciation differences. Deferred tax is not recognised on goodwill impairment, which is not deductible for tax purposes. No deferred tax is recognised on valuation differences of shares for which the capital gain would be tax-deductible.

Deferred income tax assets are recognised only to the extent that it is probable that they can be utilised against future taxable income. Deferred tax liabilities are recognised on the balance sheet in total, with the exception of Estonian subsidiaries where no tax liability has been recognised for the untaxed retained earnings EUR 255.5 million, as no profit distribution decision or plans for profit distribution exist for the time being.

Deferred tax liabilities and assets are not offset.

Accounting policies that require management's judgements – Deferred tax assets:

Particularly at the end of each financial period, the Group assesses the probability of subsidiaries generating taxable income against which unused tax losses can be utilised. The appropriateness for recognising other deferred tax assets is also determined at the end of each financial period. Changes in the estimates may lead to the recognition of significant tax expenses.

8.2 Provisions

EUR million	Termination benefits	Other	Total
1 Jan. 2018	7.0	1.7	8.7
Increases in provisions	5.6		5.6
Release of unused provisions	–4.2		–4.2
Utilised provisions	–4.9		–4.9
31 Dec. 2018	3.4	1.7	5.0
Increases in provisions	5.9		5.9
Business acquisitions		0.1	0.1
Release of unused provisions	–1.3	–0.1	–1.4
Utilised provisions	–4.6		–4.6
31 Dec. 2019	3.3	1.7	5.0

EUR million	2019	2018
B/S Long-term provisions	2.9	2.3
B/S Short-term provisions	2.1	2.7
	5.0	5.0

Termination benefits

As a part of the Group's rationalisation, Elisa has carried out statutory employee negotiations leading to personnel reductions in 2019. The restructuring provision includes provisions for both unemployment pensions and other expenses due to redundancies. The provisions associated with redundancies will be realised during 2020–2021 and the provision associated with unemployment pensions will be realised in 2020–2022.

Other provisions

Other provisions include environmental provisions made for telephone poles.

Accounting principles – Provisions and contingent liabilities:

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

Contingent liabilities are potential liabilities arising from past events that may occur depending on the outcome of uncertain future events which are beyond the control of the Group. Also a present obligation that is unlikely to require settlement of a payment obligation or the amount of which cannot be reliably measured is a contingent liability. Contingent liabilities are not recognised in the statement of financial position. Contingent liabilities are presented in note 8.4.

8.3 Related party details

The Group's related parties include the parent company, subsidiaries, associates and joint ventures. The related parties also include Elisa's Board of Directors, the CEO, the Executive Board as well as entities controlled by them and close members of their family.

Transactions carried out with related parties:

2019 EUR million	Sales	Purchases	Receivables	Liabilities
Associates and joint arrangements	0.7	0.9	0.5	0.0
2018 **EUR million**				
Associates and joint arrangements	0.5	1.1	0.9	0.0

The employee benefits of the Group's related parties are presented in Note 4.1.

8.3.1 Group companies

The parent company of the Group is Elisa Corporation.

Subsidiaries	Domicile	Group's ownership, %
Banana Fingers Limited	Bristol	100
Digiset Oy	Helsinki	100
Ekaso Oy	Helsinki	100
Elisa Finance Oü	Tallinn	100
Elisa Hong Kong Limited	Hong Kong	100
Elisa Santa Monica Oy	Helsinki	100
Elisa Teleteenused AS	Tallinn	100
Elisa Eesti As	Tallinn	100
Santa Monica Networks AS	Tallinn	100
Elisa Videra Oy	Helsinki	100
Elisa Videra Inc.	Los Angeles	100
Elisa Videra Italy S.r.l	San Genesio	100
Elisa Videra Norge As	Oslo	100
Elisa Videra Singapore PTE LTD	Singapore	100
Elisa Videra Spain S.L	Madrid	100
Elisa Videra UK Ltd.	London	100

Subsidiaries	Domicile	Group's ownership, %
Elistar AB	Stockholm	100
Polystar Instruments Canada Inc	Toronto	100
Polystar Instruments Inc	Frisco	100
Polystar Osix AB	Stockholm	100
Polystar Asia Private Ltd	Singapore	100
Polystar Australia Pty	Sydney	100
Polystar Ryssland LLC	Moskow	100
Enia Oy	Helsinki	100
Epic TV SAS	Sallanches	100
Fenix Solutions Oy	Turku	100
Fonum Oy	Helsinki	100
Karelsat Oy	Joensuu	100
Kepit Systems Oy	Vaasa	70
Kiinteistö Oy Raision Luolasto	Espoo	100
Kiinteistö Oy Rinnetorppa	Kuusamo	80
Kiinteistö Oy Tapiolan Luolasto	Espoo	100
LNS Kommunikation AB	Stockholm	100
Preminet Oy	Helsinki	100
OOO LNR	St. Petersburg	100
Watson Nordic Oy	Vaasa	100
Joint arrangements		
Kiinteistö Oy Brahenkartano	Turku	60

Significant changes in ownership of subsidiaries are presented in Note 3. Other changes in the Group structure are described below.

Ukkonet Oy and Fenix Enterprise Solutions Oy merged with Elisa Corporation on 30 April 2019, making Fenix Solutions Oy Elisa Corporation's direct subsidiary (earlier Fenix Enterprise Oy's subsidiary).

Sulake Prepaid Oy merged with Elisa Corporation on 31 December 2019.

Accounting principles – Consolidation principles, subsidiaries:

The consolidated financial statements include the parent company, Elisa Corporation, and those subsidiaries over which the Group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date the Group obtains control and divested companies until the loss of control. Acquisition method is used in the accounting for the elimination of internal ownership. All intra-group transactions, gains on the sale of inventories and fixed assets, intra-group receivables, payables and dividends are eliminated.

Profit for the period attributable to the equity holders of the parent and non-controlling interests is presented separately in the consolidated income statement. Non-controlling interests are presented separately from the equity of the owners of the parent in the consolidated statement of financial position. Losses of subsidiaries are allocated to non-controlling interests even if they exceed their share of ownership.

Accounting principles – Consolidation principles, joint arrangements:

Joint arrangements are arrangements over which the Group exercises joint control with one or more parties. A joint arrangement is either a joint venture or a joint operation. A joint venture is a joint arrangement, where the Group has rights to the net assets of the arrangement. A joint operation is a joint arrangement where the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

The only joint arrangement owned by the Group, Kiinteistö Oy Brahenkartano, is a joint operation, which is consolidated using the proportional consolidation method. 60 per cent of the assets, liabilities, income and expenses of the joint operation are consolidated to the Group's financial statements. The company owns and manages a building and a site in Turku. Elisa is mainly entitled to manage office and telecom facilities with the shares owned.

8.3.2 Investments in associated companies

Aggregated financial information of associates

EUR million	2019	2018
I/S **Group's share of profit**	–0.2	–0.4
B/S **Transactions carried out with related parties**	2.4	2.7

EUR million	2019	2018
Balance at the beginning of the period	2.7	1.9
Translation diffrences	0.0	0.0
Share of profits for the period	-0.2	–0.4
Dividends received	0.0	0.0
Reclassifications		1.2
B/S Balance at the end of the period	2.4	2.7

On 1 June 2018, Sulake Suomi Oy, Sulake Spain S.L.U, Sulake Brasil and Sulake UK Ltd changed their status from subsidiaries to associated companies. On 13 July 2018, the associated company Sulake Suomi Oy changed its name to Sulake Oy.

Associates	Domicile	Group's ownership, %
FNE-Finland Oy	Kontiolahti	46
Kiinteistö Oy Helsingin Sentnerikuja 6	Helsinki	50
Kiinteistö Oy Herrainmäen Luolasto	Tampere	50
Kiinteistö Oy Lauttasaarentie 19	Helsinki	42
Kiinteistö Oy Pohjanplassi	Lapua	39
Kiinteistö Oy Riihimäen Maisterinkatu 9	Riihimäki	35
Kiinteistö Oy Runeberginkatu 43	Helsinki	30
Kiinteistö Oy Stenbäckinkatu 5	Helsinki	40
Sulake Oy	Helsinki	49
Sulake Brasil	Sao Paolo	49
Sulake Spain S.L.U	Madrid	49
Sulake UK Ltd	London	49
Suomen Numerot NUMPAC Oy	Helsinki	33
Tele Scope Oy	Espoo	22

Accounting principles – Consolidation principles, associated companies

Associated companies are entities over which the Group exercises significant influence. Significant influence is presumed to exist when the Group owns over 20 per cent of the voting rights of the company or when the Group otherwise exercises significant influence, but does not exercise control. Associated companies are consolidated in accordance with equity method.
If the Group's share of losses of an associated company exceeds its interest in the associated company, the investment is recognised on the balance sheet at zero value and the Group discontinues recognising its share of further losses unless the Group has other obligations for the associated company. Associated companies are consolidated from the date the Group obtains significant influence and divested associated companies are consolidated until the loss of significant influence.

8.4 Off-balance sheet leases and other commitments

Leases

Group as a lessee

Lease payments related to off-balance sheet lease commitments:

EUR million	2019
Lease payments associated with short-term leases	32.2
Lease payments associated with low-value assets	3.2
	35.4

In the comparison year 2018, a total of EUR 57.5 million was paid as lease expenses on the basis of other lease contracts and recognised through profit or loss.

Future minimum lease payments under non-cancellable off-balance sheet leases:

EUR million	2019	2018
Within one year	11.4	28.2
Later than one year, but not later than five years	2.8	36.4
Later than five years	0.8	14.4
	15.0	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.

Lease liabilities are exclusive of value added tax.

Group as a lessor

Future minimum lease receivables under non-cancellable operating leases:

EUR million	2019	2018
Within one year	2.5	3.0
Later than one year, but not later than five years	1.0	0.5
	3.4	3.5

Accounting principles – Leases:

On 1 January 2019, the Group adopted IFRS 16, Leases. The adoption of IFRS 16 and its implications are presented in note 5.2.

The group as a lessee
The Group decided to apply the exemptions permitted by the standard to exclude short-term leases and low-value assets from the capitalisation amounts. The rental costs of these contracts are recognised on a straight-line basis in the income statement and presented as off-balance sheet commitments.

Rental liabilities are exclusive of value added tax.

The group as a lessor
For the lessor, the situation remains largely unchanged. The Group acts as a lessor in two different types of lease arrangements that are accounted for as operating leases: rental income from telecom premises and carrier services is recognised as revenue over the lease period, and rental income from real estate is recognised as other operating income. The lease contract periods are mainly short with durations of 1–6 months.
Rental income is recognised over the lease period.

Collateral, commitments and other liabilities

EUR million	2019	2018
On behalf of own commitments		
Mortgages	1.2	2.0
Guarantees	0.1	0.1
Deposits	0.4	0.4
	1.6	2.8
Other contractual obligations		
Venture Capital investment obligation	2.2	0.1
Repurchase obligations	0.0	0.0
Letter of credit	0.1	0.1

Real estate investments
VAT refund liability for real estate investments indicates the amount that may become completely non tax-deductible if the intended use of the property was to change.

On 31 December 2019, VAT refund liability for real estate investments was EUR 30.7 (28.8) million.

8.5 Events after end of reporting period

There were no significant events after the balance sheet date.

9 Key Indicators

The key indicator tables are unaudited.

9.1 Key indicators describing the Group's financial development

	2019	2018	2017	2016	2015
INCOME STATEMENT					
Revenue, EUR million	1,844	1,832	1,787	1,636	1,569
Change of revenue, %	0.7	2.5	9.3	4.2	2.2
EBITDA, EUR million	661	640	608	563	532
EBITDA as % of revenue	35.8	34.9	34.0	34.4	33.9
EBIT, EUR million	395	404	378	339	312
EBIT as % of revenue	21.4	22.0	21.2	20.7	19.9
Profit before tax, EUR million	372	381	403	320	291
Profit before tax as % of revenue	20.2	20.8	22.6	19.6	18.5
Return on equity (ROE), %	26.6	29.2	33.5	27.1	27.0
Return on investment (ROI), %	17.2	18.3	19.9	17.0	16.5
Research and development costs, EUR million	8	8	10	11	15
Research and development costs as % of revenue	0.4	0.5	0.6	0.7	0.9
BALANCE SHEET					
Gearing ratio, %	103.0	94.8	103.2	115.7	103.9
Current ratio	1.2	1.0	1.0	1.0	0.7
Equity ratio, %	41.0	42.4	40.5	38.5	41.4
Non-interest bearing liabilities, EUR million	428	393	423	393	330
Interest bearing net debt	1,184	1,068	1,073	1,124	962
Balance sheet total, EUR million	2,814	2,669	2,580	2,533	2,247
INVESTMENTS					
Investments in shares and business combinations, EUR million	83	14	104	108	18
CAPITAL EXPENDITURE					
Investments, EUR million	256	254	246	226	196
Investments as % of revenue	13.9	13.9	13.8	13.8	12.5
PERSONNEL					
Average number of employees during the period	4,882	4,814	4,614	4,247	4,146
Revenue/employee, EUR 1,000	378	380	387	385	379

The order book is not presented, as the information is not relevant due to the nature of the Group's business.

FORMULAE FOR FINANCIAL SUMMARY INDICATORS

EBITDA: EBIT + depreciation, amortisation and impairment

EBIT: Profit for the period + income taxes + financial income and expenses + share of associated companies' profit

Return on equity (ROE),%:

$$\frac{\text{Profit for the period}}{\text{Total shareholders' equity on average}} \times 100$$

Return on investment (ROI),%:

$$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Total equity + interest-bearing liabilities on average}} \times 100$$

Gearing ratio,%:

$$\frac{\text{Interest-bearing liabilities - cash and cash equivalents and financial assets at fair value through profit or loss}}{\text{Total shareholders' equity}} \times 100$$

Current ratio:

$$\frac{\text{Current assets}}{\text{Current liabilities - advance payments received}}$$

Equity ratio,%:

$$\frac{\text{Total shareholders' equity}}{\text{Balance sheet total - advance payments received}} \times 100$$

9.2 Comparable per-share indicators [1]

	2019	2018	2017	2016	2015
INCOME STATEMENT					
Comparable EBITDA, EUR million	668	639	613	564	536
Comparable EBITDA as % of revenue	36.2	34.9	34.3	34.5	34.1
Comparable EBIT, EUR million	402	403	384	349	322
Comparable EBIT as % of revenue	21.8	22.0	21.5	21.4	20.5
Comparable profit before tax, EUR million	379	380	364	327	300
Comparable profit before tax as % of revenue	20.5	20.8	20.4	20.0	19.1
Comparable return on equity (ROE), %	27.1	28.8	29.5	27.9	27.3
Comparable return on investment (ROI), %	17.5	18.3	18.0	17.3	17.0
Comparable earnings per share (EPS)	1.93	1.95	1.86	1.66	1.54

[1] other than the financial indicators defined by IFRS

FORMULAE FOR COMPARABLE PER-SHARE INDICATORS

Comparable EBITDA	EBIT + depreciation, amortisation and impairment +/- items affecting comparability
Comparable EBIT	Profit for the period + income taxes + financial income and expenses + share of associated companies' profit +/- items affecting comparability
Comparable profit for the period	Profit for the period +/- items affecting comparability
Comparable EPS	$\dfrac{\text{Profit attributable to owners of the parent company +/- items affecting comparability}}{\text{Average number of shares during the period adjusted for share issues}}$
Comparable return on equity (ROE), %	$\dfrac{\text{Profit for the period +/- items affecting comparability}}{\text{Total shareholders' equity on average}} \times 100$
Comparable return on investment (ROI), %	$\dfrac{\text{Profit before taxes + interest and other financial expenses +/- items affecting comparability}}{\text{Total equity + interest-bearing liabilities on average}} \times 100$
Comparable cash flow after investments	Net cash flow from operating activities - net cash used in investing activities +/- items affecting comparability

9.3. Per-share indicators [1]

	2019	2018	2017	2016	2015
Share capital, EUR	83,033,008	83,033,008	83,033,008	83,033,008	83,033,008
Number of shares at year-end	159,897,796	159,723,252	159,533,676	159,619,944	159,484,067
Average number of shares	159,880,581	159,736,826	159,606,603	159,607,755	159,469,737
Number of shares at year-end, diluted	159,897,796	159,723,252	159,533,676	159,619,944	159,484,067
Average number of shares, diluted	159,880,581	159,736,826	159,606,603	159,607,755	159,469,737
Market capitalisation, EUR million [2]	8,241	6,037	5,475	5,176	5,822
Earnings per share (EPS), EUR	1.90	1.98	2.11	1.61	1.52
Dividend per share, EUR	1.85 [6]	1.75	1.65	1.50	1.40
Payout ratio, %	97.6	88.5	78.2	93.1	91.8
Equity per share, EUR	7.19	7.05	6.52	6.08	5.80
P/E ratio	26.0	18.2	15.5	19.2	22.8
Effective dividend yield, % [3]	3.8	4.9	5.0	4.8	4.0
Share performance on Nasdaq Helsinki					
Mean price, EUR	42.26	36.34	33.74	32.27	28.37
Closing price at year-end, EUR	49.25	36.08	32.72	30.93	34.79
Lowest price, EUR	35.51	31.68	30.42	28.40	22.10
Highest price, EUR	49.91	41.95	36.94	35.80	35.99
Trading of shares on Nasdaq Helsinki [4]					
Total trading volume, 1,000 shares	96,662	104,879	104,467	105,663	113,312
Percentage of shares traded [5]	58	63	62	63	68

1) The numbers of shares are presented without treasury shares held by Elisa Group.
2) Calculated on the basis of the closing price on the last trading day of the year and the total number of shares at the end of the period (167 335 073).
3) Calculated on the basis of the closing price on the last trading day of the year.
4) Elisa share is also traded in alternative marketplaces. According to Bloomberg and the Fidessa Fragmentation report, the trading volumes in these markets in 2019 were approximately 174 (190) per cent of Nasdaq Helsinki's volumes.
5) Calculated in proportion to the total number of shares at the end of the period.
6) The Board of Directors proposes a dividend payment of EUR 1.85 per share.

FORMULAE FOR PER-SHARE INDICATORS

Indicator	Formula	
Earnings per share (EPS)	Profit for the period attributable to the equity holders of the parent / Average number of shares during the period adjusted for share issues	
Dividend per share [1]	Dividend adjusted for share issues / Number of shares at the balance sheet date adjusted for share issues	
Effective dividend yield, % [1]	Dividend per share / Share price at the balance sheet date adjusted for share issues	X 100
Payout ratio, % [1]	Dividend per share / Earnings per share	X 100
Equity per share	Equity attributable to equity holders of the parent / Number of shares at the balance sheet date adjusted for share issues	
P/E ratio (price/earnings)	Share price on the balance sheet date / Earnings per share	

[1] The calculation formulae apply also to the capital repayment indicators.

Income statement, parent company, FAS

EUR million	Note	2019	2018
Revenue	1	1,555.5	1,508.3
Other operating income	2	24.1	8.9
Materials and services	3	–591.0	–580.7
Personnel expenses	4	–237.1	–216.8
Depreciation and amortisation	5	–265.5	–254.5
Other operating expenses		–162.2	–161.0
Operating profit		323.9	304.3
Financial income and expenses	7	–26.6	379.6
Profit before appropriations		297.3	684.0
Appropriations	8	22.2	2.7
Income taxes	9	–67.8	–64.4
Profit for the period		251.6	622.2

Balance sheet, parent company, FAS

EUR million	Note	31 Dec. 2019	31 Dec. 2018
ASSETS			
Fixed assets			
Intangible assets	10	389.4	431.5
Tangible assets	10	662.2	664.1
Investments	11	858.4	816.7
		1,909.9	1,912.3
Current assets			
Inventories	12	47.8	46.7
Non-current receivables	13	107.6	92.4
Current receivables	14	366.9	367.4
Cash and bank receivables		39.0	69.7
		561.2	576.2
TOTAL ASSETS		2,471.2	2,488.5
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	15		
Share capital		83.0	83.0
Treasury shares		−132.0	−135.4
Reserve for invested non-restricted equity		77.8	77.8
Contingency reserve		3.4	3.4
Retained earnings		450.9	111.6
Profit for the period		251.6	622.2
		734.8	762.6
Accumulated appropriations		80.2	86.9
Provisions for liabilities and charges	16	5.7	5.6
Liabilities			
Non-current liabilities	17	1,050.6	881.4
Current liabilities	18	599.9	752.0
		1,650.5	1,633.3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,471.2	2,488.5

Cash flow statement, parent company, FAS

EUR million	2019	2018
Cash flow from operating activities		
Profit before appropriations and taxes	297.3	684.0
Adjustments:		
Depreciation and amortisation	265.5	254.5
Other income and expenses with no payment relation	–17.2	0.7
Other financial income (-) and expenses (+)	26.6	20.8
Gains (-) and losses (+) on the disposal of fixed assets	–1.5	–0.9
Gains (-) and losses (+) on the disposal of investments	0.1	–400.4
Change in provisions in the income statement	0.1	–3.4
Cash flow before changes in working capital	570.9	555.2
Change in working capital		
Increase (-) / decrease (+) in trade and other receivables	–25.3	–1.6
Increase (-) / decrease (+) in inventories	–1.9	5.0
Increase (+) / decrease (-) in trade and other payables	18.3	–23.0
Cash flow before financial items and taxes	562.0	535.6
Dividends received	0.6	0.2
Interest received	1.6	1.5
Interest paid	–25.3	–19.8
Income taxes paid	–66.2	–67.5
Net cash flow from operating activities	472.7	449.9

Cash flow statement, parent company, FAS

EUR million	2019	2018
Cash flow from investing activities		
Capital expenditure	–223.3	–222.3
Proceeds from disposal of tangible and intangible assets	5.7	1.0
Investments in shares and business acquisitions	–72.0	–13.1
Proceeds from disposal of shares and other investments	0.3	0.0
Loans granted	–10.2	–3.1
Repayment of loan receivables	4.9	4.0
Net cash flow used in investing activities	–294.6	–233.5
Cash flow after investing activities	178.1	216.5
Cash flow from financing activities		
Increase in long-term borrowings (+)	243.5	100.0
Decrease in long-term borrowings (-)	–255.6	–59.1
Increase (+) / decrease (-) in short-term borrowings	29.5	37.7
Group contributions received (+) / paid (-)	–2.9	6.7
Dividends paid	–279.5	–263.1
Net cash flow used in financing activities	–265.1	–177.8
Change in cash and cash equivalents	–87.0	38.6
Cash and cash equivalents at the beginning of the period	69.7	32.9
Cash transfers from mergers	56.3	–1.8
Cash and cash equivalents at the end of the period	39.0	69.7

Notes to the financial statements of the parent company

Accounting principles

Elisa Corporation's financial statements have been prepared in accordance with the accounting principles based on Finnish accounting legislation.

Foreign currency items

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the dates of transactions. At year-end, assets and liabilities denominated in foreign currencies are valued at the exchange rates quoted by the European Central Bank at the closing date.

Fixed assets

The carrying value of intangible and tangible assets is stated at cost less accumulated depreciation, amortisation and impairment. Internally generated fixed assets are measured at variable costs.

The difference between depreciation according to plan and total depreciation is presented under appropriations of the parent company's income statement and the accumulated depreciation difference is presented under accumulated appropriations in shareholders' equity and liabilities on the balance sheet. Depreciation according to plan is recognised on a straight-line basis over the useful life from the original acquisition cost.

The useful life according to plan for the different asset groups are:

Intangible rights	3–5 years
Goodwill	5–20 years
Other expenditure with long-term effects	5–10 years
Buildings and constructions	25–40 years
Machinery and equipment in buildings	10–25 years
Telephone exchanges	6–10 years
Cable network	8–15 years
Telecommunication terminals	2–4 years
Other machines and equipment	3–5 years

Inventories

Inventories are stated at the lowest of variable cost, acquisition price or the likely disposal, or repurchase price. Cost is determined using a weighted average price.

Marketable securities

Investments in money market funds are recognised at the repurchase price. Investments in certificates of deposit and commercial paper are recognised at the acquisition cost, as the difference between the repurchase price and cost of acquisition is not significant.

Revenue recognition principles

Revenue from deliverables is recognised at the time of ownership transfer and revenue from services is recognised when the services have been performed.

Interconnection fees that are invoiced from the customers and paid as such to other telecommunication companies are presented as an adjustment to revenue (Finnish Accounting Standards Board 1995/1325).

The profit from the sale of business operations and fixed assets, subsidies received and rental income from premises are presented under other operating income. The loss from the sale of fixed assets is presented under other operating expenses. The profit or loss from the sale of shares is presented in financial income and expenses.

Research and development

Research costs are expensed as they incur, with the exception of development costs, which are capitalised. The capitalisation criteria are met when the product is technically and commercially feasible, and it is expected to generate future economic benefit. Development costs initially recognised as expenses cannot be capitalised subsequently.

Government grants associated with development projects are recognised as other operating income when the related costs are recognised as expenses. Government grants, associated with capitalised development costs, are recorded as a reduction of cost.

Future expenses and losses

Probable future expenses and losses related to the reported or a prior financial period without corresponding income are recognised on the income statement. Such items are recognised on the balance sheet under provisions, if a reliable estimate of the amount or timing of the obligation cannot be made. Otherwise the obligation is recognised as accrual.

Income taxes

Income taxes for the financial year are recognised on the income statement. No deferred tax liabilities or receivables have been recognised in the financial statements.

1. Revenue

EUR million	2019	2018
Revenue	1,620.1	1,571.4
Interconnection fees and other adjustments	−64.6	−63.2
	1,555.5	1,508.3
Geographical distribution		
Finland	1,528.0	1,478.6
Rest of Europe	24.8	27.0
Other countries	2.7	2.7
	1,555.5	1,508.3

2. Other operating income

EUR million	2019	2018
Gain on disposals of fixed assets	1.5	4.1
Profit from mergers	17.9	
Other items [1]	4.7	4.8
	24.1	8.9

[1] Other operating income items mainly include rental income from real estate, management fee income charged from subsidiaries and other income items not associated with ordinary operating activities.

3. Materials and services

EUR million	2019	2018
Materials, supplies and goods		
Purchases	273.3	252.1
Change in inventories	−1.1	4.5
	272.2	256.5
External services	318.8	324.1
	591.0	580.7

4. Personnel expenses

EUR million	2019	2018
Salaries and wages	198.4	181.1
Pension expenses	34.4	31.5
Other statutory employee expenses	4.3	4.2
	237.1	216.8
Personnel on average	3,185	2,921

CEO remuneration, EUR	2019	2018
Fixed salaries	665,418.00	543,360.00
Performance-based bonus	264,431.48	281,734.20
Fringe benefits	18,280.93	12,929.44
Share-based payments [1]	1,708,354.16	1,853,342.72
	2,656,484.57	2,691,366.36

1) The maximum award allocated to the CEO under the share-based compensation plans equals the value of 155,650 shares. For more details, please refer to Note 4.1 of consolidated financial statements

The executive agreement with the Group CEO expires at the age of 60, and he is entitled to retire according to the agreement. The pension benefit plan follows the defined contribution plan. The defined benefit pension plan includes vested rights. Please, see details in note 4.1 to the consolidated financial statements.

The remuneration of the Board members, EUR	2019	2018
Clarisse Berggårdh	77,600.00	70,600.00
Kim Ignatius	74,800.00	
Petteri Koponen	91,200.00	68,700.00
Raimo Lind	2,800.00	117,200.00
Leena Niemistö	77,600.00	69,200.00
Seija Turunen	92,600.00	81,900.00
Anssi Vanjoki	129,800.00	63,100.00
Antti Vasara	77,600.00	70,600.00
Mika Vehviläinen		19,500.00
	624,000.00	560,800.00

For year 2019, following compensations were determined by the Annual General Meeting to the Members of the Board: remuneration fee for the Chair EUR 120,000, for Deputy Chair and the Chairs of the Committees EUR 80,000 and for the other Board members EUR 65,000; and additionally EUR 700 per meeting of the Board and of a Commetee. According to the decision of the Board on 3 April 2019, the annual remuneration was paid in Company shares on 24 April 2019. The outstanding remuneration amounts were paid net of tax, 60 per cent.

5. Depreciation and amortisation

EUR million	2019	2018
Intangible assets	88.0	81.6
Tangible assets	177.5	172.8
	265.5	254.5

Specification of depreciation by balance sheet items is included in note 10.

6. Auditor fees

EUR million	2019	2018
Auditing	0.1	0.1
Tax advisory services	0.0	0.1
Other services	0.2	0.0
	0.4	0.2

7. Financial income and expenses

EUR million	2019	2018
Interest income and other financial income		
Dividends received		
From the Group companies	0.1	
From associated companies	0.0	0.0
From others	0.6	0.1
	0.6	0.2
Other interest and financial income		
From the Group companies	0.2	0.1
Capital gains from investments [1]	0.0	400.4
From others	1.7	1.5
	1.9	402.1
	2.5	402.2
Interest costs and other financial expenses		
To the Group companies	−4.1	−2.5
Impairment of investments subsidiaries		0.8
To others	−25.1	−20.8
	−29.1	−22.6
	−26.6	379.6

1) In the comparative year 2018, the gains on disposals mainly consisted of intra-group transactions.

8. Appropriations

EUR million	2019	2018
Change in depreciation difference	6.9	5.6
Group contributions received	20.6	18.0
Group contributions given	–5.3	–20.9
	22.2	2.7

9. Income taxes

EUR million	2019	2018
Income taxes on ordinary activities	–67.9	–64.5
Taxes for previous periods	0.1	0.0
	–67.8	–64.4

10. Intangible and tangible assets

	Intangible assets					
2019 EUR million	Development costs	Intangible rights	Goodwill	Other intangible assets	Intangible assets under construction	Total
Acquisition cost at 1 Jan.	42.5	139.5	880.5	473.0	12.6	1,548.0
Transferred in merger		1.5				1.5
Additions	3.0	1.8	5.8	24.5	8.9	44.0
Disposals	–1.0	–1.0			–0.5	–2.6
Reclassifications	0.8	0.4		7.9	–8.7	0.5
Acquisition cost at 31 Dec.	45.3	142.2	886.3	505.4	12.3	1,591.5
Accumulated amortisation at 1 Jan.	34.2	62.5	629.9	389.9		1,116.6
Transferred in merger		0.1				0.1
Accumulated depreciation of disposals and reclassifications	–0.2	–0.4				–0.7
Amortisation for the period	4.6	8.3	43.3	29.8		86.0
Accumulated amortisation at 31 Dec.	38.6	70.5	673.2	419.7		1,202.1
Book value at 31 Dec.	6.6	71.7	213.1	85.7	12.3	389.4

	Tangible assets					
2019 EUR million	**Land and water areas**	**Buildings and constructions**	**Machinery and equipment**	**Other tangible assets**	**Tangible assets under construction**	**Total**
Acquisition cost at 1 Jan.	9.6	195.6	3,448.6	35.1	29.1	3,718.0
Additions	0.2	8.3	153.7	0.0	18.1	180.3
Disposals	0.0	–0.1	–14.1		–0.1	–14.4
Reclassifications		0.4	16.2	0.0	–17.1	–0.5
Acquisition cost at 31 Dec.	9.8	204.1	3,604.4	35.1	30.0	3,883.5
Accumulated depreciation at 1 Jan.		116.6	2,902.9	34.5		3,053.9
Accumulated depreciation of disposals and reclassifications		–0.1	–9.9			–10.0
Depreciation for the period		9.4	168.0	0.0		177.4
Accumulated depreciation at 31 Dec.		125.9	3,060.9	34.5		3,221.3
Book value at 31 Dec.	9.8	78.3	543.5	0.6	30.0	662.2

2018 EUR million	Intangible assets Development costs	Intangible rights	Goodwill	Other intangible assets	Intangible assets under construction	Total
Acquisition cost at 1 Jan.	29.1	108.8	868.2	440.2	11.9	1,458.2
Transferred in merger	8.9	0.9	3.0	0.7	1.5	15.1
Additions	3.3	29.5	9.3	29.4	1.1	72.6
Disposals	0.0					0.0
Reclassifications	1.1	0.3		2.7	–1.9	2.2
Acquisition cost at 31 Dec.	42.5	139.5	880.5	473.0	12.6	1,548.0
Accumulated amortisation at 1 Jan.	25.8	55.4	581.5	362.2		1,024.9
Transferred in merger	5.8	0.8	2.7	0.7		10.0
Amortisation for the period	2.6	6.3	45.8	27.0		81.6
Accumulated amortisation at 31 Dec.	34.2	62.5	629.9	389.9		1,116.6
Book value at 31 Dec.	8.2	77.0	250.6	83.1	12.6	431.5

2018 EUR million	Tangible assets Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Tangible assets under construction	Total
Acquisition cost at 1 Jan.	8.2	185.5	3,262.4	35.1	35.5	3,526.8
Transferred in merger			26.4		0.0	26.4
Additions	1.0	8.0	155.4	0.0	11.3	175.7
Disposals	0.0	–0.4	–8.3			–8.7
Reclassifications	0.4	2.5	12.7		–17.8	–2.2
Acquisition cost at 31 Dec.	9.6	195.6	3,448.6	35.1	29.1	3,718.0
Accumulated depreciation at 1 Jan.		107.9	2,724.3	34.4		2,866.6
Transferred in merger			23.1			23.1
Accumulated depreciation of disposals and reclassifications		–0.4	–8.3			–8.6
Depreciation for the period		9.1	163.7	0.0		172.8
Accumulated depreciation at 31 Dec.		116.6	2,902.9	34.5		3,053.9
Book value at 31 Dec.	9.6	79.0	545.8	0.7	29.1	664.1

11. Investments

	Shares			Receivables		
2019 **EUR million**	**Group companies**	**Associated companies**	**Other companies**	**Group companies**	**Others**	**Total**
Acquisition cost at 1 Jan.	790.2	6.2	18.0	6.7	0.1	821.2
Transferred in merger	1.9	1.2		–5.2		–2.0
Additions	65.6		4.7			70.2
Disposals	–26.1		–0.4	0.0		–26.5
Acquisition cost at 31 Dec.	831.5	7.5	22.3	1.6	0.1	862.9
Impairment at 1 Jan.	–0.4		–4.1			–4.5
Impairment at 31 Dec.	–0.4		–4.1			–4.5
Book value at 31 Dec.	831.1	7.5	18.1	1.6	0.1	858.4

A list of the Group and associated companies is available under Note 8.3 of the consolidated financial statements.

	Shares			Receivables		
2018 **EUR million**	**Group companies**	**Associated companies**	**Other companies**	**Group companies**	**Others**	**Total**
Acquisition cost at 1 Jan.	405.2	6.2	14.4	6.7	0.1	432.7
Transferred in merger			0.0			0.0
Additions	447.7		3.8			451.5
Disposals	–62.7		–0.2	0.0		–63.0
Acquisition cost at 31 Dec.	790.2	6.2	18.0	6.7	0.1	821.2
Impairment at 1 Jan.	–0.4		–4.1			–4.5
Impairment at 31 Dec.	–0.4		–4.1			–4.5
Book value at 31 Dec.	789.8	6.2	13.9	6.7	0.1	816.7

12. Inventories

EUR million	2019	2018
Materials and supplies	13.1	11.0
Finished goods	34.7	35.7
	47.8	46.7

13. Non-current receivables

EUR million	2019	2018
Receivables from Group companies		
Loan receivables	11.2	3.4
Receivables from others		
Trade receivables	78.1	71.2
Prepayments and accrued income [1]	18.0	16.0
Other receivables	0.3	1.8
	96.4	89.0
	107.6	92.4
[1] Breakdown of prepayment and accrued income		
Rent advances	7.9	8.3
Transaction costs and losses related to loan issuance	9.9	7.4
Others	0.2	0.4
	18.0	16.0

14. Current receivables

EUR million	2019	2018
Receivables from Group companies		
Loan receivables	2.0	5.8
Trade receivables	1.5	2.7
Prepayments and accrued income	0.3	0.9
Other receivables	3.5	18.0
	7.2	27.5
Receivables from associated companies		
Trade receivables	0.5	0.0
	0.5	0.0
Receivables from others		
Trade receivables	307.0	293.0
Loan receivables		0.0
Prepayments and accrued income [1]	48.0	42.0
Other receivables	4.2	4.9
	359.2	339.9
	366.9	367.4

	2019	2018
[1] Breakdown of prepayment and accrued income		
Interests	0.1	0.0
Rent advances	1.7	1.6
Transaction costs and losses related to loan issuance	2.7	3.2
Taxes	2.6	3.9
Other business expense advances	41.0	33.3
	48.0	42.0

15. Shareholders' equity

EUR million	2019	2018
Share capital at 1 Jan.	83.0	83.0
Share capital at 31 Dec.	83.0	83.0
Treasury shares at 1 Jan.	–135.4	–140.0
Disposal of treasury shares	3.4	4.6
Treasury shares at 31 Dec.	–132.0	–135.4
Reserve for invested non-restricted equity at 1 Jan.	77.8	77.8
Reserve for invested non-restricted equity at 31 Dec.	77.8	77.8
Contingency reserve at 1 Jan.	3.4	3.4
Contingency reserve at 31 Dec.	3.4	3.4
Retained earnings at 1 Jan.	733.8	379.3
Dividend distribution	–279.8	–263.6
Withdrawal of dividend liabilities	0.3	0.5
Disposal of treasury shares	–3.4	–4.6
Retained earnings at 31 Dec.	450.9	111.6
Profit for the period	251.6	622.2
Total shareholder's equity	734.8	762.6
Distributable earnings		
Retained earnings	450.9	111.6
Treasury shares	–132.0	–135.4
Reserve for invested non-restricted equity	77.8	77.8
Development costs	–11.0	–13.9
Profit for the period	251.6	622.2
	637.4	662.3

16. Provisions

EUR million	2019	2018
Provision for unemployment pensions	3.6	2.9
Other provisions [1]	2.1	2.7
	5.7	5.6

[1] Other provisions consist of salaries, including related statutory employee costs for employees not required to work during their severance period, and a provision for other operating expenses.

Provisions of EUR 4.6 (5.2) million were used and EUR 1.3 (3.6) million were reversed as unused in 2019.

17. Non-current liabilities

EUR million	2019	2018
Interest-bearing		
Liabilities to others		
Bonds	774.0	600.0
Loans from financial institutions	250.0	250.0
	1,024.0	850.0
Non-interest bearing		
Liabilities to others		
Trade payables	20.2	24.6
Accruals and deferred income [1]	6.5	6.8
	26.7	31.4
	1,050.6	881.4
Liabilities maturing after five years		
Bonds	300.0	300.0
Loans from financial institutions	100.0	100.0
	400.0	400.0
[1] Breakdown of accruals and deferred income		
Rent advances	6.5	6.8

18. Current liabilities

EUR million	2019	2018
Interest-bearing		
Liabilities to Group companies		
Group account	177.7	174.2
	177.7	174.2
Liabilities to others		
Bonds		180.0
Commercial paper	133.0	107.0
	133.0	287.0
	310.7	461.2
Non-interest bearing		
Liabilities to Group companies		
Trade payables	5.5	6.3
Accrued liabilities		0.0
Other liabilities	5.5	20.9
	10.9	27.2
Liabilities to Associated companies		
Trade payables	0.0	0.0
	0.0	0.0
Liabilities to others		
Advances received	3.1	0.6
Trade payables	147.4	144.4
Accrued liabilities [1]	52.2	55.3
Other liabilities	75.5	63.3
	278.3	263.6
	289.2	290.8
	599.9	752.0
[1] Breakdown of accrued liabilities		
Employee benefit expenses	40.9	40.3
Interest	9.7	11.0
Direct taxes		1.6
Rent advances	1.3	1.2
Advance income	0.4	0.5
Others	0.1	0.6
	52.2	55.3

19. Leases and other commitments

Collateral

EUR million	2019	2018
On behalf of own commitments		
Bank deposits	0.3	0.3
	0.3	0.3

Lease commitments

EUR million	2019	2018
Lease commitments on telecom networks [1]		
Within one year	0.1	0.2
Later that one year, but not later that five years	0.1	0.2
	0.2	0.3
Other lease commitments [2]		
Within one year	3.6	4.7
Later that one year, but not later that five years	3.9	8.1
	7.5	12.8
Venture Capital investment obligation	2.2	2.8
Letter of credit	0.0	0.0
Real estate leases [3]		
Within one year	26.9	23.7
Later that one year, but not later that five years	53.1	38.5
Later than five years	57.8	83.7
	137.8	145.9
Total leases	145.4	159.0

[1] Consist of certain individualised mobile network equipment and access fees for backbone connections.
[2] Leasing liabilities consist mainly of car and IT equipment leases.
[3] Real-estate leases comprise rental agreements relating to business, office and telecom premises.

Real-estate leases are presented at nominal amounts.

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

Derivative instruments

EUR million	2019	2018
Electricity derivatives		
Nominal value	1.0	2.5
Fair value recognised on the balance sheet	−0.1	0.4

Elisa hedges electricity purchases through physical purchase agreements and derivatives. The electricity price risk is assessed at a five-year period. Electricity derivatives are subject to hedge accounting.

The hedging rate for purchases in the following years,%	2019	2018
0–1 years	90.0	88.5
1–2 years	53.3	54.3
2–3 years	0.0	0.0
3–4 years	0.0	0.0
4–5 years	0.0	0.0

If the market price of electricity derivatives changes by +/- 10 per cent from the balance sheet date of 31 December 2019, it would contribute EUR +/- 0.1 (0.1) million to 2019 equity. The impact has been calculated before tax.

Real-estate investments

On 31 December 2019, the VAT refund liability of real-estate investments was EUR 30.7 (28.8) million.

Shares and shareholders

1. Share capital and shares

The company's paid-up share capital registered in the Trade Register stood at EUR 83,033,008 at the end of the financial year.

At the end of the financial year, the number of Elisa Corporation shares was 167,335,073, all within one share series.

2. Authorisations of the Board of Directors

On 12 April 2018, the Annual General Meeting authorised the Board of Directors to decide on a new share issue, transfer of treasury shares owned by the company and/or granting of special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act subject to the following: The authorisation allows the Board of Directors to issue a maximum of 15,000,000 shares in one or several issues. The share issue and shares granted by virtue of special rights are included in the aforementioned maximum number. The maximum number is approximately 9 per cent of the entire stock. The share issue can be free or for consideration and can also be directed to the Company itself. The authorisation entitles the Board to make a directed issue. The authorisation may be used for making acquisitions or implementing other arrangements related to the Company's business, to finance investments, to improve the Company's financial structure, or for other purposes decided by the Board of Directors. The Board of Directors shall have the right to decide on all other matters related to the share issue. The authorisation shall be in force until 30 June 2020 and it annuls the authorisation given by the Annual General Meeting to the Board of Directors on 31 March 2016.

On 3 April 2019, the Annual General Meeting also authorised the Board of Directors to decide on the acquisition of treasury shares subject to the following: The Board of Directors may decide to acquire or pledge on non-restricted equity a maximum of 5,000,000 treasury shares. The acquisition may take place as one or several blocks of shares. The consideration payable for the shares shall not be more than the ultimate market price. In purchasing the Company's own shares derivative, share lending and other contracts customary in the capital market may be concluded pursuant to law and the applicable legal provisions. The authorisation entitles the Board of Directors to pass a resolution to purchase the shares by making an exception to the purchase of shares relative to the current holdings of the shareholders. The treasury shares may be used for making acquisitions or implementing other arrangements related to the Company's business, to finance investments, to improve the Company's financial structure, to be used as part of the incentive compensation plan, or for the purpose of otherwise assigning or cancelling the shares. The Board of Directors shall have the right to decide on all other matters related to the purchase of the Company's own shares. The authorisation is in force until 30 June 2020, and it annuls the authorisation given by the Annual General Meeting to the Board of Directors on 12 April 2018.

3. Treasury shares, share issues and cancellations

At the beginning of the financial period, Elisa held 7,611,821 treasury shares.

The Annual General Meeting held on 3 April 2019 authorised the Board of Directors to acquire and assign treasury shares. The authorisation applies to a maximum of 5,000,000 treasury shares. On the basis of the authorisation, Elisa has not acquired any treasury shares.

A total of 174,544 treasury shares were disposed of during the financial year.

At the end of the financial period, Elisa held 7,437,277 treasury shares.

The treasury shares held by Elisa Corporation do not have any substantial impact on the distribution of holdings and votes in the Company. They represent 4.44 per cent of all shares and votes.

4. Management interests

The aggregate number of shares held by Elisa's Board of Directors and the CEO on 31 December 2019 was 145 392 shares and votes, which represented 0.09 per cent of all shares and votes.

5. Share performance

The Elisa share closed at EUR 49.25 on 31 December 2019. The highest quotation of the year was EUR 49.91 and the lowest EUR 35.51. The average price was EUR 42.26. Information is based on the share trades made on Nasdaq Helsinki stock exchange.

At the end of the financial year, the market capitalisation of Elisa's total number of shares was EUR 8,241.3 million.

6. Quotation and trading

The Elisa share is quoted on the Main List of the Nasdaq Helsinki with the ticker ELISA. The aggregate volume of trading on the Nasdaq Helsinki between 1 January and 31 December 2019 was 96,662,309 shares for an aggregate price of EUR 4,085 million. The trading volume represented 57.8 per cent of the total number of shares at the end of the financial year.

7. Distribution of holding by shareholder groups at 31 December 2019

		Number of shares	Proportion of all shares, %
1	Private companies	4,067,604	2.43
2	Financial and insurance institutions	2,944,541	1.76
3	Public corporations	30,983,629	18.52
4	Non-profit organisations	5,261,953	3.14
5	Households	39,451,036	23.58
6	Foreign	1,526,778	0.91
7	Nominee registered	75,662,255	45.22
	Elisa Group, treasury shares	7,437,277	4.44
		167,335,073	100.00

8. Distribution of holding by amount at 31 December 2019

Size of holding	Number of shareholders	%	Number of shares	%
1–100	37,335	20.99	1,839,006	1.10
101–1 000	135,898	76.40	29,675,126	17.73
1 001–10 000	4,393	2.47	10,454,874	6.25
10 001–100 000	231	0.13	5,965,251	3.56
100 001–1 000 000	23	0.01	5,948,369	3.55
1 000 001–	6	0.00	30,201,647	18.05
Nominee registered			75,662,255	45.22
	177,888	100.00		
Elisa Common Clearing account (1			151,268	0.09
Elisa Corporation, treasury shares			7,437,277	4.44
Issued amount			167,335,073	100.00

1) Shares on the Common Clearing account include shares that had not been transferred to the share owners' book-entry accounts at the time of, or subsequent to, entering the shares into the Finnish book-entry system.

9. Largest shareholders at 31 December 2019

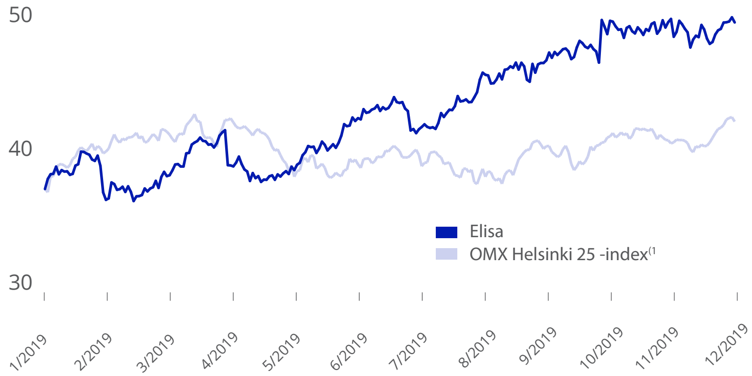
	Name	Number of shares	%
1	Solidium Oy	16,802,800	10.04
2	Varma Mutual Pension Insurance Company	5,181,976	3.10
3	Ilmarinen Mutual Pension Insurance Company	4,369,618	2.61
4	Elo Mutual Pension Insurance Company	1,481,000	0.89
5	Swiss National Bank	1,241,563	0.74
6	City of Helsinki	1,124,690	0.67
7	State Pension Fund	980,000	0.59
8	Åbo Akademi University Foundation sr	475,193	0.28
9	Nordea Pro Finland Fund	441,923	0.26
10	OP-Finland mutual fund	352,879	0.21
11	Sigrid Juselius Foundation	352,000	0.21
12	Samfundet Folkhälsan i Svenska Finland rf	315,263	0.19
13	Föreningen Konstsamfundet r.f.	300,150	0.18
14	Seligson & Co Equity Fund	271,054	0.16
15	City of Vantaa	258,738	0.15
16	KPY Sijoitus Oy	257,163	0.15
17	Nordea Finnish Passive Fund	237,890	0.14
18	SEB Finlandia Optimized Low Carbon	226,666	0.14
19	The Finnish Cultural Foundation Sr	223,118	0.13
20	Keva	199,379	0.12
		35,093,063	20.97
	Elisa Corporation, treasury shares	7,437,277	4.44
	Elisa Personnel Fund	95,120	0.06
	Elisa Common Clearing account [1]	151,268	0.09
	Nominee registered	75,662,255	45.22
	Shareholders not specified above	48,896,090	29.22
		167,335,073	100.00

[1] Shares in Common Clearing account include shares which have not been transferred to the share owners' book-entry accounts at the time of, or subsequent to, entering the shares into the Finnish book-entry system.

On 27 February 2017, BlackRock, Inc gave a notice in accordance with Chapter 9, Section 5 of the Finnish Securities Market Act, that the direct share ownership of Elisa Corporation shares owned by BlackRock, Inc. was 8,533,440 and by its funds 1,232,577 shares, totaling 9,766,017 shares, which was 5.84 per cent of Elisa Corporation's entire stock.

10. Daily price development

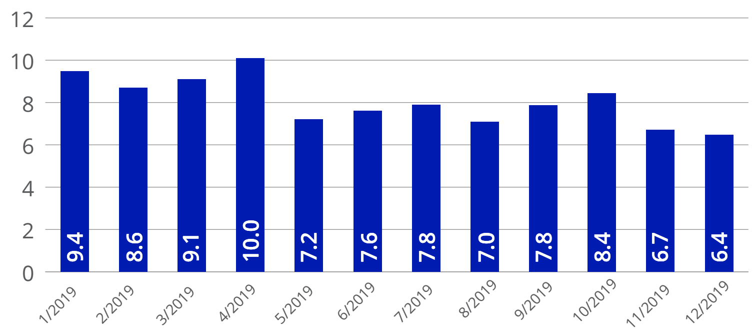
Closing price in EUR



1) Rebased to Elisa share.

11. Trading volume

Shares per month (million)



Share trading volumes are based on the trades made on Nasdaq Helsinki. Elisa share is also traded in alternative marketplaces.

Board's proposal for profit distribution

According to the consolidated balance sheet of 31 December 2019, the parent company's shareholders' equity is EUR 734,793,617.67, of which distributable funds account for EUR 637,383,520.02.

The parent company's profit for the period from 1 January to 31 December 2019 was EUR 251,631,252.22.

The Board of Directors proposes to the General Meeting of Shareholders that the distributable funds be used as follows:

- a dividend of EUR 1.85 per share shall be paid for a total of EUR 295,810,922.60
- no dividend shall be paid on shares in the parent company's possession
- EUR 341,575,597.42 shall be retained in shareholders' equity.

SIGNATURES TO THE BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Helsinki, 28 January 2020

Anssi Vanjoki
Chairman of the Board of Directors

Clarisse Berggårdh

Kim Ignatius

Petteri Koponen

Leena Niemistö

Seija Turunen

Antti Vasara

Veli-Matti Mattila
President and CEO

Auditor's Report

To the Annual General Meeting of Elisa Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Elisa Corporation (business identity code 0116510-6) for the year ended 31 December 2019. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.5 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Impairment of goodwill, € 1 086.1 million (Consolidated accounting principles 1.2 and note 5.3)	
• The goodwill balance in the consolidated statement of financial position is significant due to the acquisitions carried out in the previous years. As regard to the amount, the goodwill balance is comparable to the consolidated equity. • Goodwill is tested for impairment annually and the company prepares impairment tests for the financial statements or when needed on a discounted cash flow basis with sensitivity analyses. • Estimating future cash flows underlying the impairment tests involves a significant amount of management judgment, particularly in respect of growth in net sales, profitability and discount rates. • Due to management judgments about the estimates used in the impairment tests, as well as the significant carrying amount involved, impairment of goodwill is considered a key audit matter.	• We assessed critically those management judgments and the assumptions made, which were used to prepare the cash flow projections for the coming years. In addition, we compared previous years' estimates to the actual amounts to be able to evaluate the reliability of the estimating methods applied. • We used KPMG valuation specialists when considering the appropriateness of the discount rate used and the technical correctness of the calculations, as well as comparing the assumptions used to market and industry-specific information. • In addition, we assessed the adequacy of the sensitivity analyses and the appropriate presentation of the notes related to impairment tests in the consolidated financial statements.

Revenue recognition, € 1 843.5 million
(Consolidated accounting principles 1.2 and note 2.3)

- Revenues are recognized once the service has been rendered to the customer or once the significant risks and rewards related to the ownership of the goods have been transferred to the buyer.
- The IT system environment related to billing transactions is complex and the volume of billing data is large containing wide variety of different products. The industry is also marked by price and contract changes in the short run.
- Due to large volumes of data, revenue recognition involves the risk of revenue being recognized in an incorrect period as well as the risk that all transactions are not recorded as complete.
- Revenue recognition accrual is partially based on estimates from the management's past experience.

- We evaluated the sales-related IT control environment and the key controls in the billing process over the completeness and accuracy of revenue.
- The majority of the company's billing data is processed in a single IT system. We evaluated the reliability of the associated IT control environment by assessing, among others, the processes related to the user authorization management and back-up and recoveries, as well as by testing the key application controls over the billing process.
- We also evaluated the company's internal control procedures over the control environment in the billing process, as well as assessed the company's monthly revenue monitoring procedures at business unit level.
- In addition to control testing, we performed substantive procedures to sales accruals to assess the completeness and the accuracy of the recognized revenues.

Capital expenditures
(Consolidated accounting principles 1.2 and note 5)

- The company invests heavily especially in its own telecommunication network and IT environments to remain competitive.
- The company's capital expenditures amount to over € 200 million annually, and therefore capital expenditures comprise a significant part of the consolidated statement of financial position.

- We observed the company's investment budget for the year 2019 and followed up developments quarterly.
- We evaluated the company's internal control environment. We also tested the controls over the approval of investment projects; over the authorization process when placing individual orders under an investment project; over the associated approval process when approving purchase invoices; and over recording transactions in the asset register (for property, plant and equipment and intangible assets).
- Our substantive procedures focused on assessing the appropriateness of the accounting treatment in respect of the most significant investment projects. In addition, we tested whether the assets under construction met the capitalization requirements and assessed whether they were disclosed appropriately in the financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 31 March 2004, and our appointment represents a total period of uninterrupted engagement of 16 years. The current auditor in charge, Toni Aaltonen, Authorised Public Accountant, KHT, was elected on 6 April 2017.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 28 January 2020
KPMG Oy Ab

TONI AALTONEN
Authorised Public Accountant, KHT