

Half-Year Report

2020

15 July 2020



ELISA'S HALF-YEAR REPORT JANUARY–JUNE 2020

Second quarter 2020 financial highlights

- Revenue increased by EUR 9m to EUR 461m, mainly due to the Polystar acquisition, growth in equipment sales and Estonian business.
- Mobile service revenue was at the same level as year ago, EUR 204m. The continued growth in MSR was suspended by substantial decrease in roaming revenue due to COVID-19 travel restrictions.
- Comparable EBITDA grew by EUR 5m to EUR 168m.
- Comparable EBIT increased by EUR 4m to EUR 101m.
- Comparable cash flow decreased to EUR 85m (102) due to higher capital expenditure and change in networking capital.
- Mobile post-paid ARPU decreased slightly to EUR 18.1 (18.3 in the previous quarter).
- Mobile post-paid churn decreased to 16.4 per cent (18.9 in the previous quarter).
- Number of post-paid mobile subscriptions increased by 26,200 from the previous quarter.
- Prepaid subscriptions decreased by 22,700 during the quarter.
- The number of fixed broadband subscriptions increased by 1,000 during the quarter.
- Guidance for 2020 is unchanged.

Key indicators

EUR million	2Q20	2Q19	Δ %	1H20	1H19	Δ %
Revenue	461	452	2.0 %	929	891	4.2 %
EBITDA	168	159	5.7 %	334	314	6.3 %
Comparable EBITDA	168	164	2.9 %	334	321	4.0 %
EBIT	101	92	9.1 %	200	182	9.6 %
Comparable EBIT	101	97	4.2 %	200	189	5.6 %
Profit before tax	97	87	11.0 %	192	170	12.9 %
Comparable PBT	97	91	5.7 %	192	177	8.5 %
EPS, EUR	0.49	0.45	11.1 %	0.98	0.87	12.2 %
Comparable EPS, EUR	0.49	0.47	5.6 %	0.98	0.91	7.8 %
Capital expenditure	75	61	23.3 %	126	118	6.9 %
Net debt	1,332	1,319	0.9 %	1,332	1,319	0.9 %
Net debt / EBITDA ¹⁾	2.0	2.0		2.0	2.0	
Gearing ratio, %	132.6 %	133.9 %		132.6 %	133.9 %	
Equity ratio, %	35.9 %	35.3 %		35.9 %	35.3 %	
Cash flow	83	37	123.1 %	156	105	48.4 %
Comparable cash flow ²⁾	85	102	-16.6 %	158	170	-6.9 %

¹⁾ (Interest-bearing debt – financial assets) / (four previous quarters' comparable EBITDA). ²⁾ 2Q20 excluding EUR 2m and 1H20 excluding EUR 3m share investments.

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

CEO's review:

Steady performance in COVID-19 circumstances

In the second quarter, Elisa continued its solid development. Revenue increased by 2 per cent to EUR 461 million from the previous year, mainly due to the Polystar acquisition, equipment sales and Estonian business. Comparable EBITDA improved by 3 percent, to EUR 168 million and earnings per share by 6 per cent, to EUR 0.49.

Challenging circumstances due to the COVID-19 coronavirus continued. Our adaptability and innovative ways of working ensured steady performance. We continued to provide fast connections and new services for remote work and entertainment. We further strengthened our 5G position with over 30 cities and a million people 5G coverage, and the widest selection of 5G devices. Although data usage in Elisa's mobile network increased by over 40 per cent year-on-year during Q2 customers were very pleased with the quality. Online purchasing in Elisa's webstore increased by over 25 per cent.

According to our mission, a sustainable future through digitalisation, we continued our contribution to society. For example, we innovated a real-time COVID-19 situation awareness view and people's movement data for HUS Helsinki University Hospital to track and predict the spread of coronavirus. Also, we continued to focus reducing our carbon footprint making Elisa carbon neutral in 2020.

Demand for streaming video content increased. We were the first telco in the Nordics to bring Amazon Prime Video to the market in the Elisa Viihde Service. In June we announced a partnership with NENT Group to combine Elisa Viihde Aitio and Viaplay Films & Series services in Finland. We are now offering Finnish customers the widest combination of high-quality content with a strong focus on Finnish and Nordic original series.

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

Veli-Matti Mattila

CEO

HALF-YEAR REPORT JANUARY–JUNE 2020

The interim report has been prepared in accordance with the IAS 34 standard. The information presented in this interim report is unaudited.

Market situation

The competitive environment has been active. However, during the quarter, the COVID-19 crisis has impacted on the market situation to some extent. Mobile churn levels and equipment sales have decreased due to the reduced number of customer visits to physical stores, and roaming revenue has reduced as travelling has been virtually non-existent. In the corporate business, uncertainty has increased, especially in the SME sector. On the other hand, the usage of mobile voice and data, as well as IPTV entertainment services, continued to evolve favourably. Another factor contributing to mobile market growth has been the increased network capacity and demand for higher 4G and 5G speeds. 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 services have continued to develop favourably. The demand for other digital services is also growing.

Revenue, earnings and financial position

EUR million	2Q20	2Q19	Δ %	1H20	1H19	Δ %
Revenue	461	452	2.0 %	929	891	4.2 %
EBITDA	168	159	5.7 %	334	314	6.3 %
EBITDA-%	36.5 %	35.2 %		36.0 %	35.3 %	
Comparable EBITDA	168	164	2.9 %	334	321	4.0 %
Comparable EBITDA-%	36.5 %	36.2 %		36.0 %	36.0 %	
EBIT	101	92	9.1 %	200	182	9.6 %
EBIT-%	21.9 %	20.5 %		21.5 %	20.5 %	
Comparable EBIT	101	97	4.2 %	200	189	5.6 %
Comparable EBIT-%	21.9 %	21.4 %		21.5 %	21.2 %	
Return on equity, %	28.9 %	28.0 %		28.9 %	28.0 %	

Second quarter 2020

Revenue increased by 2 per cent, mostly due to the Polystar acquisition, increased equipment sales and growth in Estonian business. Domestic digital services, decrease in usage and subscriptions of traditional fixed telecom services in both segments affected revenue negatively.

Comparable EBITDA increased by 3 per cent and comparable EBIT increased by 4 per cent, mainly because of revenue growth and efficiency improvement measures.

Net financial income and expenses were EUR -5 million (-5). Income taxes in the income statement amounted to EUR 17 million (16). Net profit was EUR 79 million (71), and earnings per share were EUR 0.49 (0.45). Comparable earnings per share were EUR 0.49 (0.47).

January-June 2020

Revenue increased by 4 per cent on the previous year mainly due to Polystar acquisition, increased equipment sales, mobile services and growth in Estonian business. Decrease in usage and subscriptions of traditional fixed telecom services in both segments affected revenue negatively.

Comparable EBITDA increased by 4 per cent and comparable EBIT increased by 6 per cent mainly due to revenue growth and efficiency improvement measures.

Net financial income and expenses decreased to EUR -9 million (-13) due to the refinancing of a EUR 180 million bond in 2019. Income taxes in the income statement increased to EUR -35 million (-30) due to higher profit before taxes. Net profit was EUR 157 million (140) and earnings per share were EUR 0.98 (0.87). Comparable earnings per share were EUR 0.98 (0.91).

Financial position

EUR million	2Q20	2Q19	Δ %	1H20	1H19	Δ %
Net debt	1,332	1,319	0.9 %	1,332	1,319	0.9 %
Net debt / EBITDA ¹⁾	2.0	2.0		2.0	2.0	
Gearing ratio, %	132.6 %	133.9 %		132.6 %	133.9 %	
Equity ratio, %	35.9 %	35.3 %		35.9 %	35.3 %	
Cash flow	83	37	123.1 %	156	105	48.4 %
Comparable cash flow ²⁾	85	102	-16.6 %	158	170	-6.9 %

¹⁾ (Interest-bearing debt – financial assets) / (four previous quarters' comparable EBITDA) ²⁾ 2Q20 excluding EUR 2m and 1H20 excluding EUR 3m share investments.

Second quarter 2020

Net debt increased by EUR 12 million to EUR 1,332 million. Comparable cash flow after investments decreased by 17 percent to EUR 85 million (102). Cash flow was positively affected by higher EBITDA. Cash flow was negatively affected by a change in net working capital because of higher inventories due to preparing to the COVID-19 situation, higher capital expenditure due to timing of network investments and higher taxes paid due to tax refund received in comparison year.

January-June 2020

Comparable cash flow after investments decreased by 7 per cent to EUR 158 million (170). Lower acquisitions, higher EBITDA and lower net financial expenses affected cash flow positively. A change in net working capital, higher capital expenditure and higher licence fee payments affected cash flow negatively.

The financial position and liquidity are strong. Cash and undrawn committed credit lines totalled EUR 374 million at the end of the quarter.

Changes in corporate structure

There were no substantial changes in the corporate structure.

Consumer Customers business

EUR million	2Q20	2Q19	Δ %	1H20	1H19	Δ %
Revenue	285	282	1.2 %	572	555	3.0 %
EBITDA	112	104	8.2 %	221	208	6.4 %
EBITDA-%	39.4 %	36.8 %		38.7 %	37.5 %	
Comparable EBITDA	112	106	6.3 %	221	210	5.2 %
Comparable EBITDA-%	39.4 %	37.5 %		38.7 %	37.9 %	
EBIT	71	63	13.0 %	138	126	10.0 %
EBIT-%	24.8 %	22.2 %		24.2 %	22.7 %	
Comparable EBIT	71	64	9.9 %	138	128	8.1 %
Comparable EBIT-%	24.8 %	22.9 %		24.2 %	23.1 %	
CAPEX	49	41	19.2 %	81	78	3.4 %

Second quarter 2020

Revenue increased by 1 per cent. Revenue was positively affected by growth in mobile services, equipment sales and growth in Estonian business. A decrease in domestic digital services, as well as a decrease in usage and subscriptions of traditional fixed telecom services, affected revenue negatively.

Comparable EBITDA increased by 6 per cent mainly due to efficiency improvements measures.

January-June 2020

Revenue increased by 3 per cent. Equipment sales, mobile services and growth in Estonian business affected revenue positively. Revenue was negatively affected by decrease in traditional fixed telecom services. Comparable EBITDA increased by 5 per cent, mainly due to efficiency improvement measures.

Corporate Customers business

EUR million	2Q20	2Q19	Δ %	1H20	1H19	Δ %
Revenue	176	170	3.3 %	357	336	6.3 %
EBITDA	56	55	1.1 %	113	106	6.1 %
EBITDA-%	31.9 %	32.6 %		31.6 %	31.6 %	
Comparable EBITDA	56	58	-3.5 %	113	111	1.6 %
Comparable EBITDA-%	31.9 %	34.1 %		31.6 %	33.0 %	
EBIT	30	30	1.0 %	61	56	8.7 %
EBIT-%	17.1 %	17.5 %		17.2 %	16.8 %	
Comparable EBIT	30	32	-7.2 %	61	61	0.3 %
Comparable EBIT-%	17.1 %	19.0 %		17.2 %	18.2 %	
CAPEX	26	20	31.9 %	44	39	13.7 %

Second quarter 2020

Revenue increased by 3 per cent. Revenue was positively affected by the Polystar acquisition and growth in equipment sales. A decrease in mobile services affected revenue negatively. Comparable EBITDA decreased by 3 per cent. A decrease in roaming revenue affected EBITDA negatively.

January-June 2020

Revenue increased by 6 per cent. Revenue was positively affected by Polystar acquisition and growth in equipment sales. A decrease in mobile services affected revenue negatively. Comparable EBITDA increased by 2 per cent.

Personnel

In January–June, the average number of personnel at Elisa was 5,016 (4,823). Employee expenses totalled EUR 169 million (165). In the second quarter, employee expenses were EUR 82 million (82). Personnel by segment at the end of the period:

	2Q20	2Q19	2019
Consumer Customers	2,966	2,816	2,736
Corporate Customers	2,208	2,137	2,148
Total	5,174	4,953	4,884

Investments

EUR million	2Q20	2Q19	1H20	1H19
Capital expenditure ¹⁾ , of which	75	61	126	118
Consumer Customers	49	41	81	78
Corporate Customers	26	20	44	39
Shares	2	81	3	81
Total	77	142	128	199
Capital expenditure excluding leasing	72	55	120	106

¹⁾ 2Q20 and 1H20 include EUR 7m 26 GHz frequency licence investment.

The main capital expenditures related to the capacity and coverage increases in the 4G and 5G networks, as well as to other network and IT investments.

Financing arrangements and ratings

EUR million	Maximum amount	In use on 30 Jun 2020
Committed credit limits	300	0
Commercial paper programme (not committed)	350	307
EMTN programme (not committed)	1,500	774

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

Share

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

Trading of shares	2Q20	2Q19	2019
Nasdaq Helsinki, millions	34.4	24.9	96.7
Other marketplaces, millions ¹⁾	83.0	51.0	168.5
Total volume, millions	117.4	75.9	265.2
Value, EUR million	6,389.6	2,998.1	11,145.4
% of shares	70.2 %	45.4 %	158.4 %

Shares and market values	30 Jun 2020	30 Jun 2019	2019
Total number of shares	167,335,073	167,335,073	167,335,073
Treasury shares	7,252,165	7,437,277	7,437,277
Outstanding shares	160,082,908	159,897,796	159,897,796
Closing price, EUR	54.14	42.91	49.25
Market capitalisation, EUR million	9,060	7,180	8,241
Treasury shares, %	4.33 %	4.44 %	4.44 %

Number of shares	Total	Treasury	Outstanding
Shares on 31 Dec 2019	167,335,073	7,437,277	159,897,796
Performance Share Plan 3 Feb 2020 ²⁾		-185,112	185,112
Shares on 30 Jun 2020	167,335,073	7,252,165	160,082,908

¹⁾ Other marketplaces: 2Q20 based on Bloomberg, 2019 based on Bloomberg and Fidessa Fragmentation Index, 2Q19 based on the Fidessa Fragmentation Index. ²⁾ Stock exchange release 3 February 2020.

In June, Elisa agreed with five banks to extend its EUR 130 million Revolving Credit Facility for one year from June 2021 to June 2022.

Significant legal and regulatory issues

In June, the Finnish Government granted a network licence for the 26 GHz spectrum to Elisa by auction and Elisa will pay EUR 7 million for its licence in five annual instalments. The licence is valid from 1 July 2020 to 31 December 2033. The frequency band of 26 GHz can be used for 5G networks.

In June, the Finnish Government made a proposal to the Parliament related to changes to the Act on Electronic Communication Services. The changes proposed would enter into force mainly in December 2020. The proposal includes several changes affecting Elisa's businesses. The proposal relates, among other things, to frequencies, market regulation, users' rights and universal service. The maximum duration of consumer customers' fixed-term mobile phone subscriptions is proposed to be shortened from the current 24 months to 12 months. In addition, it is proposed that the rate for calling national subscriber numbers, so-called business numbers, could not be more than the mobile phone or local telephone charge. This change proposed would enter into force in December 2022 and could have some financial effects on Elisa.

The above-mentioned legislative change includes new provisions related to national security. It would be prohibited to use, in the critical parts of a network, a communications network device that could endanger national security. The proposed provision also applies retroactively to current network devices. An entitlement to compensation has been proposed in the event of certain circumstances if a network device is prohibited.

In May, the Estonian Parliament adopted changes to the Electronic Communications Act concerning the national security requirements of communications networks. The amendment will grant the Estonian Government general authorisation to enforce the detailed regulation regarding requirements for technology used by communications companies in networks. The exact requirements and deadlines will be in the upcoming Government regulation.

The European Electronic Communications Code requires the EU Commission to adopt a delegated Act setting out single maximum EU-wide mobile and fixed voice termination rates by 31 December 2020. The Commission is preparing this Act and it is expected to enter into force in 2021 and could have some revenue effects on Elisa.

In June, Hansel, into which KL-Kuntahankinta merged, made a new procurement decision regarding municipal telecom and some other additional services. Therefore, the final result of the ongoing appeal process in the Supreme Administrative Court concerning the earlier procurement decision of KL-Kuntahankinnat will not be relevant for Elisa anymore.

Elisa applied the sustainability mechanism in 2017–2020 for roaming surcharges. From 15 June 2020 all Elisa customers are able to roam at domestic prices in EU and EEA countries according to the EU roaming regulation reasonable usage principle. This change in roaming prices is not expected to have material impact on Elisa's profits.

Substantial risks and uncertainties associated with Elisa's operations

Risk management is part of Elisa's internal control system. It aims to ensure that risks affecting the company's business are identified, influenced and monitored. The company classifies risks into strategic, operational, hazard and financial risks.

Strategic and operational risks:

The telecommunications industry is under intense competition in Elisa's main market areas, which may have an impact on Elisa's business. The telecommunications industry is subject to heavy regulation. Elisa and its businesses are monitored and regulated by several public authorities. This regulation also affects the price level of some products and services offered by Elisa, and may also require investments that have long payback times.

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

The rapid developments in telecommunications technology may have a significant impact on Elisa's business.

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

Elisa's main market is Finland, where the number of mobile phones per inhabitant is among the highest in the world and growth in subscriptions is therefore limited. Furthermore, the volume of phone traffic on the fixed network has decreased during the last years. These factors may limit opportunities for growth.

Elisa is liable for direct and indirect taxes and withholding taxes in the countries in which it operates. Tax authorities have taken a slightly more intense approach to tax inspection of late. Tax payments might be challenged by local tax authorities and this might have a negative financial impact for Elisa.

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.

The direct and indirect effects of the coronavirus (COVID-19) pandemic are uncertain. The prolonged duration of the pandemic may significantly contribute to a slowdown in economic growth. This may have negative effects on Elisa through customer demand, suppliers' security of supply and employee health. Elisa has adapted its operations and taken many proactive measures due to the COVID-19 pandemic, e.g. more intensive follow-up of customer demand for existing services as well as emerging demand for new business opportunities. Also, we have moved to remote working in the duties where it is possible.

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. Currency derivatives can be used to manage the currency risk.

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.

COVID-19 has resulted in changes to interest rates and investors' willingness to invest in securities. This might have an effect on Elisa's possibilities to raise funds and increase financing costs.

A detailed description of financial risk management can be found in Note 7.1 to the Annual Report 2019.

COVID-19 situation and impacts

COVID-19 impacts on Elisa's business have been limited. Operations have continued as planned and all supply chains have operated normally. Elisa has changed its way of working mainly to remote work. The financial effects have been seen mainly in lower roaming revenue due to reduced travelling, decreased sports pay-tv content and a decrease in churn levels. Elisa's financial position and cash flow have remained strong. Elisa has prepared for various scenarios to secure its financial position.

Events after the financial period

There are no substantial events after the financial period.

Outlook and guidance for 2020

The current coronavirus (COVID-19) situation will slow down economic growth and creates uncertainty in macroeconomic development. A strong economic slowdown may impact Elisa. Competition in the Finnish telecommunications market remains keen.

Guidance for 2020 is unchanged. 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.

BOARD OF DIRECTORS

Unaudited

Consolidated income statement

EUR million	Note	4-6 2020	4-6 2019	1-6 2020	1-6 2019	1-12 2019
Revenue	1	460.8	451.6	929.0	891.4	1,843.5
Other operating income		0.6	1.1	1.3	1.8	5.7
Materials and services		-166.8	-168.8	-338.4	-329.3	-693.1
Employee expenses		-81.8	-82.0	-168.9	-165.4	-320.3
Other operating expenses		-44.6	-42.8	-88.9	-84.1	-175.0
EBITDA	1	168.3	159.2	334.0	314.2	660.8
Depreciation, amortisation and impairment	1	-67.4	-66.8	-134.2	-131.9	-265.8
EBIT	1	100.9	92.4	199.8	182.4	395.0
Financial income		-0.2	1.6	1.2	5.2	6.1
Financial expenses		-4.7	-6.9	-10.4	-17.8	-29.0
Share of associated companies' profit		0.7	0.0	0.9	-0.1	-0.2
Profit before tax		96.6	87.0	191.5	169.7	371.9
Income taxes		-17.5	-15.8	-34.5	-29.8	-68.7
Profit for the period		79.1	71.2	157.0	139.9	303.1
Attributable to						
Equity holders of the parent		79.2	71.2	157.0	139.8	303.0
Non-controlling interests		0.0	0.1	0.0	0.1	0.2
		79.1	71.2	157.0	139.9	303.1
Earnings per share (EUR)						
Basic		0.49	0.45	0.98	0.87	1.90
Diluted		0.49	0.45	0.98	0.87	1.90
Average number of outstanding shares (1000 shares)						
Basic		160,083	159,898	160,048	159,863	159,881
Diluted		160,083	159,898	160,048	159,863	159,881

Consolidated statement of comprehensive income

Profit for the period	79.1	71.2	157.0	139.9	303.1
Other comprehensive income, net of tax.					
Items, which may be reclassified subsequently to profit or loss					
Cash flow hedge	0.3	0.0	0.1	-0.3	-0.4
Translation differences	4.0	-0.2	-0.2	0.0	1.2
	4.3	-0.2	-0.1	-0.3	0.9
Items, which are not reclassified subsequently to profit or loss					
Remeasurements of the net defined benefit liability					-1.7
Total comprehensive income	83.4	71.0	156.9	139.6	302.3
Total comprehensive income attributable to					
Equity holders of the parent	83.5	70.9	156.9	139.5	302.2
Non-controlling interest	0.0	0.1	0.0	0.1	0.2
	83.4	71.0	156.9	139.6	302.3

Consolidated statement of financial position

EUR million	Note	30.6. 2020	31.12. 2019
Non-current assets			
Tangible assets	3	815.3	826.8
Goodwill	3	1,085.7	1,086.1
Other intangible assets	3	206.5	202.5
Investments in associated companies	12	3.0	2.4
Other investments	4	14.7	13.7
Deferred tax assets		12.6	14.4
Trade and other receivables	4	89.6	91.9
		2,227.6	2,237.7
Current assets			
Inventories		75.2	67.7
Trade and other receivables		429.2	453.5
Tax receivables		0.4	3.3
Cash and cash equivalents		74.2	52.0
		579.2	576.5
Total assets		2,806.7	2,814.2
Equity attributable to equity holders of the parent			
	6	1,003.6	1,149.6
Non-controlling interests			
		0.5	0.7
Total shareholders' equity		1,004.0	1,150.3
Non-current liabilities			
Deferred tax liabilities		22.3	25.6
Pension obligations		16.7	16.7
Provisions	8	2.8	2.9
Financial liabilities	4, 7	908.7	1,085.1
Trade payables and other liabilities	4, 5	26.9	36.8
		977.4	1,167.2
Current liabilities			
Trade and other payables	4, 5	323.3	343.2
Tax liabilities		3.6	0.4
Provisions	8	1.0	2.1
Financial liabilities	4, 7	497.4	151.1
		825.3	496.7
Total equity and liabilities		2,806.7	2,814.2

Condensed consolidated cash flow statement

EUR million	1-6 2020	1-6 2019	1-12 2019
Cash flow from operating activities			
Profit before tax	191.5	169.7	371.9
Adjustments			
Depreciation, amortisation and impairment	134.2	131.9	265.8
Other adjustments	-4.0	7.3	11.9
	130.2	139.2	277.7
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables	31.2	14.2	-20.4
Increase (-) / decrease (+) in inventories	-8.1	5.1	-1.9
Increase (+) / decrease (-) in trade and other payables	-19.9	-1.9	16.8
	3.2	17.3	-5.4
Financial items, net	-12.7	-16.1	-21.3
Taxes paid	-30.3	-30.7	-69.0
Net cash flow from operating activities	281.8	279.4	553.9
Cash flow from investing activities			
Capital expenditure	-124.4	-110.0	-231.6
Investments in shares and business combinations	-2.5	-65.1	-67.1
Proceeds from disposal of assets	1.1	0.8	2.3
Net cash used in investing activities	-125.9	-174.3	-296.5
Cash flow before financing activities	155.9	105.1	257.4
Cash flow from financing activities			
Proceeds from long-term borrowings		168.4	167.9
Repayments of long-term borrowings		0.0	-180.1
Increase (+) / decrease (-) in short-term borrowings	173.5	13.0	26.0
Repayment of lease liabilities	-10.9	-9.7	-22.5
Dividends paid	-296.2	-273.1	-279.6
Net cash used in financing activities	-133.6	-101.4	-288.3
Change in cash and cash equivalents	22.4	3.7	-30.9
Translation differences	-0.1		2.0
Cash and cash equivalents at beginning of period	52.0	80.9	80.9
Cash and cash equivalents at end of period	74.2	84.5	52.0

Consolidated statement of changes in equity

EUR million	Share capital	Treasury shares	Reserve for invested non-restricted equity	Other reserves	Retained earnings	Non-controlling interests	Total equity
Balance at 1 January 2019	83.0	-135.6	90.9	372.8	715.2	0.5	1,126.9
Profit for the period					139.8	0.1	139.9
Translation differences					0.0		0.0
Cash flow hedge				-0.3			-0.3
Total comprehensive income				-0.3	139.8	0.1	139.6
Dividend distribution					-279.8	0.0	-279.9
Share-based compensation		3.4					3.4
Other changes					-4.6		-4.6
Balance at 30 June 2019	83.0	-132.2	90.9	372.5	570.6	0.6	985.4
EUR million							
Balance at 1 January 2020	83.0	-132.2	90.9	370.8	737.0	0.7	1,150.3
Profit for the period					157.0	0.0	157.0
Translation differences					-0.2		-0.2
Cash flow hedge				0.1			0.1
Total comprehensive income				0.1	156.8	0.0	156.9
Dividend distribution					-296.2	-0.1	-296.2
Share-based compensation		3.8					3.8
Acquisition of non-controlling interests					0.0	-0.1	-0.1
Other changes					-10.6		-10.6
Balance at 30 June 2020	83.0	-128.4	90.9	371.0	587.1	0.5	1,004.0

Notes

ACCOUNTING PRINCIPLES

The interim report has been prepared in compliance with IAS 34 Interim Financial Reporting. The information has been prepared in accordance with the International Financial Reporting Standards (IFRS) effective at the time of preparation and adopted for use by the European Union. Apart from the changes in accounting principles stated below, the accounting principles applied in the interim report are the same as in the financial statements on 31 December 2019.

Changes in the accounting principles

Amendments to IFRS standards adopted as of 1 January 2020 do not have a material impact on the Company's consolidated financial statements.

1. Segment information

4-6/2020 EUR million	Consumer Customers	Corporate Customers	Unallocated items	Group total
Revenue	285.2	175.6		460.8
EBITDA	112.3	56.0		168.3
Depreciation, amortisation and impairment	-41.4	-26.0		-67.4
EBIT	70.8	30.0		100.9
Financial income			-0.2	-0.2
Financial expenses			-4.7	-4.7
Share of associated companies' profit			0.7	0.7
Profit before tax				96.6
Investments	48.9	26.0		74.9
4-6/2019 EUR million	Consumer Customers	Corporate Customers	Unallocated items	Group total
Revenue	281.7	169.9		451.6
EBITDA	103.8	55.4		159.2
Depreciation, amortisation and impairment	-41.1	-25.6		-66.8
EBIT	62.7	29.7		92.4
Financial income			1.6	1.6
Financial expenses			-6.9	-6.9
Share of associated companies' profit			0.0	0.0
Profit before tax				87.0
Investments	41.0	19.7		60.7

1-6/2020	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	items	total
Revenue	571.6	357.3		929.0
EBITDA	221.2	112.8		334.0
Depreciation, amortisation and impairment	-82.7	-51.5		-134.2
EBIT	138.5	61.4		199.8
Financial income			1.2	1.2
Financial expenses			-10.4	-10.4
Share of associated companies' profit			0.9	0.9
Profit before tax				191.5
Investments	81.2	44.4		125.6
1-6/2019	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	items	total
Revenue	555.1	336.3		891.4
EBITDA	207.9	106.3		314.2
Depreciation, amortisation and impairment	-82.0	-49.8		-131.9
EBIT	125.9	56.5		182.4
Financial income			5.2	5.2
Financial expenses			-17.8	-17.8
Share of associated companies' profit			-0.1	-0.1
Profit before tax				169.7
Investments	78.5	39.1		117.6
1-12/2019	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	items	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
Total assets	1,748.2	980.2	85.8	2,814.2

2. Acquisitions and disposals

On 18 May 2020, Elisa's subsidiary Polystar OSIX AB acquired software development company P-OSS Solutions S.L.U. The acquisition does not have material impact on the group.

There were no material disposals during the reporting period.

3. Property, plant and equipment and intangible assets

30.6.2020	Property plant and equipment	Goodwill	Other intangible assets
EUR million			
Acquisition cost at 1 January 2020	4,216.7	1,101.2	890.1
Business acquisitions		0.1	2.3
Additions	89.6		30.8 ¹⁾
Additions, right-of-use assets	5.3		
Disposals	-3.0		
Reclassifications	-3.4		-16.0
Translation differences	-0.2	-0.4	0.0
Acquisition cost at 30 June 2020	4,305.1	1,100.8	907.1
Accumulated depreciation, amortisation and impairment	3,390.0	15.0	687.6
Depreciation, amortisation and impairment	106.4		27.7
Accumulated depreciation and amortisation on business acquisitions			1.0
Accumulated depreciation and amortisation on disposals and reclassifications	-6.6		-15.7
Translation differences	-0.1		0.0
Accumulated depreciation, amortisation and impairment	3,489.7	15.0	700.6
Book value at 1 January 2020	826.8	1,086.1	202.5
Book value at 30 June 2020	815.3	1,085.7	206.5

1) Includes Finnish 26 GHz spectrum licence in a carrying amount of EUR 7.0 million.

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

Commitments to purchase property, plant and equipment and intangible assets amounted to EUR 48.0 (50.7) million on 30 June 2020.
The lease commitments for rental agreements commencing in the future, in accordance with IFRS 16, were EUR 16.1 (10.8) million on 30 June 2020 .

4. Carrying amounts of financial assets and liabilities by category

30.6.2020 EUR million	Financial liabilities measured at fair value through profit or loss	Financial asset/liabilities measured at fair value through other comprehensive income	Financial assets/liabilities measured at amortised cost	Book values	Fair values
Non-current financial assets					
Other investments ⁽¹⁾			14.7	14.7	14.7
Trade and other receivables	0.0	0.1	89.5	89.6	89.6
Current financial assets					
Trade and other receivables			429.2	429.2	429.2
	0.0	0.1	533.5	533.6	533.6
Non-current financial liabilities					
Financial liabilities			908.7	908.7	938.9
Trade and other payables ⁽²⁾			22.3	22.3	22.3
Current financial liabilities					
Financial liabilities			497.4	497.4	499.7
Trade and other payables ⁽²⁾	5.9		311.9	317.8	317.8
	5.9		1,740.2	1,746.1	1,778.7
31.12.2019 EUR million					
Non-current financial assets					
Other investments ⁽¹⁾			13.7	13.7	13.7
Trade and other receivables			91.9	91.9	91.9
Current financial assets					
Trade and other receivables	0.0	0.0	453.4	453.5	453.5
	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
Trade and other payables ⁽²⁾	5.0	0.1	26.8	31.8	31.8
Current financial liabilities					
Financial liabilities			151.1	151.1	151.1
Trade and other payables ⁽²⁾	0.9		337.1	338.0	338.0
	5.9	0.1	1,600.0	1,606.0	1,641.9

¹⁾ Other investments contains groups' unlisted equity investments

²⁾ Excluding advances received

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 whose cash flow includes payments of principal and interest on the principal outstanding. Financial assets and liabilities measured at fair value through other comprehensive income include those financial items that are expected both to collect contractual cash flows and to sell financial assets. Financial assets and liabilities measured at fair value through profit or loss include items that do not meet the criteria of the other groups.

The Group categorises 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 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.

5. Financial assets and liabilities recognised at fair value

EUR million	30.6.2020	Level 1	Level 2	Level 3
Financial assets/liabilities measured at fair value through other comprehensive income				
Electricity derivatives	0.1		0.1	
Financial assets/liabilities measured at fair value through profit or loss				
Currency derivatives	0.0		0.0	
Contingent considerations relating to business combinations	-5.9			-5.9
	-5.8		0.1	-5.9

EUR million	31.12.2019	Level 1	Level 2	Level 3
Financial assets/liabilities recognised at fair value through other comprehensive income				
Electricity derivatives	-0.1		-0.1	
Currency derivatives	0.0		0.0	
Financial assets/liabilities measured at fair value through profit or loss				
Currency derivatives	0.0		0.0	
Contingent considerations relating to business combinations	-5.9			-5.9
	-5.9		0.0	-5.9

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

6. Equity

	Number of shares pcs	Treasury shares pcs	Holding, % of shares and votes
Shares at 31 December 2019	167,335,073	7,437,277	4.44 %
Disposal of treasury shares		-185,112	
Shares at 30 June 2020	167,335,073	7,252,165	4.33 %

Dividend

On 2 April 2020, Elisa's Annual General Meeting decided of a dividend of 1.85 euros per share. The total dividend amounts to EUR 296.2 million and payment started on 15 April 2020.

7. Issuance and repayment of debt securities

Elisa agreed with bank group one year extension to EUR 130 million Revolving Credit Facility. Facility matures on 11 June 2022. Current financial liabilities include EUR 174 million bond which matures on 22 January 2021 and outstanding commercial papers of EUR 306.5 million.

The unused amount of the EUR 1,500 million EMTN program is EUR 726 million as of 30 June 2020.

EUR million	30.6. 2020	31.12. 2019
Issued bonds, nominal value	774.0	774.0
Issued commercial papers	306.5	133.0
Withdrawn committed credit lines	0.0	0.0

8. Provisions

EUR million	Termination benefits	Other	Total
1 January 2020	3.3	1.7	5.0
Increase in provisions	0.5		0.5
Reversals of unused provisions	-0.1		-0.1
Utilised provisions	-1.6		-1.6
30 June 2020	2.2	1.7	3.8

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

9. Off-balance sheet lease commitments

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

EUR million	30.6. 2020	31.12. 2019
Within one year	11.8	11.4
Later than one year, not later than five years	3.2	2.8
Later than five years	0.8	0.8
	15.9	15.0

Lease commitments are exclusive of value added tax.

10. Contingent liabilities

EUR million	30.6. 2020	31.12. 2019
For our own commitments		
Mortgages	1.2	1.2
Guarantees	0.1	0.1
Deposits	0.4	0.4
	1.6	1.6
Other contractual obligations		
Venture capital investment commitment	1.9	2.2
Repurchase obligations	0.0	0.0
Letter of credit		0.1

11. Derivative instruments

EUR million	30.6. 2020	31.12. 2019
Nominal values of derivatives		
Electricity derivatives	0.8	1.0
Currency derivatives	3.5	4.4
	4.3	5.4
Fair values of derivatives		
Electricity derivatives	0.1	-0.1
Currency derivatives	0.0	0.0
	0.1	0.0

12. Related party transactions

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.

Related party transactions with associated companies EUR million	1-6 2020	1-6 2019	1-12 2019
Sales	0.4	0.3	0.7
Purchases	0.5	0.5	0.9
Receivables	0.3	0.7	0.5
Liabilities	0.0		0.0

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

13. Key figures

EUR million	1-6 2020	1-6 2019	1-12 2019
Shareholders' equity per share, EUR	6.27	6.16	7.19
Interest bearing net debt	1,331.8	1,319.3	1,184.2
Gearing, %	132.6 %	133.9 %	103.0 %
Equity ratio, %	35.9 %	35.3 %	41.0 %
Return on investment (ROI), % *)	17.0 %	16.9 %	17.2 %
Gross investments in fixed assets, of which right-of-use assets	125.6 5.3	117.6 13.4	256.0 29.0
Gross investments as % of revenue	13.5 %	13.2 %	13.9 %
Investments in shares and business combinations	2.6	81.2	83.4
Average number of employees	5,016	4,823	4,882

*) Rolling 12 months' profit preceding the reporting date

Financial calendar

Interim Report Q3 2020

16 October 2020

Contact information

Investor Relations:

investor.relations@elisa.fi

Press:

mediadesk@elisa.fi

[Elisa website: www.elisa.com](http://www.elisa.com)