Financial Statements 2013

7 February 2014

ELISA'S FINANCIAL STATEMENTS 2013

Fourth quarter 2013

- Revenue amounted to EUR 401 million (396)
- EBITDA was EUR 122 million (124), and excluding non-recurring items EUR 134 million
- EBIT was EUR 69 million (74), and excluding non-recurring items EUR 81 million
- Profit before tax was EUR 60 million (64), and excluding non-recurring items EUR 72 million
- Earnings per share was EUR 0.32 (0.32), excluding non-recurring items EUR 0.37 (0.34)

- Mobile ARPU was EUR 16.0 (16.1 in previous quarter)
- Churn was 17.6 per cent (18.0 in previous quarter)
- The number of Elisa's mobile subscriptions increased by 38,000 during the quarter
- The number of fixed broadband subscriptions was at the previous quarter's level
- Net debt/EBITDA was 2.0 (1.7) and gearing 113 per cent (99)

Year 2013

- Revenue was EUR 1,547 million (1,553)
- EBITDA was EUR 491 million (501), and excluding non-recurring items EUR 508 million
- EBIT was EUR 281 million (299), and excluding non-recurring items EUR 298 million
- Profit before tax was EUR 255 million (269), and excl. non-recurring items EUR 272 million
- Cash flow after investments was EUR 84 million (155), excluding acquisitions EUR 177 million
- The Board of Directors proposes a dividend of EUR 1.30 per share

Key indicators

	4th Quarter		Full year	
EUR million	2013	2012	2013	2012
Revenue	401	396	1,547	1,553
EBITDA	122	124	491	501
EBITDA excluding non-recurring items	134	124	508	501
EBIT[1)]	69	74	281	299
Profit before tax[1)]	60	64	255	269
Earnings per share, EUR[1)]	0.32	0.32	1.25	1.33
Capital expenditure	90	50	240	193
CAPEX excluding license fees	57	50	202	193

[1)] Excluding non-recurring items: Q4 EBIT EUR 81m, Profit before tax EUR 72m and EPS EUR 0.37, Full year EBIT EUR 298m, Profit before tax EUR 272m and EPS EUR 1.33

Financial position and cash flow

EUR million	End 2013	End 2012
Net debt	971	839
Net debt / EBITDA [1)]	2.0	1.7
Gearing ratio, %	112.6	99.3
Equity ratio, %	37.3	42.3

	4th Quarter		Full year	
EUR million	2013	2012	2013	2012
Cash flow after investments [2)]	26	34	84	155

[1)] (interest-bearing debt – financial assets) / (4 previous quarters' EBITDA exclusive of non-recurring items)
[2)] Full-year cash flow after investments excluding investments in PPO and Sulake shares EUR 177m (155)

The Board of Directors proposes to the Annual General Meeting a dividend of EUR 1.30 (1.30) per share. The Board of Directors decided also to propose to the General Meeting an authorisation to acquire maximum 5 million treasury shares, which corresponds to 3 per cent of the total shares.

Key Performance Indicators are available on www.elisa.com/investors Elisa Quarterly Data.xls.

CEO Veli-Matti Mattila:

"Elisa's earnings grew in 2013

Elisa's pre-tax profit excluding non-recurring items grew compared to the previous year. Revenue remained at the previous year's level. Revenue was increased by the purchase of PPO's operations and the mobile service product upgrade, while a decrease in interconnection fees and the intense mobile services campaigns carried out early in the year affected the figures negatively. Smartphones, USB modems and routers are an increasingly important part of the lives of consumers and business clients/organizations. Developments in mobile devices and applications and the increase in data transfer rates enabled by 4G technology have strongly accelerated the use of mobile data services.

Our mobile subscription base grew by 89,000 during the year under review. The number of fixed-network broadband subscriptions also grew by nearly 60,000 subscriptions, mainly due to the PPO acquisition. In the last quarter of the year, the number of mobile subscriptions increased by 38,000, while the number of fixed-network broadband subscriptions remained at the same level even though a portion of subscriptions in Eastern Finland were sold according to the Competition Authority's condition for the PPO deal.

In the Consumer Customer business, sales of the Elisa Kirja e-book service achieved the milestone of one million e-books downloaded. The Elisa Kirja e-book service now also offers anyone the opportunity to publish their own book. The Elisa Wallet service now lets you send payments to any mobile phone number, making it easy to move back small sums of money. The demand for the Omaguru help service, which offers guidance in the use of domestic technical equipment, continued to grow with excellent customer satisfaction.

The demand for ICT services grew among our corporate customers as they improved their competitiveness and productivity. The use of video connections for purposes such as loan negotiations with banks increased. Appelsiini, an Elisa subsidiary, launched the Povari cloud based information distribution service, offering a new safe and easy way of transferring and distributing information. The data remains safe in Elisa's data centres in Finland.

In 2013, we continued our strong investments in our fast, extensive mobile network. At the end of the year, we won the auctions for the 800 MHz frequencies that we wanted. The new frequencies allow the cost-efficient construction of a high-speed 4G LTE network even in less densely populated areas, as well as improved indoor coverage in urban areas.

During the year under review, we began to use electricity with a guarantee of origin in our production operations, which makes us able to offer low-emissions services to our customers.

We carried out several measures to improve profitability, including streamlined product portfolio and IT systems and operations, more efficient customer service and sales, and lower administrative costs; these projects continued with good results throughout the year.

We will continue our determined work to improve customer satisfaction and the productivity of our operations. Development of new services and our strong investment capacity also create a solid foundation for competitive operations in the future."

FINANCIAL STATEMENTS 2013

The Financial Statements have been prepared in accordance with the IFRS recognition and measurement principles but not all IAS 34 requirements have been observed.

Market situation

The competitive environment has been keen during the year. Especially during the first half of the year, price campaigning was exceptionally strong. The mobile subscription base and the use of data services continued to evolve favourably. The mobile smartphone market is growing rapidly. Approximately 85 per cent of the mobile handsets sold are smartphones. This further increases the use of mobile data services. Another factor contributing to the mobile market growth has been the increased coverage of new 4G speeds. The number and usage of traditional fixed network subscriptions decreased.

The markets for new visual communications (e.g. videoconferencing), IT outsourcing and IPTV entertainment services have continued to develop favourably. The demand for other new consumer online services is also growing.

Revenue, earnings and financial position

Revenue and earnings

EUR million	2013	2012	2011
Revenue	1,547	1,553	1,530
EBITDA	491	501	506
EBITDA-%	*31.7*	*32.3*	*33.1*
EBITDA excluding non-recurring items	508	501	501
EBITDA-% excluding non-recurring items	*32.8*	*32.3*	*32.3*
EBIT	281	299	295
EBIT-%	*18.1*	*19.2*	*19.3*
EBIT excluding non-recurring items	298	299	295
EBIT-% excluding non-recurring items	*19.3*	*19.2*	*19.3*
Return on equity, %	22.9	24.7	24.1

Year 2013

Revenue was at the previous year's level. Positive contributors to revenue included the PPO and Sulake acquisitions, Corporate Customers' ICT services, such as Videoconferencing and IT services, and Consumer Customers' online services like the Elisa Viihde IPTV service. Lower mobile termination rates as well as the decrease in usage and subscriptions of traditional fixed telecom services in both segments affected revenue negatively, as did the decrease in mobile service revenue due to increased price competition in the first half of the year.

Reported EBITDA includes non-recurring items of EUR 17 million, which relates to personnel reductions. EBITDA excluding non-recurring items grew by 1 per cent, mainly due to acquisitions and the cost efficiency measures. EBITDA was negatively affected by increased campaigning in mobile services in the first half of the year, and investment in ICT and online services' growth. EBIT excluding non-recurring items was at the previous year's level. Depreciations grew due to higher depreciation levels in the acquired companies.

Net financial income and expenses improved to EUR -26 million (-30). A lowered interest rate after partial refinancing of EUR 300 million debt decreased net financial expenses. Income taxes in the income statement amounted to EUR -58 million (-60). Elisa's net profit was EUR 196 million (209). The Group's earnings per share amounted to EUR 1.25 (1.33), and excluding non-recurring items EUR 1.33 (1.35).

Fourth quarter 2013

Revenue increased by 1 per cent from EUR 396 million to EUR 401 million. Revenue was positively affected by acquisitions, mobile services, as well as new online and ICT services. Lower interconnection prices, as well as traditional fixed network services affected revenue negatively.

Reported EBITDA includes non-recurring items of EUR 12 million, which relates to personnel reductions. EBITDA excluding non-recurring items increased by 8 per cent from EUR 124 million to EUR 134 million mainly due to acquisitions, increased mobile service revenue and the cost efficiency measures.

Net financial income and expenses improved to EUR -9 million (-10) mainly due to lower interest through early refinancing of maturing debt. Income taxes in the income statement amounted to EUR -11 million (-14). Elisa's net profit was EUR 49 million (50). The Group's earnings per share amounted to EUR 0.32 (0.32), and excluding non-recurring items EUR 0.37 (0.34).

Financial position

EUR million	End 2013	End 2012	End 2011
Net debt	971	839	788
Net debt / EBITDA [1)]	2.0	1.7	1.6
Gearing ratio, %	112.6	99.3	93.8
Equity ratio, %	37.3	42.3	42.3

EUR million	Full year 2013	Full year 2012	Full year 2011
Cash flow after investments [2)]	84	155	207

[1)] (interest-bearing debt – financial assets) / (4 previous quarters' EBITDA exclusive of non-recurring items)
[2)] Full year cash flow after investments excluding investments in PPO and Sulake shares EUR 177m (155)

Year 2013

Elisa's cash flow after investments was EUR 84 million (155), and excluding acquisitions EUR 177 million (155). It was negatively affected by 800 MHz license fee payments of EUR 12 million in Finland and Estonia. Compared to the previous year, cash flow was positively affected by net working capital change, as well as decreased financial expenses and paid taxes.

Fourth quarter 2013

The fourth quarter cash flow after investments decreased to EUR 26 million (34) mainly due to 800 MHz license fee payments of EUR 7 million in Finland and higher capital expenditure to networks. Compared to the previous year, cash flow was positively affected by net working capital changes.

Elisa's financial position and liquidity remained good.

Changes in corporate structure

On 15 February, Elisa increased its ownership In Sulake Corporation to 100 per cent. Sulake has been consolidated from 1 February 2013 onwards.

On 25 April, the Finnish Competition and Consumer Authority approved the transaction in which Elisa acquired PPO's Telecom and IT operations. The acquisition also included PPO's holdings in Kymen Puhelin Oy and Telekarelia Oy. The transaction was completed by 30 April 2013 and acquired companies were consolidated into Elisa's financial statements effective 1 May 2013.

In June, Elisa's wholly owned subsidiary PPO-Yhtiöt Oy, and its subsidiaries Kymen Puhelin Oy and Telekarelia Oy signed plans to merge with Elisa.

Extraordinary shareholder meetings of Kymen Puhelin on 21 August 2013 and Telekarelia on 22 August approved the mergers. On 23 August, the Board of Directors of Elisa approved the mergers.

The registration date of the mergers was 31 December 2013. The merger considerations are explained in more detail in the section 'Shares'.

On 30 September, Elisa divested PPO's home appliance business in Ylivieska, Raahe and Kokkola. The annual revenue of the divested business is approximately EUR 5 million. The transaction has no impact on Elisa's result.

Consumer Customers business

	4th Quarter		Full year	
EUR million	2013	2012	2013	2012
Revenue	244	247	949	962
EBITDA	73	77	295	307
EBITDA-%	*30.1*	*30.9*	*31.1*	*31.9*
EBITDA excl. non-recurring items	79	77	304	307
EBITDA-% excl. non-recurring items	*32.5*	*30.9*	*32.1*	*31.9*
EBIT	45	48	178	192
EBIT excl. non-recurring items	50	48	187	192
CAPEX	48	29	132	114

Year 2013

Revenue decreased by 1 per cent. The decrease in usage and subscriptions of traditional fixed telecom services affected revenue negatively, as did the decrease in mobile services due to increased price competition in the first half of the year, as well as the lower mobile termination rates. The acquisitions and growth in online services contributed positively to revenue.

Reported EBITDA includes non-recurring items of EUR 9 million which relate to personnel reductions. EBITDA excluding non-recurring items decreased by 1 per cent mainly due to decrease in revenue.

Fourth quarter 2013
Revenue decreased by 1 per cent mainly due to decreases in interconnection revenue and equipment sales. The decrease in fixed network usage and subscriptions also affected revenue negatively. The acquisitions, growth in online and mobile services contributed positively to revenue.

Reported EBITDA includes non-recurring items of EUR 6 million, which relates to personnel reductions. EBITDA excluding non-recurring items increased by 3 per cent, mainly due to acquisitions, increased mobile service revenue and cost efficiency measures.

Corporate Customers business

	4th Quarter		Full year	
EUR million	2013	2012	2013	2012
Revenue	157	148	598	591
EBITDA	48	47	195	194
EBITDA-%	*30.7*	*31.9*	*32.7*	*32.8*
EBITDA excl. non-recurring items	55	47	204	194
EBITDA-% excl. non-recurring items	*34.7*	*31.9*	*34.1*	*32.8*
EBIT	24	26	103	107
EBIT excl. non-recurring items	30	26	111	107
CAPEX	42	21	108	80

Year 2013
Revenue increased by 1 per cent. Acquisitions and growth in ICT services contributed positively to revenue. Lower interconnection and roaming fees, a decrease in mobile service revenue and traditional fixed network business affected revenue negatively.

Reported EBITDA includes non-recurring items of EUR 8 million which relate to personnel reductions. EBITDA excluding non-recurring items grew by 5 per cent, mainly as a result of an increase in revenue and cost efficiency measures.

Fourth quarter 2013
Revenue increased by 6 per cent. The acquisitions and growth in ICT services affected revenue positively. The decline in usage and subscriptions in traditional fixed telecom services and lower mobile termination rates and roaming decreased revenue.

Reported EBITDA includes non-recurring items of EUR 6 million which relate to restructuring costs and personnel reductions. EBITDA excluding non-recurring items grew by 15 per cent, mainly due to increased revenue and cost efficiency measures.

Personnel

In 2013, the average number of personnel at Elisa was 4,320 (3,973). Employee expenses totalled EUR 270 million (237), which include a non-recurring restructuring cost of EUR 16 million. Personnel at the end of 2013 amounted to 4,217 (3,863). Personnel by segment at the end of the period:

	End 2013	End 2012
Consumer Customers	2,424	2,182
Corporate Customers	1,793	1,681
Total	4,217	3,863

The increase in the number of personnel was attributable mainly to the PPO and Sulake acquisitions and growth in the corporate ICT service. During the fourth quarter of the year, the number of personnel decreased by 260 due to outsourcing and personnel reductions.

Investments

	4th Quarter		Full year	
EUR million	2013	2012	2013	2012
Capital expenditure, of which	90	50	240	193
- Consumer Customers	48	29	132	114
- Corporate Customers	42	21	108	80
Shares	39	0	150	0
Total	128	50	390	193

Year 2013

In 2013, the main capital expenditures related to the capacity and coverage increase of the 3G and 4G networks, as well as to other network and IT investments. Capital expenditure includes 800 MHz LTE licences of EUR 38 million, of which EUR 33 million relates to Finland and EUR 5 million to Estonia. Licence investment is equally allocated to both customer segments. Investments in shares relates to PPO and Sulake acquisitions and merger consideration of Kymen Puhelin and Telekarelia minority shareholders.

Fourth quarter 2013

Capital expenditure includes 800 MHz LTE licences of EUR 33 million in Finland. Licence investment is equally allocated to both customer segments. Investments in shares relate to merger consideration of Kymen Puhelin and Telekarelia minority shareholders.

Financing arrangements and ratings

On 17 September 2013, Elisa placed a new EUR 300 million senior unsecured bond that matures in January 2021 and pays an annual coupon of 2.75 per cent, which will be used among the others to refinance higher interest rate debt. The bond was issued under Elisa's EUR 1 billion EMTN (Euro Medium Term Note) programme and listed on the Luxembourg Stock Exchange.

Valid financing arrangements

EUR million	Maximum amount	In use on 31.12.2013
Committed credit lines	300	0
Commercial paper program [1)]	250	101
EMTN program [2)]	1,000	761.7

[1)] The program is not committed

[2)] European Medium Term Note program, not committed

Long-term credit ratings

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

The Group's cash and undrawn committed credit lines totalled EUR 438 (340) million on 31 December 2013.

Share

Share trading volumes and closing prices are based on the trades made on the NASDAQ OMX Helsinki.

		4th Quarter		Full year
Trading of shares	2013	2012	2013	2012
Shares traded, millions	23.4	24.2	128.1	116.5
Volume, EUR million	429.8	402.2	2,068.4	1.935.4
% of shares	14.0	14.5	76.6	69.7

Shares and market values	End 2013	End 2012
Total number of shares	167,335,073	167,167,782
Treasury shares	7,986,043	10,288,116
Outstanding shares	159,349,030	156,879,666
Closing price, EUR	19.26	16.73
Market capitalisation, EUR million	3,069	2,625
Treasury shares, %	4.77	6.15

Elisa shares are also traded in alternative marketplaces. According to the Fidessa Fragmentation report, the trading volumes in these markets during the fourth quarter were approximately 89 (106) per cent, and in 2013, 93 (104) per cent of NASDAQ OMX Helsinki. The total trading volume in all marketplaces represents approximately 148 (151) per cent of outstanding shares.

Number of shares	Total number of shares	Treasury shares	Outstanding shares	Change in equity, €
Shares at 31.12.2012	167,167,782	10,288,116	156,879,666	
Share issue [1)]		- 303,599		4,629,890
Option subscriptions in 2013 [2)]	336,878			2,929,052
Cancellation of shares [3)]	-2,000,000	-2,000,000		
Share Issue [4)]	1,830,413			
Returned shares [5)]		1,526		
Shares at 31.12.2013	167,335,073	7,986,043	159,349,030	

[1)] Stock exchange bulletin 25.4.2013, [2)] Stock exchange bulletins 20.3.2013 and 19.6.2013, [3)] Stock exchange bulletin 7.11.2013, [4)] Stock exchange bulletin 31.12.2013 and [5)] Shares returned during 2013 from share incentive plans

Options	2007A	2007B	2007C	Total
Total number of options	850,000	850,000	850,000	2,550,000
Held by Elisa or not distributed	0	0	0	0
Used in share subscription	12,375	581,999	603,700	1,198,074
Terminated	837,625	268,001	246,300	1,351,926
Outstanding	0	0	0	0
Last subscription price, €	-	-	8,67	
Subscription period	1.10.2009-31.5.2011	1.10.2010-31.5.2012	1.10.2011-31.5.2013	

The last tranche of the 2007 options expired on 31 May 2013. There are no outstanding options.

At the end of the year, Elisa's total number the shares was 167,335,073 (167,167,782), all within one share series.

During 2013, a total of 1,526 shares from the share incentive plans were returned to the company.

In April, Elisa distributed a dividend of EUR 1.30 per share, totalling EUR 204 million, in accordance with the decision of the shareholders at the Annual General Meeting.

Shares subscribed with options

Subscribed between	Register date	2007C	Equity increase[1)]
5.12.2012 – 6.3.2013	20.3.2013	6,400	63,808
7.3.2013 – 31.5.2013	19.6.2013	330,478	2,865,244
Total		336,878	2,929,052

1) The subscription price has been booked into Elisa's reserve for invested non-restricted equity

For more information, see page 47 of Elisa's Annual report 2012 and the Stock exchange release of 18 December 2007.

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 10 million in research and development, of which EUR 8 million has been capitalised in 2013 (EUR 7 million in 2012 and EUR 5 million in 2011), corresponding to 0.6 per cent of revenue (0.6 per cent in 2012 and 0.3 per cent in 2011).

The Annual General Meeting

On 25 March 2013, Elisa's Annual General Meeting decided to pay a dividend of EUR 1.30 per share based on the 2012 financial statements. The dividend was paid to shareholders on 9 April 2013.

The Annual General Meeting adopted the financial statements for 2012. The members of the Board of Directors and the CEO were discharged from liability for 2012.

The number of the members of the Board of Directors was confirmed at seven. Ari Lehtoranta, Raimo Lind, Leena Niemistö and Eira Palin-Lehtinen, Mika Salmi and Mika Vehviläinen were re-elected as members of the Board of Directors and Jaakko Uotila as new member of the Board of Directors. The Board of Directors elected Raimo Lind as the Chairman of the Board and Ari Lehtoranta as the Deputy Chairman. Raimo Lind (Chairman), Ari Lehtoranta and Mika Vehviläinen were appointed to the Nomination and Compensation Committee. Eira Palin-Lehtinen (Chair), Leena Niemistö and Jaakko Uotila were appointed to the Audit Committee.

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

The Board of Directors' authorisations

The Annual General Meeting 2013 decided on the authorization to repurchase or accept as pledge the company's own shares. The repurchase may be directed. The amount of shares under this authorization is 5 million shares at maximum. The authorization is effective until 30 June 2014.

The Annual General Meeting of 2010 approved the proposal of the Board of Directors on the issuance of shares as well as the issuance of special rights entitled to shares. The issue may be directed. The authorisation is effective until 30 June 2014. A maximum aggregate number of shares to be issued under the authorisation is 15 million, of which 2.4 million shares has been issued.

Elisa Shareholders' Nomination Board

The 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.

The composition of Elisa's Shareholders' Nomination Board is as follows:
- Ms Eija Ailasmaa, Vice Chairman of the Board of Solidium Oy
- Mr Pekka Pajamo, CFO, Varma Mutual Pension Insurance Company
- Mr Timo Ritakallio, Deputy CEO, Ilmarinen Mutual Pension Insurance Company
- Mr Jorma Eräkare, Head of Finnish Equities, Nordea Finland Fund
- Mr Raimo Lind, Chairman of the Board of Elisa

The Nomination Board elected Eija Ailasmaa as the chair.

Significant legal and regulatory issues

On 24 April 2013, the Finnish Competition and Consumer Authority (FCCA) approved the transaction in which Elisa acquires the entire share capital of a company comprised of fixed-line operator PPO's Telecom and IT operations. The acquisition also includes PPO's holdings of Kymen Puhelin Oy and Telekarelia Oy.

The transaction was completed by 30 April 2013 and the acquired companies were consolidated into Elisa's financial statements effective 1 May 2013.

As a condition for the acquisition, FCCA ruled that the overlapping consumer business broadband networks and fibre-optic connections, as well as the approximately 2,700 related customer agreements in Joensuu, Kontiolahti and Outokumpu in Eastern Finland be divested.

According to the Finnish Competition and Consumer Authority's condition for the PPO acquisition, Elisa has divested in October approximately 2,700 customer agreements in the Joensuu, Kontiolahti and Outokumpu areas in eastern Finland.

FCCA announced that it took Elisa's paper invoice pricing practise for consumer customers' telephone subscriptions to the Market Court.

The auction for the LTE 800 MHz spectrum ended on 30 October 2013. Elisa won 2 × 10 MHz of spectrum. The fee for the license is EUR 33.3 million and it will be paid in 5 annual instalments in 2013–2017. The license is valid from 1 January 2014 to 31 December 2033. The license conditions include a building commitment of 97 per cent population coverage within 5 years.

Elisa won 2 × 10 MHz in the LTE 800 MHz spectrum auction in Estonia on 12 August 2013. The fee for the license was EUR 5 million and it was fully paid in August.

Substantial risks and uncertainties associated with Elisa's operations

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

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

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

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

Hazard risks:
The company's core operations are covered by insurance against damage and interruptions caused by accidents and disasters. Accident risks also include litigation and claims.

Financial risks:
In order to manage the interest rate risk, the Group's loans and investments are diversified in 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 to financially solid banks, domestic companies and institutions. Credit risk concentrations in accounts receivable are minor as the customer base is wide.

A detailed description of financial risk management can be found in Note 34 of the Annual Report 2012.

Corporate responsibility

Demand for ICT and online services continued to grow and they carried a reduction in the carbon dioxide footprint of a total of 21,965 tCO_2, showing a 15 per cent growth in reduction. The carbon footprint in mobile data improved by 46 per cent (0.27 kg/GB). Elisa’s datacentres improved their energy efficiency showing 3,797 tCO_2 savings. Elisa saved 678 tCO_2 (340) in e-billing.

From summer 2013, all Elisa’s energy procurement is based on renewable energy sources which carry a Certificate of Origin. Elisa’s environmental reporting was awarded by CDP in 2013.

Elisa invests in flexible work. 2013 personnel survey result was second best over a ten-year period.

Elisa will publish its first online responsibility report in annual report 2013. Responsibility report incorporates the GRI index.

2013 Annual Report and Corporate Governance Statement

Elisa will publish its 2013 Annual Report, which contains the report by the Board of Directors and the financial statements for 2013, as well as a separate Corporate Governance Statement during week 11 (beginning 10 March 2014) on its website at www.elisa.com.

Events after the financial period

The Shareholders’ Nomination Board of Elisa Corporation proposes to the Annual General Meeting of 2 April 2014 that the number of members of the Board of Directors to be seven. The Nomination Board proposes that Mr Raimo Lind, Ms Leena Niemistö, Ms Eira Palin-Lehtinen, Mr Jaakko Uotila and Mr Mika Vehviläinen be re-elected as members of the Board. Mr Mika Salmi and Mr Ari Lehtoranta were not available for re-election. The Nomination Board proposes that Mr Petteri Koponen and Ms Seija Turunen are to be elected as new members of the Board.

The Board of Directors will ask the Annual General Meeting an authorisation of the issuance of shares as well as the issuance of special rights entitled to shares. The issue may be directed. The authorisation is effective until 30 June 2016 and it replaces the operative authorisation. A maximum aggregate of 15 million of the company’s shares can be issued under the authorisation.

Outlook and guidance for 2014

The macroeconomic environment in Finland is still expected to be weak in 2014. Competition in the Finnish telecommunications market also remains challenging.

Full year revenue is estimated to be at the same level or slightly higher than in 2013. Mobile data, ICT and new online services as well as completed acquisitions are expected to increase revenue. Full-year EBITDA, excluding non-recurring items, is anticipated to be at the same level as in 2013 or slightly higher. Full-year capital expenditure is expected to be maximum 12 per cent of revenue. Elisa's financial position and liquidity are good.

Elisa is continuing its cost efficiency measures, in the areas of streamlining product portfolio and IT systems and operations, increasing customer service and sales efficiency, as well as reducing general administration costs.

Elisa's transformation into a provider of new, exciting and relevant services for its customers is continuing. Long-term growth and profitability improvement will derive from mobile data market growth, as well as new online and ICT services.

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 possible 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 1.30 per share. The dividend payment corresponds to 104 per cent of the financial period's net profit.

Shareholders who are listed in the company's register of shareholders maintained by Euroclear Finland Ltd on 7 April 2014 are entitled to funds distributed by the General Meeting. The Board of Directors proposes that the payment date be 15 April 2014. The profit for the period shall be added to retained earnings.

The Board of Directors decided also 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

The annual financial statements figures presented in this release are based on the company's audited financial statements. The auditor's report was issued on 6 February 2014.

Consolidated Income Statement

EUR million	Note	10-12 2013	10-12 2012	1-12 2013	1-12 2012
Revenue	1	**401,2**	395,8	**1 547,4**	1 553,4
Other operating income		**2,5**	1,2	**4,0**	4,7
Materials and services		**-161,5**	-171,2	**-619,9**	-655,6
Employee expenses		**-78,1**	-61,8	**-270,0**	-237,0
Other operating expenses		**-42,4**	-40,1	**-170,8**	-164,5
EBITDA	1	**121,6**	123,9	**490,7**	501,1
Depreciation and amortisation		**-52,9**	-50,0	**-210,1**	-202,1
EBIT	1	**68,7**	73,9	**280,6**	298,9
Financial income		**2,2**	2,3	**10,3**	9,4
Financial expense		**-10,8**	-12,4	**-36,2**	-39,5
Share of associated companies' profit		**0,0**	0,1	**0,0**	0,1
Profit before tax		**60,0**	63,9	**254,6**	268,9
Income taxes		**-10,8**	-13,9	**-58,2**	-60,4
Profit for the period		**49,2**	50,0	**196,3**	208,5
Attributable to:					
Owners of the parent		**49,8**	49,7	**196,6**	208,7
Non-controlling interests		**-0,6**	0,3	**-0,2**	-0,2
		49,2	50,0	**196,3**	208,5
Earnings per share (EUR)					
Basic		**0,32**	0,32	**1,25**	1,33
Diluted		**0,32**	0,32	**1,25**	1,33
Average number of outstanding shares (1000 shares)					
Basic		**157 539**	156 783	**157 269**	156 548
Diluted		**157 539**	156 920	**157 269**	156 685

Consolidated Statement of Comprehensive Income

	10-12 2013	10-12 2012	1-12 2013	1-12 2012
Profit for the period	**49,2**	50,0	**196,3**	208,5
Other comprehensive income, net of tax				
Items which may be reclassified subsequently to profit or loss:				
Translation differences	**-0,1**	0,0	**-0,2**	0,0
Available-for-sale investments	**-0,7**	0,0	**1,1**	-1,3
	-0,9	0,0	**0,9**	-1,3
Items which are not reclassified subsequently to profit or loss:				
Remeasurements of the net defined benefit liability	**-6,3**	-4,5	**-6,3**	-4,5
Total comprehensive income	**42,0**	45,5	**190,9**	202,7
Total comprehensive income attributable to:				
Owners of the parent	**42,6**	45,2	**191,2**	202,9
Non-controlling interests	**-0,6**	0,3	**-0,2**	-0,2
	42,0	45,5	**190,9**	202,7

Consolidated Statement of Financial Position

EUR million	31.12. 2013	31.12. 2012
Non-current assets		
Property, plant and equipment	**713,6**	616,1
Goodwill	**832,4**	797,1
Other intangible assets	**143,3**	101,3
Investments in associated companies	**2,4**	6,5
Available-for-sale investments	**22,5**	19,9
Receivables	**70,5**	45,1
Deferred tax assets	**13,5**	12,1
	1 798,3	1 598,1
Current assets		
Inventories	**55,5**	59,4
Trade and other receivables	**327,3**	310,0
Tax receivables	**5,4**	1,4
Cash and cash equivalents	**137,8**	39,8
	526,0	410,6
Total assets	**2 324,3**	2 008,7

Equity attributable to owners of the parent	**860,3**	842,1
Non-controlling interests	**1,9**	2,8
Total equity	**862,2**	844,9
Non-current liabilities		
Deferred tax liabilities	**21,0**	16,9
Pension obligations	**13,8**	7,1
Provisions	**2,4**	3,3
Financial liabilities	**829,7**	702,8
Other non-current liabilities	**35,6**	13,7
	902,5	743,8
Current liabilities		
Trade and other payables	**267,4**	243,3
Tax liabilities	**0,3**	0,8
Provisions	**12,6**	0,3
Financial liabilities	**279,3**	175,6
	559,6	419,9
Total equity and liabilities	**2 324,3**	2 008,7

Condensed Consolidated Statement of Cash Flows

EUR million	1-12 2013	1-12 2012
Cash flow from operating activities		
Profit before tax	**254,6**	268,9
Adjustments		
Depreciation and amortisation	**210,1**	202,1
Other adjustments	**17,8**	23,3
	227,9	225,4
Change in working capital		
Change in trade and other receivables	**-13,5**	-14,2
Change in inventories	**6,4**	-19,2
Change in trade and other payables	**2,1**	-16,1
	-4,9	-49,5
Financial items, net	**-24,6**	-30,1
Taxes paid	**-64,9**	-72,3
Net cash flow from operating activities	**388,1**	342,5
Cash flow from investing activities		
Capital expenditure	**-212,5**	-188,9
Investments in shares	**-93,2**	-0,7
Proceeds from asset disposal	**1,5**	1,9
Net cash used in investing activities	**-304,2**	-187,7
Cash flow before financing activities	**84,0**	154,7
Cash flow from financing activities		
Proceeds from long-term borrowings	**300,1**	150,9
Repayment of long-term borrowings	**-82,1**	-0,3
Change in short-term borrowings	**1,5**	-119,6
Repayment of finance lease liabilities	**-4,8**	-6,0
Proceeds from increase in reserve for invested non-restricted equity	**2,9**	4,4
Proceeds from the sale of treasury shares	**4,6**	
Acquisition of non-controlling interests	**-4,0**	
Dividends paid	**-204,2**	-203,5
Net cash used in financing activities	**14,0**	-174,0
Change in cash and cash equivalents	**98,0**	-19,2
Cash and cash equivalents at beginning of period	**39,8**	59,0
Cash and cash equivalents at end of period	**137,8**	39,8

[1)] The total investments in 800 MHz spectrum licenses are EUR 38.4 million, of which year 2013 cash flow effect is EUR 11.8 million. The Finnish 800 MHz spectrum license EUR 33.3 million will be paid in 5 annual installments in 2013 - 2017. The Estonian license EUR 5.1 million was paid in one installment in 2013.

Statement of Changes in Equity

EUR million	Share capital	Treasury shares	Other reserves	Reserve for invested non-restricted equity	Retained earnings	Non-controlling interests	**Total equity**
Balance at 1 January 2012	83,0	-197,0	392,3	48,3	510,3	3,5	**840,3**
Adoption of IAS 19R					-2,0		**-2,0**
Balance at 1 January 2012	83,0	-197,0	392,3	48,3	508,4	3,5	**838,5**
Profit for the period					208,7	-0,2	**208,5**
Translation differences					0,0		**0,0**
Remeasurements of the net defined benefit liability			-4,5				**-4,5**
Available-for-sale investments			-1,3				**-1,3**
Total comprehensive income			-5,8		208,7	-0,2	**202,7**
Dividends					-203,4	-0,5	**-204,0**
Share-based compensation		2,9			3,5		**6,4**
Stock options exercised				4,4			**4,4**
Other changes					-2,8	0,0	**-2,8**
Balance at 31 December 2012	83,0	-194,1	386,4	52,7	514,2	2,8	**844,9**

EUR million	Share capital	Treasury shares	Other reserves	Reserve for invested non-restricted equity	Retained earnings	Non-controlling interests	**Total equity**
Balance at 1 January 2013	83,0	-194,1	391,0	52,7	516,1	2,8	**851,4**
Adoption of IAS 19R			-4,5		-2,0		**-6,5**
Balance at 1 January 2013	83,0	-194,1	386,4	52,7	514,2	2,8	**844,9**
Profit for the period					196,6	-0,2	**196,3**
Translation differences					-0,2		**-0,2**
Remeasurements of the net defined benefit liability			-6,3				**-6,3**
Available-for-sale investments			1,1				**1,1**
Total comprehensive income			-5,2		196,4	-0,2	**190,9**
Dividends					-203,2	-0,6	**-203,8**
Share-based compensation					3,2		**3,2**
Disposal of new shares and treasury shares		6,0		35,3	-1,3		**40,0**
Cancellation of treasury shares		39,9			-39,9		**0,0**
Acquisition of subsidiary with non-controlling interests						23,2	**23,2**
Acquisition of non-controlling interests without a change in control					-15,9	-23,2	**-39,1**
Stock options exercised				2,9			**2,9**
Balance at 31 December 2013	83,0	-148,2	381,2	90,9	453,4	1,9	**862,2**

Notes

ACCOUNTING PRINCIPLES

The Interim report has been prepared in accordance with the IFRS recognition and measurement principles, although all requirements of IAS 34 Interim Financial Reporting have not been followed. The information has been prepared in accordance with International Financial Reporting Standards (IFRS) effective at the time of preparation and adopted for use by European Union. Apart from the changes in accounting principles stated below, the accounting principles applied in the interim report are the same as in the financial statements at 31 December 2012.

Changes in the accounting principles

The Group adopted the following standards, amendments to standards and interpretations effective 1 January 2013:
-Amended IAS 1 9 Employee Benefits
- Amended IAS 1 Presentation of Financial Statements
- IFRS 13 Fair Value Measurement
- Annual Improvements of IFRS standards

As a result of the adoption of the amended IAS 19 Employee Benefits -standard, actuarial gains and losses are recorded directly in the consolidated statement of comprehensive income . The impact of the adoption on 31 December 2012 was a reduction of EUR 6.5 million in group equity and an increase of post-employee liabilities to EUR 5.9 million. The reduction in the Group's total comprehensive income in 2012 was EUR 4.5 million. The comparative financial information for 2012 has been revised in accordance with the amended accounting standard.

1. Segment Information

10-12/2013 EUR million	Consumer Customers	Corporate Customers	Unallocated Items	Group Total
Revenue	243,8	157,4		401,2
EBITDA	73,4	48,2		121,6
Depreciation and amortisation	-28,7	-24,2		-52,9
EBIT	44,7	24,1		68,7
Financial income			2,2	2,2
Financial expense			-10,8	-10,8
Share of associated companies' profit			0,0	0,0
Profit before tax				60,0
Investments	48,2	41,6		89,9

10-12/2012 EUR million	Consumer Customers	Corporate Customers	Unallocated Items	Group Total
Revenue	247,4	148,4		395,8
EBITDA	76,5	47,4		123,9
Depreciation and amortisation	-28,3	-21,6		-50,0
EBIT	48,2	25,8		73,9
Financial income			2,3	2,3
Financial expense			-12,4	-12,4
Share of associated companies' profit			0,1	0,1
Profit before tax				63,9
Investments	29,3	20,9		50,2

1-12/2013 EUR million	Consumer Customers	Corporate Customers	Unallocated Items	Group Total
Revenue	949,1	598,3		1 547,4
EBITDA	295,2	195,5		490,7
Depreciation and amortisation	-117,6	-92,5		-210,1
EBIT	177,6	103,0		280,6
Financial income			10,3	10,3
Financial expense			-36,2	-36,2
Share of associated companies' profit			0,0	0,0
Profit before tax				254,6
Investments	132,4	107,7		240,1

1-12/2012 EUR million	Consumer Customers	Corporate Customers	Unallocated Items	Group Total
Revenue	962,4	591,1		1 553,4
EBITDA	307,0	194,1		501,1
Depreciation and amortisation	-115,0	-87,1		-202,1
EBIT	191,9	107,0		298,9
Financial income			9,4	9,4
Financial expense			-39,5	-39,5
Share of associated companies' profit			0,1	0,1
Profit before tax				268,9
Investments	113,6	79,9		193,4
Total assets	1 145,7	760,3	102,7	2 008,7

2. Operating Lease Commitments

EUR million	31.12. 2013	31.12. 2012
Due within 1 year	**28,8**	30,2
Due after 1 year but within 5 years	**37,0**	38,0
Due after 5 years	**6,9**	7,0
Total	**72,7**	75,3

3. Contingent Liabilities

EUR million	31.12. 2013	31.12. 2012
For our own commitments		
Mortgages	**14,5**	4,8
Pledged securities	**2,9**	
Deposits	**0,8**	0,9
Guarantees	**1,1**	
On behalf of associated companies		
Other	**0,0**	
On behalf of others		
Guarantees	**0,6**	0,5
Other	**0,0**	
Total	**20,0**	6,2
Other contractual obligations		
Repurchase obligations	**0,1**	0,0
Letter of credit	**0,1**	

4. Derivative Instruments

EUR million	31.12. 2013	31.12. 2012
Interest rate and currency swaps		
Nominal value	**154,5**	150,0
Fair value	**0,0**	0,4

Key Figures

EUR million	1-12 2013	1-12 2012
Shareholders' equity per share, EUR	**5,40**	5,37
Interest bearing net debt	**971,2**	838,6
Gearing	**112,6 %**	99,3 %
Equity ratio	**37,3 %**	42,3 %
Return on investment (ROI) *)	**15,3 %**	17,4 %
Gross investments in fixed assets	**240,1**	193,4
of which finance lease investments	**2,9**	3,1
Gross investments as % of revenue	**15,5 %**	12,5 %
Investments in shares	**149,7**	0,0
Average number of employees	**4 320**	3 973

*) rolling 12 months profit preceding the reporting date

Financial Calendar

First quarter 2014	24 April 2014
Second quarter 2014	16 July 2014
Third quarter 2014	17 October 2014

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