2013

annual report

elisa

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Elisa in brief

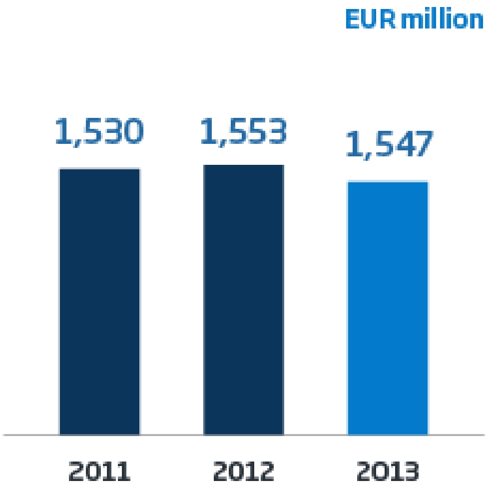
Elisa is the market leader in mobile subscriptions and fixed broadband subscriptions in Finland. In addition to online services, the company offers and develops new, relevant and interesting services for its customers. ICT services for corporate customers and online services for consumer customers are growing areas of business.

Elisa is a telecommunications, ICT and online service company serving 2.3 million consumers, corporate and public administration organisation customers. Elisa provides services for communication and entertainment, and tools for improving the operating methods and productivity of organisations. Elisa holds a strong position as a network service provider in Finland and Estonia. Cooperation with Vodafone and Telenor enables the international use of services. Elisa's business operations comprise the consumer customer business and the corporate customer business. Its brands are Elisa and Saunalahti. Elisa is listed on NASDAQ OMX Helsinki Large Cap with over 200,000 shareholders.

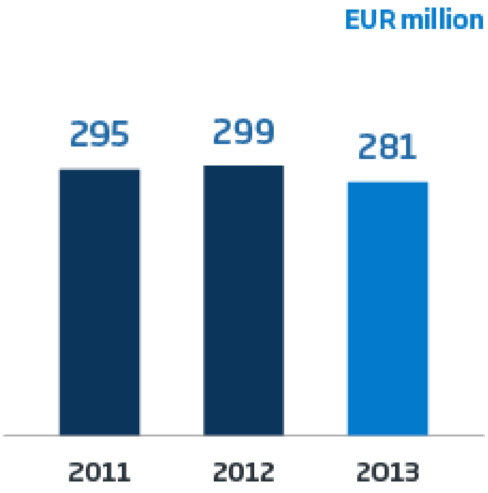
Finnish markets witnessed a great deal of campaigning early on in the year. By the end of the year, the competitive environment calmed down somewhat but remained charged. Elisa is the market leader in its field and has fared well against its competitors. Its growth was driven by the growing mobile data and smartphone markets, as well as strong investment in new services, among other factors. Most mobile phones sold in 2012 were smartphones, which further increased the use of mobile subscriptions and mobile data services. The Elisa Viihde IPTV service, with its diverse selection of entertainment, generated growth in the fixed-broadband business.

In accordance with Elisa's profit distribution policy, profit distribution is 80–100 per cent of the previous fiscal year's profit. Payment of additional dividends to shareholders is also an option. Elisa's profit distribution includes dividend payment, capital repayment and purchase of treasury shares. In 2013, profit distribution included dividend paid in April, EUR 1.30 per share, totalling EUR 204 million, which corresponded to 98 per cent of the net result for 2012.

Revenue



EBIT



Despite the challenging first half of the year, 2013 was a good year for Elisa

The uncertainty in the general economic situation was reflected in the cautiousness of enterprises and consumers. In the first half of the year, the fierce competition was made more intense by price campaigns on mobile services. Despite them, the growth in the smartphone market continued at a good level. Smartphones, USB modems and routers are an increasingly important part of consumers' and business clients' lives. Increased use has also strongly increased the demand for mobile data services. We were able to utilise our extensive service portfolio to improve companies' productivity and offer consumers enhanced service experiences.

Elisa's revenue and earnings excluding non-recurring items increased year-on-year. Revenue was increased by the acquisition of PPO companies and product renewals in mobile services. In addition, the demand for new devices, mobile voice and data services and new services supported the growth in revenue.

Our competitiveness strengthened during the year, despite the challenging market environment. In Estonia, our market position is strong, and we continued to increase the number of subscriptions in mobile data, in particular.

Our revenue for 2013 was at the level of the previous year. Our earnings excluding non-recurring items grew, cash flow continued to be strong and our equity ratio remained good. As a result of our strong financial position, the Board of Directors will propose a distribution of profits at the Annual General Meeting this spring. The distribution will, once again, be at the top level among listed companies. Our dividend policy and transparent payment of taxes are strengths in the eyes of our shareholders as well.

Our updated strategy creates a strong basis for the future

We have updated our strategy. We are focusing on bringing added value to our customers through broadband and data services, boosting the new service business and continuing to implement measures to improve customer intimacy, quality and productivity.

During the year, we took a number of measures to improve profitability. Our measures to streamline our product portfolio, IT systems and operations, cut cost for example in customer service and sales continued strongly throughout the year. Our long-term investments in improving quality have produced good results. Contacts made by our customers in problem situations by phone and e-mail have decreased by more than half since 2009, even though the number of our subscriptions has at the same time grown by several dozen per cent. Uncompromising work to improve quality in customer service, deliveries, invoicing, network usability and fault repair lies at the background of this trend.

We have again introduced new services for our customers and expanded the features of popular services. We introduced to the market the first mobile payment service in the Nordic countries, Elisa Wallet. HBO's high-quality series were included in the Elisa Viihde service. The series can be viewed right after their premiers in the United States. Online film rental has increased significantly, and already approximately 60 per cent of our customers have tried the Elisa Viihde movie rental service and more than a quarter use it on a weekly basis. A new feature was introduced to Elisa Kirja which allows authors to publish their own books. We also launched an extension of the data security service for smartphones to consumers.

The demand for ICT services continued to strengthen among corporate customers. The use of online conferences continued to grow, and customers adopted new services, such as online bank loan negotiations. Appelsiini, an Elisa subsidiary, launched the Povari information distribution service, offering a new safe and easy way of transferring and distributing information. The service data remains safe in Finland, in Elisa's domestic data centres.

A stable and safe operating environment is an important part of the international competitiveness of Finnish companies. Elisa has launched a Cyber Security function to improve the immunity of information systems and data networks to disturbances in various exceptional situations and diminish the impact of various threats on the functionality of services.

We are building a digitally and socially sustainable society

Elisa is a significant builder of a digitally and socially sustainable society in Finland. Corporate social responsibility is implemented at Elisa not only through the ability to pay taxes and make investments, but also in new sustainable services that are available to all Finnish people. During the year, 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. Elisa's CDP reporting was recognised in 2013.

In 2013, we were the most significant investor in the industry in Finland; we invested a total of EUR 202 million in the development of the Finnish information society. We continued strong investments in a comprehensive and fast mobile network. At the end of the year, Elisa's 4G speeds were already available in more than 230 localities, with LTE speeds in more than 70 localities. Our customers have found the 4G services to be good, and the demand for them continued to be active during the year. Elisa acquired the 800 MHz frequencies it had sought in the frequency auction at the end of the year. 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 coverage in urban areas.

We are a nationally significant employer, and we want to play an event stronger role in the daily lives of young people. We started cooperation supporting the studies and employment of young people with Centria University of Applied Sciences in Central Ostrobothnia and Jyväskylä University of Applied Sciences. The aim of the cooperation is to educate customer service professionals and to strengthen expertise in cybersecurity. During the year, we participated in a number of national actions promoting young people's lives in a concrete and positive fashion. We also donated funds to the Tukikummit foundation to support young people.

The daily work of every Elisa employee has a direct impact on our customers' daily lives. We have a strong resource in our thriving, enthusiastic, skilled and adaptable staff. The result of the personnel survey of 2013 was the second best of all surveys conducted during the last 10 years. Our staff value flexible work and working hours and considers these features to be Elisa's strengths. Many of our employees are able to work from anywhere and at any time. I thank all Elisa employees whose input has made Elisa's success possible.

The greatest thank for our success belongs to our customers. We humbly accept the confidence that our customers show us when selecting our service, and we invest in active interaction with our customers. We also thank our loyal shareholders for their confidence in Elisa's future.

Our determined work to improve customer satisfaction and the productivity of our operations continues. Elisa creates services to its customers that provide enhanced user experiences and promote productivity. Combined with our efficiency and strong investment ability, this creates a solid foundation for competitive operations in the future. Despite the challenging economic situation, we have good potential for developing our business further in 2014.

Veli-Matti Mattila
Chief Executive Officer

Consumer customers

The Elisa Consumer Customers unit serves Finnish consumers and households. We serve our customers in needs related to communications, entertainment, learning and everyday routines. We offer sensible subscriptions with world-class performance, as well as superior user experiences online.

In 2013, we maintained our leading position in the consumer customer mobile subscription markets while introducing new services. The business of the Consumer Customers unit continued to develop favorably particularly with regard to data services and entertainment. There was a decline in fixed network voice services and interconnection turnover.

Growth in mobile data services and tablet sales

The competitive environment of the interconnection business became more challenging in 2013 and price campaigning was strong particularly during the first part of the year. In the latter part of the year, price competition became more subdued but the operating environment continued to be challenging. During the year however, both the consumer customer mobile subscription base and the fixed broadband subscription base grew. The acquisition of PPO companies contributed to the growth of the fixed broadband subscription base. In addition to new areas provided by acquisitions, the availability of fixed broadband was further expanded by investing in fibre network construction.

The use of mobile data services increased considerably as mobile terminal devices continued to become more popular. The annual growth rate of mobile data traffic was approximately 60 per cent. Smartphone sales continued to be stable and in the fourth quarter 89 per cent of the mobile phone sales were smartphones. The sales of tablet devices increased significantly from the previous year. The increased availability of 4G speeds has also boosted the growth of mobile markets. In Elisa's network, 4G speeds are available already in over 230 locations. Customers appreciate faster connections and are ready to change their subscriptions to 4G subscriptions with higher monthly fees, which was evidenced as rapid growth of Elisa's 4G subscription base in 2013. During the year, all major smartphone manufacturers launched 4G-capable phones and, in December, over half of the phones sold had 4G capability.

Elisa's mobile phone subscriptions were renewed in April to better correspond to changes in mobile service use habits. The reform applied to mobile phone subscriptions, the monthly fee of which did not include data transfer. Now all of our customers have an Internet connection without a data transfer limit included in the monthly fee, and our customers do not have to worry about unexpected charges. The reform affected the decrease of mobile subscription base through the disappearance of 'desk drawer' subscriptions that have been used but only a little.

In order to improve the data security level of our customers, we launched a data security service extension to consumers in 2013. In addition to computers, the same service will now take care of data security for smartphones and tablet PCs.

Strong growth in new services

Consumer behaviour and, for example, viewing habits are changing and Elisa is strongly involved in this development. Finns want to watch TV programmes and films increasingly online. We are investing in online user experiences and we launched an Elisa Viihde Online video rental service during the year, where the viewer pays only for videos they have rented.

The success of Elisa Viihde continued and it consolidated its position as a trailblazer for entertainment and new viewing habits. Tablet and smartphone applications of Elisa Viihde entertainment service have been downloaded over 300,000 times and 1.8 million films have been rented from the video rental service. Elisa Viihde service offers the most recent rental films and an exceptionally wide selection of Finnish films. In addition to the video rental service, the service has a varied range of different programme libraries, such as Elisa Viihde Aitio and HBO, in which customers can follow their favorite programmes for a monthly fee. Elisa also signed a three-year exclusive agreement with the Finnish Ice Hockey Association for broadcasting Mestis series ice hockey matches.

Elisa Kirja consolidated its position as the trailblazer of new reading habits as the provider of the most comprehensive e-book service of Finnish electronic literature with over 4,500 books in Finnish in its selection. Approximately a million books have been loaded from the service and tablet and smartphone applications of the service have been downloaded over 170,000 times. E-books are read increasingly in Finland and the sales of Elisa Kirja service doubled from the previous year for a second year running. Our customers' experience of ease-of-use is a key for us and one large step was the implementation of watermark protection in the Elisa Kirja service. The clearly easier content protection system from the perspective of readers does not limit opening and reading the book such as DRM protection. At the end of the year, we launched an easy way for all Finns interested in writing an easy way to make their works available as e-books and to reach our wide consumer customer base.

Our Elisa Vahti Live service brings a great deal of benefit and joy to the life of, for example, families with children or pet owners: the smartphone or tablet application gives the users the ability to directly check how schoolchildren's mornings and afternoons go or what the pet of the family gets up to while the family is away. In the early summer, Elisa lunched a new kind of cooperation with two of the most popular tourist destinations in Helsinki. Consumers may follow what the mongooses in Korkeasaari Zoo or the inhabitants of the ocean tank of SEA LIFE get up to with the help of Elisa Vahti Live services' cameras. The very first broadcast day from the mongoose cage brought record crowds to Korkeasaari Zoo's website.

Elisa Lompakko service, enabling contactless payment and safe online purchases, was opened for commercial use and its use possibilities became more varied during the year. Elisa Rahaviesti ('money message') service was added to Elisa Lompakko service, which enables the exchange of small sums between friends with just a mobile phone number. In addition to payment stickers, Elisa introduced a contactless payment feature to student cards.

Consistent quality of customer service to a new level and recognition for shops

We continued to systematically improve the quality of our customer service and the efficiency of our operations. We decreased the number of contacts that were deemed unnecessary based on customer feedback by encouraging our customers to use self-service. We improved the efficiency of our operations with an operational model reform implemented during the summer. We paid particular attention to resources increasing well-being at work with the means of coaching supervisory work. We introduced numerous new practices in the daily management of customer service. During the year, we managed again to raise customer service levels and in the last half of the year, we reached a new level in the consistency of service.

Our national shop reform progressed during the year in key marketplaces around Finland. For example, we renovated our shops in the Hansa shopping centre in Turku and opened a new shop in Kaari shopping centre in Kannelmäki, Helsinki. According to the Brändien arvostus ('brand valuation') 2013 surveyby Taloustutkimus and Markkinointi&Mainonta newspaper, Elisa Shopit was the most valued mobile phone retailer brand.

Consumer needs at the core of the consumer strategy also in 2014

During 2013, we clarified our strategy further. According to the strategy, our focus in 2014 is to bring added value to our customers through the use of data and to boost new service businesses, as well as to implement measures designed to help us improve our customer understanding, quality and cost-effectiveness. Improving our productivity, developing new services for our customers and maintaining our strong investment ability create a solid foundation for competitive operations in the future.

Nationwide 4G network in use in Estonia

Elisa Estonia continued to grow faster than the market. We were an overwhelming winner in number transfers both with regard to fixed and mobile networks. In the summer, Elisa took into use a nationwide 4G network at 800 MHz frequency and the traffic volume in the 4G network is increasing rapidly. The use of mobile data services continued to increase and at the end of the year almost 50 per cent of Elisa Estonia's customers used mobile data.

Corporate customers

Elisa's Corporate Customers unit helps its customers to succeed with ICT services by improving productivity. We want to understand the challenges related to our customers' business and communications needs, and develop our services continuously to meet customer needs.

During the financial period under review, the general economic situation and the efficiency and productivity requirements of both companies and organisations were evident not only in the cautiousness of investments in Finnish companies but also in Elisa's core business. On the one hand, companies are looking for cost savings, but on the other hand, they are looking simultaneously for new solutions that better support their activities and changing business requirements, with which to develop their operations more efficiently and to ensure their competitive edge. This has afforded Elisa and its subsidiaries an opportunity to provide ICT solutions in response to challenges in companies and the public sector. Solutions sold as a service and produced as cloud services give organisations an effective way to implement new ICT solutions to support business operations without significant investments.

In 2013, we made a significant investment in raising our customer understanding and we will continue this development work also in the future. We want to build service packages comprising sub-solutions with which our customers can improve their productivity. Our solution orientation has also guided the structure of our organisation to correspond to the needs of our customer segments.

Location-independence is evident in the development of devices and data

Working is increasingly mobile and work is increasingly performed independent of location. To support this need, Elisa is strongly investing in and developing its core business: mobile and fixed network services, as well as safe data network solutions.

For international organisations, we launched a new roaming product to lower the costs and to make predicting them easier.

Increasing amount of data and video content are being transferred online. This increase in data transfer volume is also affected by new and more versatile mobile terminal devices. The share of smartphones of all corporate phones has grown exponentially, which increases the use of data. Industrial Internet applications increase data traffic as wind power plants, cars and various devices transfer data online. As a network provider, Elisa is strongly involved in the development of the industrial Internet. For example, at the end of the year, Elisa published a smart motoring solution that connects vehicles to the Internet in collaboration with the repair shop chain Autoasi and driving information operator Helpten. The solution may utilise all data produced by the vehicles to, for example, optimise repair shop visits. Elisa also participated in the development of cyber security solutions and, for example, cooperates in this with Finnish educational institutions.

Video solutions utilised in new application areas

Elisa, together with their subsidiary Videra, continued to strongly invest in the development of visual communication services particularly for the needs of trade, banking and insurance businesses. For example, the SmartRetail concept developed for retail business as a wholly outsourced service combines intelligent media screens, videoconferencing solutions, payment solutions and mobile solutions all the way from the customer's sofa to the cashier at the shop.

With the help of information logistics and measuring and analysing solutions included in the service, our retail business customers may provide their customers with more focused communications and better service independent of time and location, and to improve their business through added sales and cost savings. Last year, these solutions were tested in cooperation with S Group's regional co-op member shops in Oulu and Kajaani.

We also launched a new Videopankki ('Video banking') solution, which, for example, OP-Pohjola will take into use in order to utilise video technology for providing banking services in sparsely populated areas. Videopankki solution is a part of the SmartBanking concept, which enables personal service independent of time and location, as well as new business opportunities.

Videra continued its strong internationalisation and its services have already been delivered to 80 countries. Last year, the focus was particularly on the Central and Southern European markets and successes were achieved among others in Italy, Spain and Belgium.

Utilisation of video services in care services increased. For example, the town of Kuusamo, started a pilot project to enable the elderly to live at home as long as possible.

Investment in electronic services and the development of customer service process continues

The development of electronic services and payment solutions continues strongly also during the coming year. We are supporting digitalisation also by implementing strong electronic identification solutions. In the past year, Taltioni – a Finnish personal health records platform and Kela's electronic services implemented Elisa's mobile certification solution for strong electronic identification.

We continued to promote solutions related to renewing our customer service processes in public administration. Implementation of solutions aiming for more intelligent contact management system, making operations more efficient and improving customer service was piloted in various towns, for example, in connection with healthcare and counselling services. Savings -potential surveys conducted for municipalities and towns also created interest.

Cloud services will be more closely tied to communications solutions

This year, Elisa and our subsidiary Appelsiini have further consolidated their position as the leading provider of ICT and cloud services in Finland with their comprehensive ICT service range. This is evidenced by numerous wide-ranging ICT outsourcing projects, where the company has been chosen as the overall provider of communications, data communications connections and IT services, as well as the user support related to them. The customers have recognised clear added value in our ability to bind communications and IT solutions together as a coherent whole. This influenced, for example, the choice of outsourcing partners A-lehdet and Suomen Lähikauppa.

Demand for cloud services continues to grow. Solutions that are customer-specific, distributed from a public cloud and various hybrid solutions are becoming increasingly popular. Our most recent application launch is Povari, which is a safe, Finnish and device-independent way to manage and share files in the cloud. In office applications, Elisa Toimisto 365 continues to be a market leader in Finland and has grown strongly particularly in the SME sector.

Another clear area of growth is the development of customer-specific business applications as mobile location-independent solutions that better support the customer's business operations. Appelsiini has a great deal of experience in the development of numerous mobile customer solutions.

Working habits are changing

Customers increasingly want to be able to do their business independent of time and place. This is why we have further developed the electronic services in our online service. For example, we launched chat customer service to support our online service and continuously develop our online service experience.

We continued to develop our own operations and new ways of working. Encouraged by the Ideal Work concept, we expanded virtuality in our own activities, for example, in interaction, sales support service, coaching and the dissemination of knowledge and competence. In addition to increased efficiency, the positive results are evident in the flexibility and meaningfulness of work, as well as the decrease in travel costs and environmental impact.

This year, we will focus on listening to our customers better and on developing our service range and location-independent work solution package to the next level.

Elisa Estonia

Corporate customer business grew significantly. We were a significant winner particularly in mobile subscription number transfers. We won several significant accounts in the public sector and currently Elisa provides data communications services for 7 of Estonia's 13 ministries. The 4G LTE network launched in the summer showed strong growth in mobile data usage among our corporate customers.

Responsibility at Elisa

Our lives have being built upon data communications and technology services at incredibly fast rate. If technology was to be paralysed, the whole society would come to a halt. But on the other hand, the development provides us continuously with new applications, which enrich our lives and make our everyday life easier and safer, help companies to work more efficiently, improve productivity and preserve the environment.

We at Elisa develop our services as well as their usability and availability in order to benefit our customers. Simultaneously, we are helping the whole society to develop to become more economically, socially and ecologically sustainable. For example, the significance of ICT sector in decreasing carbon dioxide emissions is huge. Our sector has the opportunity to decrease the global carbon footprint by 16.5 per cent by 2020. The reduction is seven times the carbon footprint of the sector, which at the moment accounts for approximately 2 per cent of the overall global carbon footprint.

In addition to providing added value to our stakeholders regionally and locally, our development work helps to improve the operational reliability of the society as a whole and to build a more sustainable future.

Our operations emphasise responsibility for the environment, various stakeholders and the society as a whole. In accordance with our strategy, we invest in improving productivity, customer-oriented development of new services and strong investment capability. We are seeking profitability especially by improving the profitability of our basic functions. On selected areas, we will strengthen our competence also with international IT partners by signing long-term partnership agreements. Due to the transition in the sector as well as general economic situation, stiff price competition, investment liabilities and regulation, we must be ever vigilant in order to ensure our operational capacity.

Decreasing Elisa’s and customers' carbon footprint has been one of our spearheading strategies since 2009. We are continuously creating innovative ICT and online services to serve low-carbon society. From 2010, we have developed carbon dioxide indicators verified by an independent body, with the help of which we monitor attained emission savings in carbon dioxide tonnes both in our own and our customers' activities. In 2011, we were one of the first telecom operators in the world to publish emission savings of our services. Emission saving indicators are also part of our scorecard indicator set.

Data communications and related services are increasingly obvious core functions of the society, and the responsibility related to their provision therefore increasing. We have included issues related to corporate responsibility more consciously in our operational planning during 2013. We rever the principles of transparency and continuous development.

This report aims to shed light on our principles and the measures we have taken to better manage and communicate our responsibility. This report also presents the objectives aiming at further developing our operations. Moreover, it presents the effects of our operations in the society and the environment.

The report pays particular attention to those Global Reporting Initiative (GRI) indicators, which best describe factors crucial to our operations, based on the analysis performed. The key focus of the report is on the parent company, issues related to subsidiaries will be highlighted according to their relevance. The responsibility report is aimed especially at our current and future personnel, customers and owners.

We are building digitally and socially sustainable society

We are in practice building the society by continuously investing in new sites to ensure that Finland will remain a forerunner in ICT services both in densely and sparsely populated areas. We understand that social change means an increasing need to develop more productive digital services.

For us,older population means an obligation to develop and provide useful and safe services for various user groups. An example of services making life easier, is an easy-to-use video service meant for elderly, which allows them to contact, for example, their carers, family or hobby groups. The service enables safer, high quality, more interactive and longer living at home. For municipal services it makes the arrangement and support of home care for the elderly easier.

Elisa and the Joen Severi association promoting the IT skills of senior citizens in Northern Karelia organised a workshop for two generations in June where senior citizens familiarised themselves with computers, tablets and the secure use of technology together with young people. In the workshop, senior citizens and young people formed working pairs. Each pair produced a film where a common story was told by means of photographs, videos and sound. In the workshop, people also familiarised themselves with easy-to-use tablet computers and the data security of computers and mobile equipment with the help of Elisa's experts.

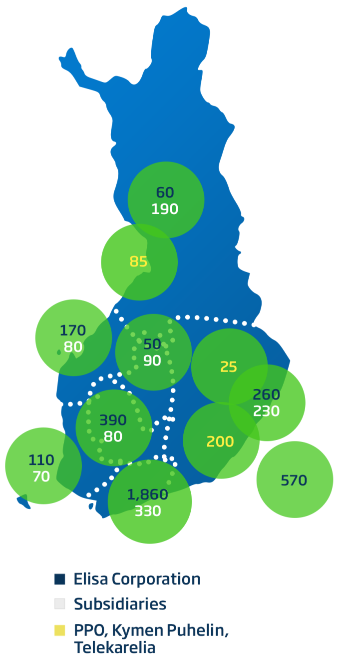
We are present in the everyday life of all people living in Finland, either trough our networks or services. Our network covers all corners of Finland. We are a local operator in approximately 40 locations in Finland as well as operating in various locations abroad, and we directly employ about 4,200 people as well as several thousand people indirectly. Almost one in two Finnish residents are Elisa subscribers. Even more people use our other services. It is important for us that our services are available for everyone and everywhere in Finland.

In addition to network investments, we participate in the development of digital Finland by developing services to manage business operations and public services with smaller investments without compromising on the service level. The change requires open review of activities and efficiency measures related to operations by developing more productive activities without increasing administration. Moreover, a better productivity can be achieved by better cooperation between operators – both public and private - and development of joint service models. We conduct productivity surveys with various organisations and municipalities, with the aim to find out how implementation of new service models affects the productivity and the availability.

Economic recession has slowed investments and consequently slackens digital development. The structure of economy is changing and is increasing the pressure for outsourcing and efficiency measures. One of the key objectives of the ongoing municipal and other administrative reforms is to create a economically sustainable public sector. Public sector services can be made significantly more efficient with new digital solutions. Progress of digitalisation is also hindered by regulation and old systems. We are giving our expert input in projects of various ministries, officials and other working groups in the sector as well as statement-issuing bodies. Shared structures and joint development measures are only taking the first steps in the digitalisation of the public sector.

Electronic service markets in Finland have significant know-how and development potential also for solutions suitable and adaptable for the public sector. We at Elisa develop online-based cloud solutions, which enable piloting and use without significant own investment.

Personnel in Finland and Estonia 31 Dec. 2013



Management of corporate responsibility

Elisa’s Executive Board selected from among its executive management prepares the strategy of the company and leads its operations. It monitors the productivity of the activities and discusses issues with significant financial or other effects in compliance with policies, objectives and risk assessment determined by the company's Board of Directors.

For several years, climate and the environment have been at the core of the responsibility thinking. Curbing carbon dioxide emissions is one strategic objective, which is also monitored on our scorecard.

During the past year, reporting and communications on corporate responsibility were expanded to include also social and financial responsibility. Corporate responsibility is part of regular operations which are managed by the managerial board for corporate responsibility since the beginning of 2013.

The members of the managerial board for corporate responsibility are account, production, HR development, corporate security and corporate communications directors as well as an environmental expert and Executive Vice President of Administration representing Elisa's Executive Board. The managerial board for corporate responsibility convenes every 3 weeks chaired by the Corporate Responsibility Director. Issues prepared by the managerial board for corporate responsibility have been discussed in Elisa's Executive Board 4 times the past year.

Environmental responsibility expert coordinates and develops environmental and climate responsibility and is responsible for environmental calculation and reporting.

The aim of the company's risk management is to ensure that there exist a reasonable certainty about the reliability of financial statements and financial reporting. More detailed description of risk management is available in the Corporate Governance Statement http://corporate.elisa.com/attachment/content/Corporate-Governanace-2012_6.2.2013_englanti.pdf

Risks and opportunities related to climate change have been recognised and discussed as a part of environmental responsibility activities in accordance with tables below.

Risks of climate change

RISK	DESCRIPTION	ECONOMIC IMPACT
Carbon taxes	Plans to tax carbon emission to curb climate change.	Tax on emissions is an operational cost risk.
Uncertainty of physical risks	Climate change is causing more extreme weather conditions, which are threat to production infrastructure. Storms may cause power outages and severe interruptions in Elisa´s services. The rise of average temperatures may cause a further need for cooling in data and telefacilities.	In 2013 there were 5 severe interruptions in Elisa´s services caused by natural phenomena. The growth in number of severe interruptions may cause higher personnel costs as well as costs of replacing of broken equipment. Increased demand for cooling increases power consumption.

Possibilities of climate change

OPPORTUNITY	DESCRIPTION	ECONOMIC IMPACT
Emission reporting obligations	Elisa publishes half-yearly in its internetpages the results of emissions reduction calculations. The calculations are assured by independent limited assurance company.	Public procurement is paying more attention to environmental and energy issues. Good environmental reporting help to respond effectively to customers different information needs and may give the competitive advantage.
Change in mean (average) temperature	Extreme weather conditions might become more common in the coming decades if climate change takes effect. This will create growing demand for smart services (smart buildings, smart transport, smart grids) and distant monitoring.	This can be a driver for new business. Not yet estimated euros.
Change in mean (average) temperature	Elisa's datacenter solution in Espoo utilises waste energy. It allows reuse of all of the thermal energy generated by the servers in district heating.	Reduction of operational costs due there is no need to use electricity to cooling.
Changing consumer behaviour	Climate change will affect to customers environmental awereness now and in the future. Demand for low-carbon services will grow.	Growth of Elisa´s business such as Visual Communication and other ICT services. Can be a driver for new business.

Development of corporate responsibility is based on Elisa's core values, which are customer orientation, responsibility, results and renewal. More information about how our values steer our work:
http://corporate.elisa.com/on-elisa/values/

Internal principles

We take concern over climate change and carbon dioxide emissions contributing to it seriously. Their effects are disastrous and irreversible. Our serious approach is also affected by the precautionary principle of the United Nations Framework Convention of Climate Change, which provides the justification to act even though there was no scientific consensus on the changes affected by the phenomenon.

We have at our disposal the following internal principles crucial to responsibility and sustainable activities:

- Code of Ethical Purchasing
- Conflict of Interest policy
- Marketing Guidelines
- Risk Management policy
- internal operating principles
- Equality Principles
- Data Security policy

In addition information on the data protection principles, principles related to processing identification data in communications and general principles of handling customer data are available on our website.

Instructions, policies and procedures are available to the personnel in the company's intranet and in other shared media. Personnel are informed of the key instructions and changes in various briefings, by e-mail and through everyday supervisory work. Training and guidance on how to comply with the rules and requirements are arranged as necessary.

The purpose of internal auditing is to support the organisation in achieving its goals by evaluating and investigating its functions and by monitoring compliance with corporate regulations. For this purpose, internal auditing produces analyses, assessments, recommendations and information for use by the company's senior management. Reports on completed audits are submitted to the CEO and the management of the unit audited, and to the Committee for Auditing, when necessary. Internal auditing is based on international internal auditing standards (IIA).

Initiatives and memberships

We have signed the European Telecommunications Network Operators Association's (ETNO) corporate responsibility initiative and the Diversity Charter of FiBS – Finnish Business and Society Corporate Responsibility Network. Accordingly, we as a group have committed to develop our management and service practices taking into account the principle of diversity.

We are also among the signatories of European Framework for Safer Mobile Use initiative of the GSM Association.

Due to the climate focus of our strategy, we are among the City of Helsinki's climate partners and participate in the joint expert group of the business community and the City.

We are members in, for example, the following associations:

- Confederation of Telecommunications and Information Technology (FiCom ry)
- The European Telecommunications Network Operators Association ETNO
- GSM Association GSMA
- Finnish Business and Society FiBS ry
- TIEKE Finnish Information Society Development Centre
- ASML - Finnish Direct Marketing Association

We operate as expert representatives in these associations and participate actively in discussion within them. In addition, we influence the development of society through statements and comments.

Elisa's subsidiary Sulake Corporation Oy has a target group of 13–18-year-olds all over the world. Sulake Corporation has signed the recommendations and action programme of CEO Coalition, which aim at safer Internet use by children. In this way, it has wanted to ensure that its operating methods to maintain safe online environment are transparent and are among the best in the industry.

Material themes and perspectives

Our managerial board for corporate responsibility implemented with the help of an external consultant an analysis of material themes in spring 2013. The materiality process was participated by 10 directors in charge of business units and support functions.

During the materiality assessment, we selected the indicators best describing our key financial, social and environmental affects.

We looked at materiality particularly from the perspective of our key stakeholders such as the personnel and the customers. The most important perspectives recognised were connected to reliability, security and availability of services. Material themes were divided in 3 groups most indicative of our operations.

Material themes of responsibility

The key perspectives were found to be those that affected the service received by the customers, such as safety of products and services by customers, accuracy of customer communications and provision of low-carbon services.

Technology in our industry is developing at an increasing rate. Development of personnel is important not only because of employment opportunities but also because of enthusiasm for work. This evident, for example, as well-being at work and getting offered meaningful work tasks.

For a well functioning society, important issues include the maintenance of communications networks and our own energy efficiency.

We also assessed that some of the GRI indicators related to corporate responsibility to be irrelevant with regard to our current operations focused in Finland and Estonia and consequently to this report. These include perspectives pertaining to water.

The results of the materiality assessment were discussed in Elisa's Executive Board. The assessment provides a framework for corporate responsibility and stakeholder cooperation.

Stakeholders

Personnel is our most important stakeholders. Other key stakeholders include customers, owners, social and public stakeholders, subcontractors and research organisations. Social and public stakeholders include authorities, officials, politicians, NGOs and other organisations. External stakeholders have been approached from a customer perspective.

Our cooperation with stakeholders has been based on the development of key functions. In 2013, we conducted a preliminary survey for the need of more comprehensive and systematic need and aims of stakeholder cooperation.

As part of the development of corporate responsibility, we have increased communications to the personnel. In autumn 2013, we asked the personnel what they thought was important for Elisa. The answers highlighted caring for personnel, safety of products and services, equality within the work community and carbon footprint calculation.

We actively follow our customers' needs and collect feedback with various customer surveys, which we conduct especially when launching new products. More about our customer work in section "Responsibility for the customer".

In the telecommunications sector, legislation and official decisions play a major role in the operating environment of companies. Therefore, it is important that we actively communicate about the effects of proposals on our operating environment as well as our needs to develop it to the decision-makers and legislators.

Key bodies include the Ministry of Transport and Communications, the Finnish Communications Regulatory Authority, consumer, competition and data security authorities as well as the parliamentary Transport and Communications Committee. We follow the legislative work both in Finland and the European Union.

Key individuals are ministers and their special advisers, key officials and opinion-leaders as well as EU decision-makers. With regard to public relations and expert work, we comply with good practices and general principles of decision-maker communications in order to maintain varied cooperation necessary for the operations. Means and channels of decision-maker communications are especially personal contacts and influencing, meetings and events.

We do not support any political parties, individual politicians or other corresponding institutions. However, in addition to commercial seminars, we may participate in seminars with a wide variety of participants organised by political or public bodies provided their programme is interesting and meaningful with regard to the operations and objectives of the company.

With regard to research cooperation, of particular importance is the stakeholders ability to approach disruptiveness and sudden change of structures related to digital revolution. Our research cooperation team seeks new creative innovations in the world of science while promoting the strong cooperation between top researchers and Elisa's business developers.

New innovations benefit consumers and the whole of society. The aim of research cooperation is to make the society more accessible for us all. We respect the independence of scientific research and support research by offering experience-based knowledge provided by our business activities as material.

Our researcher network includes 677 researchers. In 2013, we collaborated with 175 of them. Active partnership with 40 researchers, half of which worked in Finland.

Stakeholders and means of dialogue

Personnel	Customers	Owners, investors and analysts	Contractors, partners	Social and public stakeholders	Research institutions and universities
Appraisal and development discussions Internal website Daily supervisory work Internal information briefings Personnel surveys	Customer service channels Web-page and social media Customer satisfaction surveys	Media AGM Investor road shows Stock exchange bulletins	Cooperation with partners Code of Ethical Purchasing	Participation on public projects on Information society Expertise on industry bodies and organisations Meetings and cooperation Cooperation with organisations and associatons	Cooperations with researchers

We want to respond to the expectations that our numerous stakeholders set for our operations. Ethical procurement also falls within the scope of social responsibility. Respect for human rights is part of our responsible operations. Principles related to human rights are embedded to management and control systems, as part of our daily work. The responsibility for this rests with every Elisa employee.

We expanded the discussion with non-governmental organisations concerned for social responsibility to include the security of internet and mobile use by children and the prevention of the marginalisation of young people.

Developing personnel

We are building a capable and flexible winning team, which will move Elisa forward for the good of our customers. We are all committed to this. We are recruiting skilled people who are capable of change, commit to their goals and want to get results.

We favour:

- Flexibility at work and flexible hours
- Teleworking, which is also environmentally-friendly
- Modern and versatile tools that enable mobile working independent of time and place
- The use of our own services and products so that we can help our customers
- Physical exercise, culture and a healthy lifestyle to support well-being at work.

Our work tasks are challenging and meaningful in an industry that affects the everyday life of everyone in Finland. The joy of succeeding at work and continuous learning and development opportunities also promote internal mobility. Our principle is to fill open positions primarily through internal job rotation.

Our occupational health, insurance, parental leave and pension benefits or incentives are not dependent on the duration or part-time nature of the employment. In Finland, 96 per cent of personnel are covered by collective agreements. In Estonia, the sector does not have comprehensive collective agreements. Minimum salaries paid exceed minimum amounts stated for in the legistlation also outside Finland. Detailed information about pension security has been provided in the annual report.

Personnel in Elisa at the end of the year

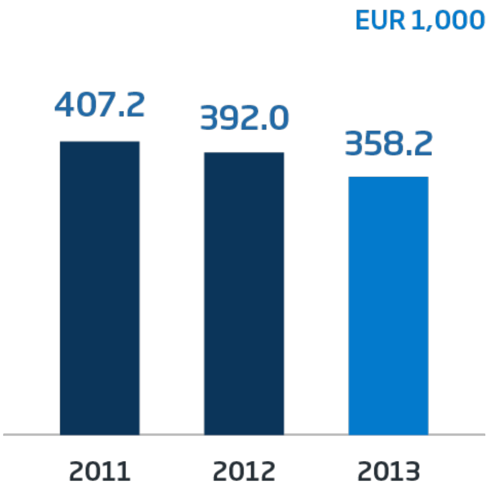
	2011	2012	**2013**
Number of empolyees	3,772	3,867	4,217
Men	2,661	2,713	2,835
Women	1,686	1,597	1,921

Personnel in Elisa Estonia

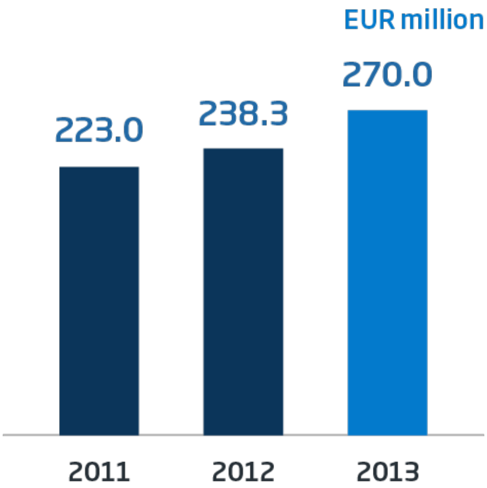
	2012	**2013**
Personnel in Elisa Estonia	542	571
Number of women	331	360
Average age of personnel	32.0	32.6

Number of employees

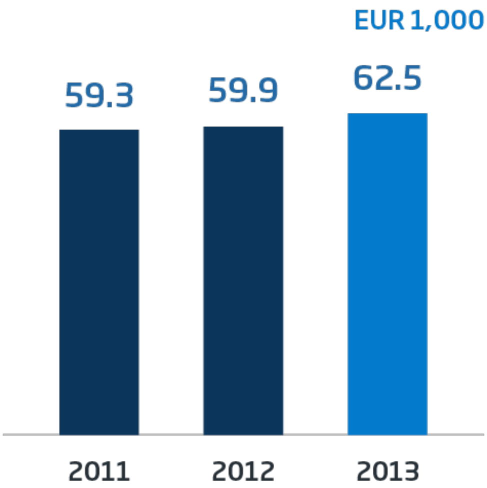
Revenue per employee



Personnel costs



Personnel costs per employee



Well-being and community spirit

Our personnel considers flexibility at work and flexible hours to be among Elisa's strengths. These have a clear positive impact on well-being and job performance. Teleworking has clearly improved job satisfaction among the personnel.

We measure well-being at work by conducting an extensive personnel survey annually and a resource survey quarterly. The result of the personnel survey of 2013 was the second best of all surveys conducted during the last 10 years. According to the survey, our strengths include activities that comply with our values, good supervisory work, internal cooperation and atmosphere of teams, equality and tolerance. These are supported by regular appraisal and development discussions for all of the personnel. Job satisfaction of the personnel continues to rank very high in the reference group.

The good team spirit of the personnel is also evident in the activities of regional recreational committees. They enable employees in differentlocations to participate in cultural and physical activities. Participation in large-scale exercise events and various cultural events as as well as use of our own gyms is active.

We take care of our personnel's right for healthcare, sick pay and personal protective equipment in compliance with collective agreements. Cooperation with occupational healthcare has encouraged Elisa employees to take care of themselves and their health. In 2013, the focus areas selected were healthy and safe work environment, well-functioning work place, prevention of work-related illnesses as well as maintenance and promotion of the working ability of employees.

Good physical condition and health contribute positively to coping at work. In addition to traditional occupational healthcare, we offer physician's services to the children of our personnel as a benefit subject to tax. Our absence rate is 3.4 per cent.

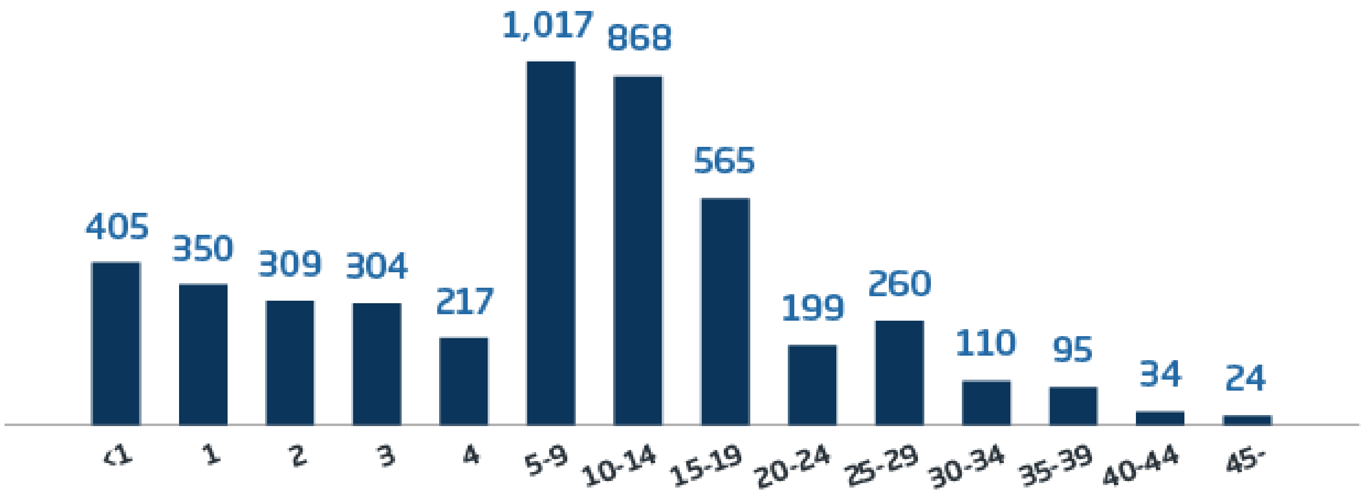
The opportunity to affect one's own work and work environments increase well-being at work considerably. The executive management, HR and representatives of the personnel convene quarterly to discuss key issues related to business and personnel at a meeting with the CEO. Moreover, meetings of the Group's CEOs are organised annually with representation with subsidiaries.

Representation of the personnel in the administration of the company based on legislation has been organised so that various employee groups are represented in the management team of each unit. The cooperation body of the parent company, the heads of union steward group, convenes every 3 weeks to discuss issues pertaining to the company and pursuant to the Act on Co-operation within Undertakings.

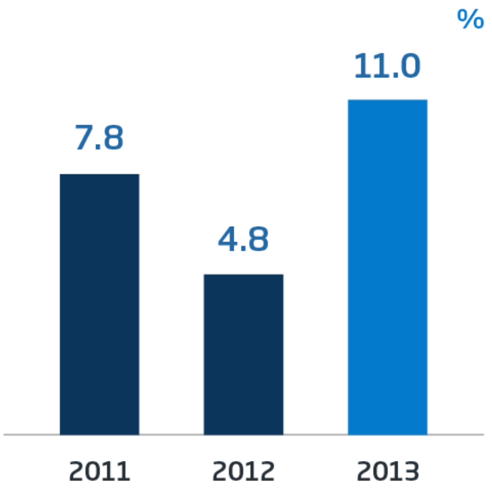
Pursuant to sections 6 and 8 of the Act on Co-operation within Undertakings, it has been locally agreed in Elisa Corporation that changes or decreases affecting the personnel will be implemented according to Elisa's own change planning process which clearly exceeds the requirements of the Act on Co-operation within Undertakings. We will launch a change planning process every time the business must undergo changes requiring cooperation negotiations that affect the number of employees, job descriptions or other key factors related to work. It is important that the personnel has the opportunity to affect the content of the change by actively participating in the planning and implementation of the change.

Our aim is that each change project will increase the job satisfaction of our personnel so that they can bring out their views and influence decisions. Even though the necessary change projects implemented during the year have raised the personnel turnover rate to 11.0 (4.8) per cent, job satisfaction has increased especially in the units with the most significant changes. At the end of the year 0.9 (1.4) per cent of the personnel were temporary workers and 4.6 (4.6) per cent were part-time workers.

Distribution according to length of employment



Staff turn over rate



Changing work and work environment

Our industry's fast changes affect employment. In 2013, we cooperated with Centres for Economic Development, Transport and the Environment (ELY Centres) to re-educate those who turned unemployed for new employment. We made it possible to select from training programmes either improving one's skills or training aiming at entrepreneurship. In addition, the individuals affected were offered training enhancing their job-seeking capabilities.

In all, 100 experts were reallocated from Elisa to partners under their existing terms of employment. Efficiency measures related to the production operating model entailed cutbacks in personnel in addition to outsourcing. Cooperation negotiations were held over the termination of the positions, as a result of which 69 employees were moved to Elisa's comprehensive relocation and support processes.

In 2010–2013, approximately two thirds of re-activated individuals found a solution through the re-activation programme: a job at Elisa or outside Elisa, education in a field of their choice or some other solution. A period of notice that is 1–4 months longer than the one required by legislation has been applied in dismissals caused by reorganisation and found necessary in change planning. Depending on the length of the employee's employment relationship, the support provided by Elisa in dismissals is at least 4.5–13 months.

We are systematically developing our management methods, tools and environments related to new ways of working. Mobile work is the word of the day and it requires new skills from both the employer and employee, and leadership. Mobile work solutions have provided significant savings in our operations both financially and environmentally. The savings are achieved by replacing commuting with teleworking and videoconferencing as well as more effective use of office space per employee.

Many of our employees are able to work from anywhere and at any time. Success in this calls for trust, clear goals, good management – including self-management – open interaction and a seamless flow of information with correct tools. We provide our employees with tools that facilitate mobile work. In 2013, Elisa employees teleworked on average 4.75 days a month. In a year, this corresponds to approximately 52 days of teleworking per employee.

A pilot project launched by Elisa and the Ostrobothnia Employment and Economic Development Office in 2013 surveyed the interest shown by senior citizens in part-time employment. The pilot project investigated how working careers could be extended flexibly and senior citizens could be offered opportunities in the future labour market. The project provided valuable information on how workforce supply and jobs meet up. As a result of the project, Elisa offered senior citizens part-time employment that could easily be adapted to their situation in life, for example in customer service.

We are continuously renewing our working environment, so that it enables an interactive and virtual work as well as work requiring concentration. Meeting facilities have been made deliberately smaller and meetings are increasingly either partly or wholly virtual.

It is estimated that the efficiency in the use of facilities saved 6,976,000 kWh of energy in 2013. Savings in carbon dioxide tonnes due to teleworking amounted to 4,198 (3,532) tCO_2. In a mobile office culture, the consumption of paper and office supplies is small as data has moved from archive cabinets to cloud.

Personnel development

Competence development process is one of our most important processes. We are developing our personnel according to the 70–20–10 model, in other words by a combination of learning at work (70%), management by coaching and support from supervisors and other bodies (20%) and various training and coaching programs (10%). Internal job rotation and re-activation – internal mobility – enhance personnel expertise. It is our aim that at least 10 per cent of Elisa employees change duties every year. In 2013, we did not quite reach this target as the actual number was 8.52 per cent.

We offer management and leadership training, project and process training, financial training, communications and language training and workplace development training as well as trainingrelated to customer service, sales, services, products, technology and systems. Core processes for business have been made familiar by process walkthroughs led by supervisors, and these were completed early in 2013. In the parent company, guards and security stewards have been trained on issues on rights of individuals.

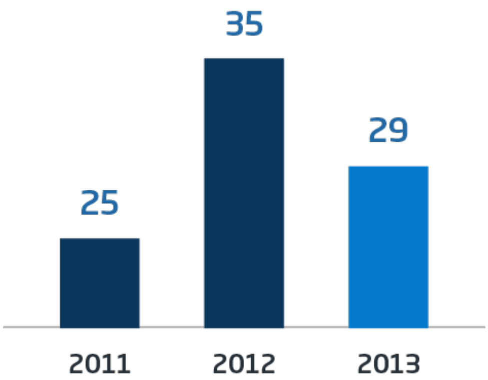
In 2013, we implemented a long-term training programme focused on middle management and employees in expert duties. In addition, we organised orientation for new supervisors and long-term supervisor training related to leading Elisa employees for a total of 761 days. Supervisors in various locations also received handling of difficult issues training from experts of occupational healthcare as a part of Elisa's proactive intervention model.

Sales and customer service personnel participated in new training at service-demo camps by theme and sales groups for example, and continued their participation in clinics improving competitiveness as well as received online training. We also continued ElisaPro training. In addition, almost 40 Elisa employees took part in the Specialist Qualification in Management (JET) and Further Qualification in Secretarial Studies. All in all, more than 100 employees participated in long-term training programmes.

Our personnel took actively part in our training events lasting from a couple of hours to a couple of days in 2013. Training was increasingly implemented virtually and recorded, which meant that the personnel could participate in the training when it best suited them. In accordance with our long-term operational model, we provided support for the personnel's self-motivated training in 2013. Thus far, the hours used for training have not been reported for all personnel groups. In 2013, all Finland-based Elisa employees received approximately 29 hours of training per person.

Training related to data security is crucial to our operations. During the year under review, a quarter of Elisa employees (735 people) completed personal data processing training, and about half of Elisa employees (1,398 people) completed identification data processing training. In addition, 473 and 795 employees respectively of our partners participating in the processes were trained. Of the employees working directly with corporate security, 63 per cent and 8 per cent respectively completed the training.

Training hours per employee



Cooperation with educational institutions

In 2013, we continued our cooperation with educational institutions, providing their students and staff opportunities to learn firsthand about working life. The cooperation focused on job placement, various projects, lectures, company visits also abroad and thesis and diploma projects completed at Elisa.

Cooperation institutions were educational institutions in the fields of technology and business as well as universities and higher education institutes.

Elisa and Centria University of Applied Sciences started cooperation that supports the employment of students in Central Ostrobothnia. The cooperation programme consists of study modules and traineeship periods jointly implemented by the university and Elisa. During the initial phase of the cooperation, approximately 10 students selected for the programme work part-time alongside their studies. At the same time, the students obtain practical experience in work and the latest working methods. Our aim is to provide permanent employment for customer service professionals who worked alongside their studies after they graduate and create a long-term cooperation model with Centria. Elisa is one of the largest employers in the region.

Diverse workplace

Satisfied, competent personnel who are capable of changing are a major resource for us. We consider fairness and equality important objectives. We promote equality by creating a diverse community of employees from different backgrounds who complement one another and together make Elisa an excellent workplace. In our foreign branches, we prefer local expertise.

Our employee satisfaction surveys show that equality and tolerance are among our strengths. Working is possible even if our senses or mobility were limited. In brain work attitude and competence are what counts.

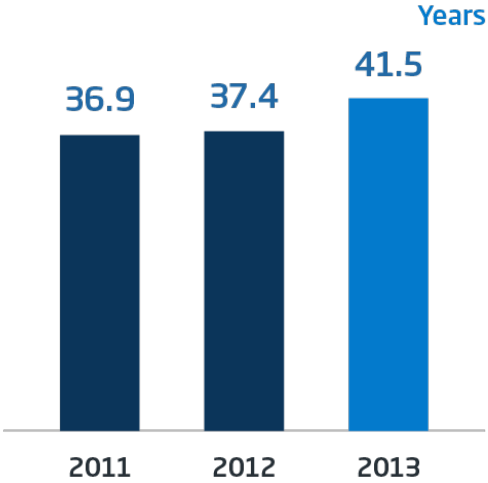
Good workplace is created through good and inspiring leadership. Leadership is based on coaching, which inspires, empowers, tackles issues, develops competence and is physically or virtually present.

We have recorded principles of equality and annually renewed objectives. Equality objectives for 2013 were related among other things to equal pay, female representation in management teams and making competence more varied through trainee programmes. Of all Elisa supervisors 28 (27.4) per cent are women.

Age and gender distribution in Elisa Corporation's administrative and executive boards and in the personnel in its entirety

	Women	< 40	40-50	> 50	**Total**
Board of Directors	2	0	1	6	7
Elisa Executive Board	2	0	5	3	8
Board of managers in business units	26	11	38	21	70
Managerial board of corporate responsibility	5	1	7	2	10
Personnel in total	968	1,297	803	621	2,721

Average age structure in Elisa



Occupational safety

The whole personnel are represented in work environment committees developing occupational safety and health through occupational safety delegates. Occupational safety delegates and their deputies were elected for a four-year term (2+2) in 2012.

In the past year, we participated in the Finnish Institute of Occupational Health project: Development of an operational model for overexposure to RF in mast and roof work. The project received funding from the Finnish Work Environment Fund. The closing seminar of the project, "Electromagnetic fields at work" was held in December 2013 and an electronic publication based on this is available from the Finnish Institute of Occupational Health.

During the year, there were 9 industrial accidents in the parent company and 1 in Estonia. These resulted on average 12 sick days per accident. Deaths due to occupational diseases or accidents did not occur during the year under review.

A work environment forum is organised for the members of the occupational safety organisation. Other events related to occupational health were occupational healthcare cooperation event and occupational safety card training events and statutory safety training events, for example, for mast, electricity, roof/wall work and hoisting. In Estonia, Elisa's employees receive first-aid training and protection personnel are trained at least once a year.

Responsibility for customers

Customer orientation is one of our values and customer satisfaction is the single most important factor steering our activities. We measure our recommendation rate, which we continuously aim to improve. We implemented a customer relationship survey among our corporate customers, which highlighted clear development targets related to, network services, customer and support services and sales for example. Measures taken have led to positive results and we will continue this work.

During the reporting year, we further highlighted the need to study the userfriendliness and accessibility of our services. We will conduct an ease of use analysis of our pilot services in the beginning of 2014. Based on them, we will draw up more comprehensive guidelines which describe accessibility survey and testing processes, service design guidelines, development practices and effects on subcontracting agreements.

OP-Pohjola offers more personal service online. Customers have reacted positively to online negotiations; instead of visiting an office, it is possible to manage banking and insurance affairs from their couch at home or from the office. Customer service is provided online by means of a video solution implemented by Videra, a subsidiary of Elisa.

Another special theme taken up was the rapidly increasing and more complex use of technology by children and young people and the time they spend on it. It is important for us that services used by children are easy to manage. For this purpose, we have developed safety packages which help parents to determine blocked services.

As a part of customer service development, we made a major part of our product and service information distribution web-based. During the reform, we implemented a chat feature for corporate customers, which will be used as online service's support channel. We are developing our customer satisfaction surveys to further improve the quality of dialogue with our customers. It helps us to improve the quality of services and customer orientation.

We also prefer to send invoices and order confirmations in electronic format. In 2013, we saved 678 (340) carbon dioxide tonnes as a result of electronic customer invoices and order confirmations. Every year, we send approximately 27 million invoices, half of which are already electronic. Moreover, we send over 80 per cent of our order confirmations electronically.

Our internal guidelines complying with legislation and industry guidelines direct our marketing activities. The Finnish Competition and Consumer Authority follows and closely monitors marketing in our industry and publishes guidelines to change marketing. During reporting year, we have received more detailed guidelines in a couple of cases and our marketing has been adjusted accordingly.

Our customers receive customer communications related to products and services without a separate agreement. Our customers have the right to forbid us to send direct marketing.

During the year, we have invested in the timely and accurate delivery of services with the aim of serving our customers as well as possible. However, it is not possible to completely avoid mistakes. In these cases, we aim to settle the matter directly with the customer. On occasion, the Consumer Disputes Board has given its recommendation on compensation which we have also followed.

All information related to pricing is clearly and transparently available. We use practicly unlimited domestic call and text message amounts (5,000 minutes and 5,000 SMS messages in a month) in the pricing of most of our subscription services as well as unlimited data transfer volume at a fixed monthly fee. The variety in subscription pricing and pre-paid subscriptions enable the selection of a suitable service. This guarantees our customers the chance to manage their data communication costs and avoid surprises in invoicing.

Mobile and data communications networks

It is our duty in the Finnish society to ensure comprehensive and reliable mobile and data communications networks. Wireless connections make these available to all Finnish residents. This is also a question of security as for example the majority of emergency calls are made with mobile phones. Moreover, official networks largely function with wireless connections. We maintain and develop the mobile communications network coverage to serve the users' needs in the best possible way.

Siting of masts, base stations and transmission sites requires good statutory cooperation both with individual housing associations and landlords as well as municipal permits. Siting is determined on the basis of consultation of all parties, requirements and purpose of use. The appearance and other requirements of the structures according to which construction takes place are based on the hearing and permit received. A contract will always be drawn up on infrastructure construction defining the details of construction.

In building a base station network for mobile communications, we comply with the Finnish land use and building legislation, which regulates environmental effects. Elisa's communications networks cover the whole country. They have not been found to affect the environment or biodiversity.

The siting of base stations utilises widely shared use of existing structures between operators in the industry – over half of the base stations are in shared. In addition, transmission frequencies may be leased from another operator, which prevents unnecessary constructions in leased sites. Sharing of sites is mandatory in Finland. For this reason, mast sites are also available for other operators, including competitors.

We follow STUK - Radiation and Nuclear Safety Authority's guidelines related to electromagnetic fields, which are also regulated by legislation and official regulations. Ministry of Social Affairs and Health regulations 294/2002 and 1474/1991 determine the maximum allowed radio wave radiation directed at employees and general public. The regulation is based on the guidelines provided by the International Commission on Non-Ionizing Radiation Protection (ICNIRP).

We are an expert member in the EMF (Electromagnetic fields) advisory board founded by the Federation of Finnish Technology Industries, the Confederation of Telecommunications and Information Technology (FiCom ry) and energy companies (Finnish Energy Industries), which is the national expert body on radio frequency fields. The aim of the advisory board is to ensure that the consumer safety while the competitiveness of European and Finnish companies is retained.

In 2009–2012, we participated in the Wireless Communication Devices and Human Health (WIRECOM) research programme studying the health effects of wireless devices by disclosing call records of test subjects who had given their permission to do so. The issues studied in the research programme were included in the World Health Organisation's (WHO) priorities and consequently promoted WHO's radio frequency fields' (RF and EMF) health risk assessment process. In Finland, the parties responsible for the study were the Finnish Institute of Occupational Health, STUK and the University of Turku.

The following projects of the study are completed:

- Thermal effects of RF fields
- Effects of mobile phone electromagnetic field on human brain
- RF dosimetry for biological studies

The control study of mobile phone users related to the WIRECOM study was performed at STUK. The study is connected with the international COSMOS project and it will continue until 2020. Further information about the study in Finland is available at www.cosmostutkimus.fi.

Improving productivity and partnerships

In accordance with our strategy, we invest in improving productivity, developing new services and strong investment capability. We seek better productivity especially by paying attention to the profitability of core activities both in our own operations and through services provided for our customers. It is a key challenge to our corporate and public administration customers to develop their services in order to invest less in the future without compromising their service level. The change requires open-minded review of processes and development of value adding activities.

Partners strongly influence Elisa's customer experience. They contribute to Elisa's position as a provider of high quality and increasingly international services. In partner cooperation we aim at continuous development, and invest in common objectives and customer satisfaction. In 2013, we started cooperation with Tata Consultancy Systems, among others, which has strong international competence and the highest customer satisfaction rate in industry in the Nordic countries.

Elisa’s core competences are still ICT services offered to customers, related systems as well as network design and maintenance. The chosen partners will sign a security agreement to ensure that obligations related to our processes will be met. These include security training for personnel, privacy protection, confidentiality and preparedness. Implementation of agreements is monitored with regular cooperation and audits.

Protection of privacy and data security

Confidentiality of customer data and communications as well as protection of the privacy of customers are important core values for us. Processing of personal data is strictly regulated by Finnish laws and official regulations and guidelines. Training of personnel and raising their awareness are key tools in ensuring compliance. Responsibility for privacy protection relating to products and services lies within business units.

We follow strict data security levels. We have a dedicated data security manager at our corporate security unit, whose duty it is to provide guidelines and monitor issues related to data security. Personal and identification data are collected for purposes strictly regulated by legislation and they are not processed in ways incommensurate with this purposes. We ensure the data security of our services with measures that are appropriate to the severity of threats and technical development levels as well as costs.

Prevention of data security breaches and disturbances requires special attention. When taking protective measures, we do our utmost to ensure the confidentiality of the message and protection of privacy is not unnecessarily compromised. We communicate these measures and other issues related to data security of services in the most appropriate manner on the website or customer bulletins.

We will disclose customer information only within limits of legislation and in accordance with the customer register information to the authorities or other telecom companies. Our employees and subcontractors are bound by secrecy obligation when processing customer data.

Product safety

It is important for us to ensure current laws and regulations are followed in product safety matters. Mobile phones available for both our own use and for sale comply with ICNIRP guidelines and the requirements of the EN 50360 product standard related to electromagnetic radiation and transfer of energy (Specific Absorption Rate, SAR). Both our employees and customers have the opportunity to reduce exposure to the aforementioned radiation by the use of hands-free devices. With regard to product safety, the liability rests with the business unit that put out the product or service in question.

We are continuously applying for new patents and trademark registrations. It is important for us to take care of immaterial rights, which is why we comprehensively protect our rights with registration. We use only a limited amount of technology based on open source code.

Low emission alternatives for customers

With the help of our solutions, our customers achieved 21,965 tCO_2 emission savings. The greatest savings were achieved by use of virtual meeting solutions, 18,931 tCO_2. The increasing emission savings demonstrate that virtual communication has become a permanent feature of the everyday life in Finland. Virtual communication replaces travel and decrease carbon dioxide and other traffic emissions.

Customers can handle their bank affairs with a video-assisted customer service for example. With the help of Videra's Virtual Care service, the elderly may easily keep in touch with their family, friends and healthcare personnel.

Teleworking is increasing in working life and contacts with fellow workers are often made virtually. Keeping in touch virtually saves time, travel and promotes regional equality. Companies can hire their personnel where they find the most suitable candidates.

Cloud services helped our customers to save 2,982 (1,685) tCO_2. The data center services provided via cloud services reduce energy consumption by as much as 94 per cent compared to traditional server solution. In our cloud service, we provide the customer with a virtual server, in other words server capacity in Elisa's hardware, instead of a traditional server solution.

Customers benefit from virtual servers and data centres, as the capacity can expanded according to the service needed. The advantage of virtual servers is that the same server device can be used by several customers. Thus the use of server capacity is more efficient and energy consumption decreases compared to traditional server solutions.

Measurement principles of Elisa's CO2 emission saving indicators are available here: http://corporate.elisa.fi/elisa-oyj/vastuullisuus/ymparistovastuu/

Reduced customer emissions (tCO_2)

	2011	2012	**2013**
Total reduced customer emission	8,334	19,156	21,965
Virtual conferencing	7,307	17,395	18,931
Cloud services	993	1,685	2,982
Reuse of mobile devices	34	76	52

Examples of telecommunication products, services and applications that have the potential to replace physical objects

	Potential of emission savings (tCO_2)*	Rebound effect	Potential in number of trees planted
Virtual conferencing	336,000	The possibility to meet virtually increases the number of meetings. The survey shows that virtual conferences replace only 30 per cent of travelling.	1,087,379
Cloud services	300,000	Supply of cloud services may increase the amount of data filed. On the other hand Elisa estimates that cloud services can reduce use of energy by 94 per cent.	970,874
Mobile work (telework and reduces office space)	821,094	Energy used at employees' homes. This has not been estimated.	2,657,261

* Assumptions for calculation: Elisa has 150 000 corporate customers, of which 80 per cent starts to use the service. There are 5 employees in average (Statistis Finland 2012) and 5 servers per company. Calculations are based on Elisa's carbon saving calculations. Emission saving in planting a tree is 30 CO_2 per tree.

Sustainable value for society

Ensuring the functioning of the society is part of our operations. In addition to communications and data security of our customers, we develop a safer data network in cooperation with authorities and other operators in the industry. The majority of our investments are focused on improving the operation and availability of the mobile phone network.

According to legislation, every resident in Finland, regardless of where they live, has the right to receive affordable communications services at basic level to their home. These universal services must also be available for business premises.

The universal services include a telephone subscription, 1 MB broadband subscription, telephone directory and directory inquiries service. In addition, people with hearing or talking disabilities are guaranteed telephony services. The Finnish Communications Regulatory Authority determines the areas and maintains a list of universal service providers. Investments to fulfill universal service obligation are not distinguished from other long-term development of the network.

A list of universal service providers by municipal is available in finnish at www.viestintavirasto.fi/internetpuhelin/peruspalvelu/yleispalveluyrityksenhaku.html.

Utilisation of interactive services requires a fast and reliable nationwide network. Our investments ensure all Finnish residents access to comprehensive and fast mobile connections. The rapid implementation of developed and resource-efficient 4G technology improves the usability of mobile devices also in more sparsely populated areas. For example, in Kitee Elisa's network has utilised 4G Dual Carrier technology since 2011 and the faster LTE technology was implemented there in October 2013.

The demand for fast 4G connections has grown and we are continuously expanding their availability. In October, we adopted the speeds enabled by LTE technology in Outokumpu and Kitee in addition to the HSDPA+ Dual Carrier technology introduced in 2011. Even better connection speeds increase the operating convenience of mobile equipment for of Elisa and Saunalahti customers when viewing videos, surfing the Web or loading music.

We have rapidly extended the availability of 4G technology that was originally launched in November 2011. By the end of 2013, 4G Dual Carrier speeds were available in over 230 locations and LTE technology in 75 locations. Our network coverage can be checked from a coverage map at http://elisa.fi/kuuluvuus/.

We have also continued our investment in 3G network and in 2013, we built hundreds of new base stations and extended capacities. The increased availability of network is also evident in studies: European Communications Engineering Ltd's (www.eceltd.com) regular measurements show that Elisa's 3G network has the highest average data speed (www.elisa.fi/vertaaverkkoja). Aalto University's Net Radar confirms that Elisa has the fastest network in Finland.

We prepare for disturbances and pro-actively follow weather forecasts in order to ensure disturbance-free services also during storms. We cooperate with electricity companies to coordinate reserve power needs in risk areas. Units maintaining networks practise regularly for emergencies.

Emergency communications require continuous development, which we do according to wishes expressed by our customers. We aim at the fastest and most convenient way of communicating from the perspective of the customer. We invest especially in pro-active communications.

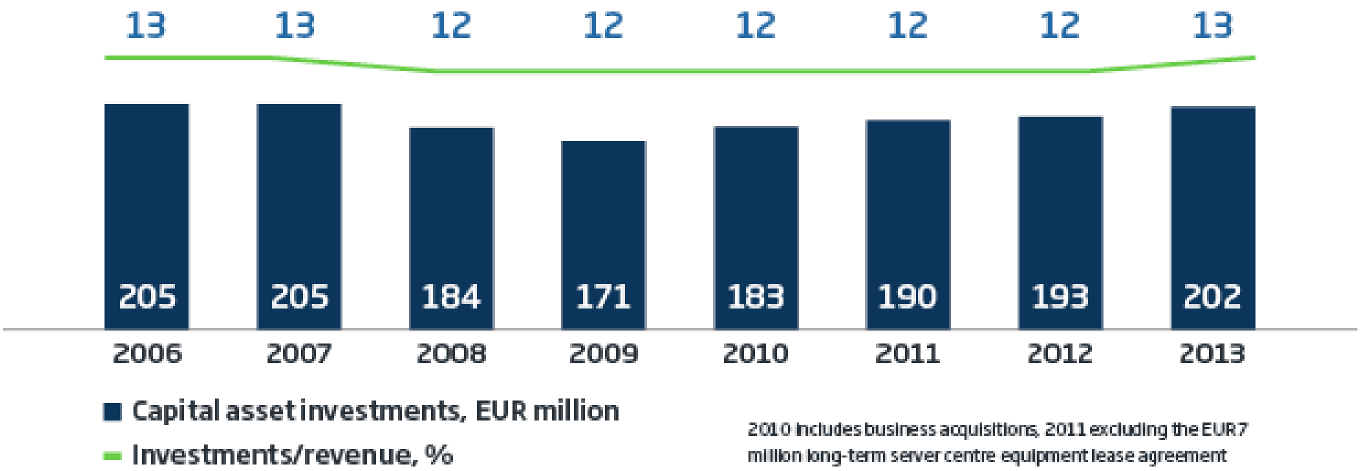
Large-scale events easily cause disturbances to mobile communications due to large volumes. We prepare for this by, for example, increasing network capacity at venues. In summer 2013, we launched active communications about large events on Elisa's service disturbance map and social media.

The most significant operator investor in Finland

- 2013 capital asset investments EUR 202 million (excluding licenses and equity investments)
- Investments/revenue 13 per cent

The most significant investment targets:

- 3G and 4G/LTE networks
- Landline trunk network
- IT systems
- Customer terminal devices



Elisa has a social media (SoMe) team in its customer service whose task is to help customers, wherever they are. The team answer customers' questions on Facebook and Twitter, for example, but they are also involved in general discussion boards where people discuss such things as operators or telephone models. In the autumn, the customer service introduced the Twitter account @Elisa_aspa, which is also used for communicating disturbances.

Energy efficiency in data centres and radio network

We invest ongoingly in new energy efficient technology both in our radio networks and data centres. Our data centres achieved 3,797 tCO_2 savings through more energy efficient operations.

Data centres

We have developed a data centre solution, which utilises heat loss energy from servers and consequently makes energy use more efficient. Heat energy created is utilised fully in district heating in the nearby areas. For example, a data centre located in Espoo produces annually approximately 20,000 MWh of energy when operating at full capacity. This equals the annual heat energy consumption of over 1,000 Finnish one-family houses.

Virtualisation, in other words, using server space more efficiently is also an effective way to save energy in data centres. In recent years, we have efficiently virtualised our own servers, approximately half of which are now virtual. We have aimed at larger average size of server centres by closing smaller inefficient data centres. In large data centres, energy-efficiency has has been improved in addition to utilisation of heat loss energy by traditional ways, for example, by utilising the cold air during the winter time to cool data centres.

Energy saved due to conservation and efficiency improvements (GJ) [1]

	2011	2012	**2013**
Multi space offices	32,411	25,391	25,115
Energy efficiency in server environments	36,423	31,936	26,888
Transfer to virtual servers	15,405	23,223	42,702
Reuse of server generated heat	17,561	18,010	16,636
Total	106,884	98,559	111,340

1) Additional information and calculation principles for Elisa's environmental responsibility report are available at: www.elisa.com

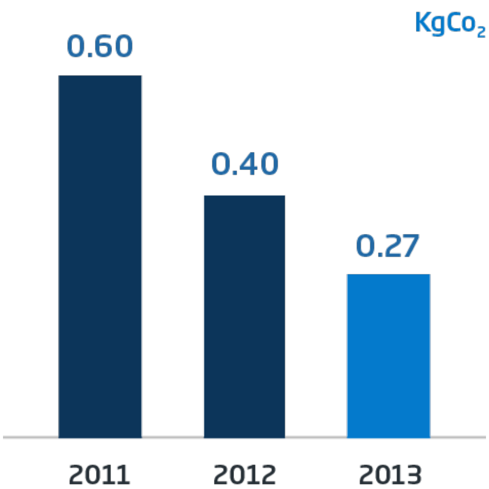
Radio network

In the radio network, the energy-efficiency of base station devices has improved and energy consumption per the amount of data transferred has decreased in recent years. However, the overall consumption of the network has simultaneously increased. The most significant explaining factor is the increased number of base stations and amount data to be transferred.

New base station types use a only little more energy than the previous ones even though the technology is more energy efficient. For example, it is estimated that 4G LTE base stations consume approximately 10 per cent more than 3G base stations. However, their transfer capacity clearly exceeds that of old base stations. The increase of transfer capacity enables increase of the data volume in mobile network, which increases the equality in availability of services.

Energy efficiency measures are continuously undertaken in our radio networks to curb energy consumption. In 2013, 3G base station output power has been optimised and this affected the overall electricity consumption positively. We will continue with the optimisation.

Carbon footprint of mobile data transfer/GB



The mobile phone network and the optimisation of its use is being redesigned all the time. This will help us to remove overlapping equipment and decrease energy consumption. In addition, trenching of cable and installation and maintenance travel decrease. Modernising means replacing old inefficient base stations with new multi-radio technology. In addition, other old base stations are replaced with more energy-efficient ones.

According to preliminary estimates, the redesign and modernisation of the network and new energy saving features will enable us to decrease our energy consumption by 74,000 MWh by 2019.

Our carbon footprint

Influencing carbon dioxide emissions is a key part of our environmental responsibility. We are constantly developing new ways to make our energy use more efficient and our carbon footprint smaller. We are determined to invest in energy-efficient and sustainable technology. This is supported by measurements which comply with the international Greenhouse Gas (GHG) protocol. The measurements are continuously maintained and developed to indicate environmentally friendly activities and to support choices made by our customers.

The majority of our environmental impact comes from energy use. Maintenance of services consumes energy. Our electricity consumption in 2013 was 220,876 (247,795 in 2012) MWh. The majority of the electrical energy is consumed in production network. Elisa's carbon footprint in 2013 was 66,904 (90,452 in 2012) tCO_2 (transportation in the Scope 3 table has left out from figures) . The carbon footprint of the production network accounted about 80 per cent of the whole footprint.

From summer 2013 on all our energy comes from renewable sources and carries certificate of orgin. This change improved our carbon footprint.

In 2013, we commenced the wider analysis of our value chain following the Scope 3 framework of GHG. The transparency of business operations requires the review of possible impact of the procurement chain. The most significant carbon dioxide emissions come from manufacture of electronics we purchase. Measures to analyse in detail the logistics chain and procurement practices are only beginning.

For the third year running, we report our carbon footprint and measures taken to mitigate climate change to CDP (Carbon Disclosure Project). The transparency and quality of our environmental report was ranked 9th among the Nordic companies submitting their reports. This is a significant improvement from the previous year when we were ranked 16th. Once again, we were the best Nordic telecom operator.

Total direct and indirect greenhouse gas emissions by weight (tCO_2)

	2011	2012	**2013**
Scope 1, Direct greenhouse gas emissions	162	332	486
Scope2, Indirect greenhouse gas emissions	88,264	81,041	59,351

Other relevant indirect greenhouse gas emissions by weight (tCO_2)

Sources of Scope 3 emissions	2011	2012	**2013**
Building of mobile network (basestations)	1,987	2,351	1,159
Business travel	1,791	2,133	1,992
Employee commuting	3,060	3,550	2,904
Waste generated (parent)	60	61	69 (2
Other: paper invoicing	958	899	782
Other: e-invoicing	42	67	94
Other: Office paper	17	10	56
Other: Waste water treatment	9	11 (1	10
Trasportation	n/a	1,296	848

1) Calculation error corrected, the number has changed
2) Basis of calculation changed: WEEE waste added

Direct energy consumption by primary energy source (GJ)

	2011	2012	2013
Use of diesel and petrol	2,194	1,898	3,342
Use of oil	n/a	2,700	3,382

Indirect energy consumption by primary sources (GJ)

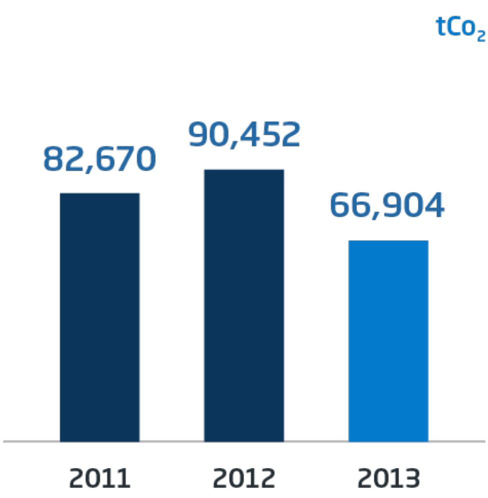
	2011	2012	2013
Elisa Corporation electricity	785,524	824,339	710,751
Elisa Corporation heating	72,137	77,857	64,937
Elisa Estonia electricity	66,805	67,723	84,404
Elisa Estonia heating	940	2,538	2,538 [1]
Renewable energy (electricity) (water)	0	0	230,400

1) Figure from year 2012

Emission reductions in service production (tCO_2)

	2011	2012	2013
Total emission reduction in service production	6,898	9,860	10,029
Mobile work	2,604	3,532	4,198
Computer rooms	3,738	4,808	3,797
Reuse of products	333	1,179	1,356
Electronic invoicing	223	340	678

Elisa´s carbon footprint



More efficient material management

Manufacture of IT equipment accounts for a major part of environmental effects of the industry. In order to ensure that re-usable metals can be collected, it is important that the equipment is recycled as efficiently as possible. This will also help to mitigate environmental effects at the manufacturing stage.

With regard to electronic devices we provide to the market, we are bound by the producer liability pursuant to the Finnish Waste Act. According to it, the producer is responsible for the waste management of a decommissioned product. With regard to packaging, the Act obligates that they be utilised either as material or energy.

Importers of ICT equipment are obligated to utilise, reuse and recycle electronic devices containing memory, such as computers, mobile phones and digital cameras in the manner referred to in the Government Decree on Waste Electrical and Electronic Equipment. During 2013, we renewed our collection agreements related recycling and electrical and electronic waste. Our shops were equipped with appropriate collection receptacles through which the waste was taken for re-processing to become raw material for electronics.

We have at our disposal lead batteries that we have imported ourselves as auxiliary power sources for base stations and to maintain critical infrastructure during storms and other disturbances. When the battery life cycle ends, they are taken to Kuusakoski Oy for recycling, which delivers the batteries in compliance with official regulations for treatment in Sweden and Estonia. We are bound by producer liability with regard to batteries. We report the batteries we have imported to the Pirkanmaa Centre for Economic Development, Transport and the Environment. In 2013, we shipped 13,176 kilos (20,495 kilos) of lead batteries to Kuusakoski Oy. We do not treat, transport or export waste from the country.

The overall weight of waste by type and disposal method (tonnes)

	2011	2012	**2013**
Total waste amount (1	435	558	576
Hazardous waste (1	7	84	39
WEEE (Waste Electrical and Electronic Equipment) (1	159	108	199
Recycling % (2	67	73	75
Recovery % (2	17	16	9
Landfill % (2	15	11	15

1) Amounts not available for Elisa Estonia
2) WEEE and hazardous waste not included

Since 2011, our corporate customers have been offered a recycling service, through which a purchaser of a computer package may give their old laptops for reuse. We have offered a corresponding service for our consumer customers' mobile phones since 2010.

Functioning mobile phones are resold. The purpose of the refund for a used device is to encourage the customers to return their old electronic devices instead of them ending up as waste. In 2013, reuse of devices achieved 53 (76) tCO_2 emission savings.

During the year, we have consciously intensified our operations in the reuse of product returns. Some of the devices sent to consumers are returned after a short trial period. Improved checking and packaging methods enable Elisa to recover more efficiently those devices that are still functional and after they have been checked, they can be taken into use again. In 2013, more efficient recycling achieved 1,395 (1,179) tCO_2 emission savings.

Materials used by weight or volume (tonnes)

	2011	2012	**2013**
Packaging			
Corrugated pulp board (1	2	1.1	6
Cardboard packaging and paper wrappings (1	87	63	60
Plastic packaging (1	6.4	1.9	1.5
Copypaper	39	22	33
Paper for invoicing	141	142	131
Electronic devices delivered	n/a	624	679
Sim cards	n/a	10	9

1) Amount of packaging material is an estimation.

Procurement principles

Our procurement process has been described in procurement guidelines and Code of Ethical Purchasing. The most important investments in Elisa are focused in Finland and Estonia. In our procurement, we aim to favour local products whenever it is possible. We have made preliminary surveys on the social and environmental impact of procurement and related management and calculation methods.

The technology used in the industry is predominantly manufactured outside Europe. Especially when procuring from outside Europe, we follow the Code of Ethical Purchasing, which follows the UN's Global Compact principles and consequently prohibit negative discrimination including discrimination based on race or gender. The use of child or forced labour is prohibited by law in European countries. Outside Europe, we prohibit the use of child or forced labour in accordance with the Code of Ethical Purchasing.

We require that our suppliers operate in a sustainable manner with regard to the environment and human rights and that they follow national and international laws. We require that our new agreement partners accept our ethical buying principles. If needed, we will conduct audits based on our auditing protocol to ensure the quality of operations of our subcontractors. In 2013, audits conducted did not lead to further measures.

Financial effects

To fully develop our services and carry our social responsibilities, our operations must be economically sound. Our economic effect is strongly evident in activities such as those of our employees, subcontractors, resellers and other partners both in Finland and Estonia. We participate in the development of society as a whole with taxes and other public fees.

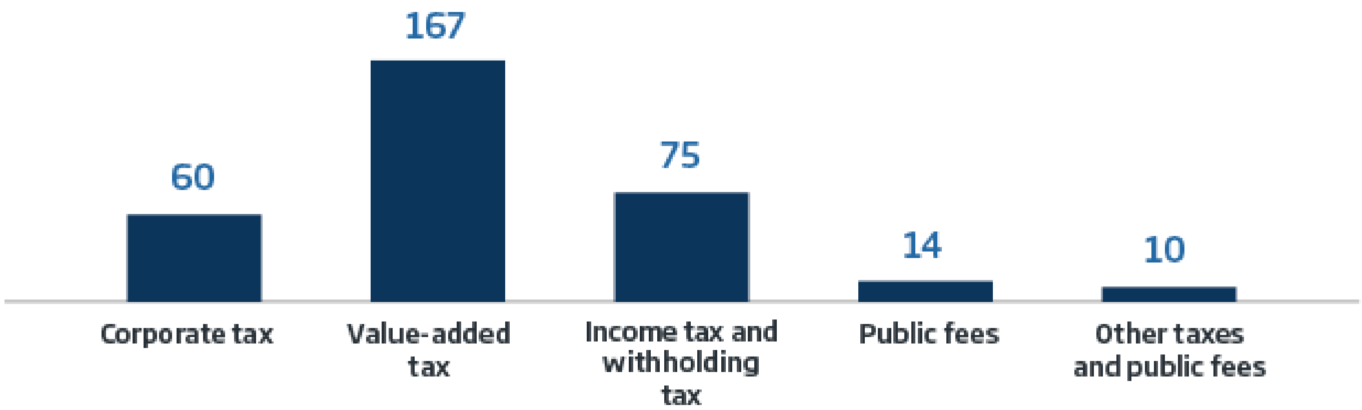
We are an important and transparent taxpayer. Taxes collected and paid in Finland are approximately EUR 330 million annually. This consists primarily of corporate tax based on the result, value-added tax paid, withholding tax based on salaries as well as withholding and tax at source based on dividends.

Actual profit distribution policy is 80–100 per cent of the previous fiscal year’s net profit. Distribution of additional profit to shareholders is also an option. When preparing a proposal or making a decision regarding profit distribution, the Board of Directors will consider the company’s financial position, future financing needs and the financial targets set for the company. Profit distribution includes dividend payment, capital repayment and purchase of treasury shares.

Our economic impact also includes participation and partnership in social projects. We are participating in a campaign to prevent social exclusion of young people coordinated by Tukikummit and with the President of the Republic of Finland, Sauli Niinistö as a patron. The campaign was implemented by the personnel's "Time to be Present" project, through which we raised awareness of the importance of participating in the everyday life of young people. The project was implemented regionally in various events activating adults with young people and children and a toy collection rally for the family café of the Mannerheim League for Child Welfare to name an example.

We participated in the Ylen Hyvä Foundation's project Red Nose Day as a partner, collector and organiser of the telethon. Programmes of the Red Nose Day week were produced at Elisa Studio in Lasipalatsi, Helsinki.

Taxes payed by Elisa in 2013 *



* incl major subsidiaries

Shareholders 31 Dec. 2013

Description of the report

This is Elisa's first complete Corporate Responsibility Report. In earlier years we compiled an index describing responsibility measures based on Global Reporting Initiative's (GRI) sustainable development reporting guidelines in 2011 and 2012. The GRI index for 2012 was published in March 2013 and it is available at http://corporate.elisa.com/corporate-responsibility/.

Reporting period of this report is calendar year 2013. The GRI index for 2013 is part of this report.

Report coverage

The report coverage and data reported have been defined in GRI 3.1 and principles in the Telelcommunications pilot sector supplement. The report covers Elisa's business units included in Elisa's consolidated financial statements and its subsidiaries as well as leased facilities. The financial information is from the consolidated financial statements and they comply with IFRS accounting principles.

With regard to environmental indicators, the most significant environmental effects of the parent company and subsidiaries in all countries are included in accordance with GRI guidelines. Calculation of carbon dioxide emissions is based on Greenhouse Gas protocol methods (www.ghgprotocol.org). Description of calculation methods is published at http://corporate.elisa.com/corporate-responsibility/environmental-responsibility/ .With regard to personnel figures both the parent company and subsidiaries have been included. Significant changes have not been made to the indicators compared to previous years.

Structural changes are described in more detail in Elisa's annual report. The most significant changes was the increase of ownership in Sulake Oy to 100 per cent and the merger of Pohjanmaan Puhelin's (PPO) telecom and IT business with Elisa. The transaction included also ownership of Kymen Puhelin and Telekarelia.

Contact information

http://corporate.elisa.com/investors/contact-1/

Independent assurance report

Translation from the original Finnish report

To the Management of Elisa Oyj

We have been engaged by the Management of Elisa Oyj (hereafter Elisa) to provide limited assurance on the responsibility information from the reporting period 1.1.–31.12.2013, which has been presented in connection with Elisa's Annual Report 2013 published in the web (hereafter Responsibility Information).

The Management of Elisa is responsible for the preparation and presentation of the Responsibility Information in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 3.1.

Our responsibility is to carry out a limited assurance engagement and to express an independent conclusion on the information subject to the assurance based on the work performed. We have conducted the engagement in accordance with the Finnish Institute of Authorised Public Accountants' Standard 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information. We do not accept or assume responsibility to anyone other than Elisa for our work, for this assurance report, or for the conclusions we have reached.

The evaluation criteria used for our assurance are the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 3.1.

Limitations of the engagement

Data and information related to corporate responsibility are subject to inherent limitations applying to data accuracy and completeness, which are to be taken into account when reading our assurance report. The presented Responsibility Information is to be considered in connection with the explanatory information on data collection, consolidation and assessments provided by Elisa. Our assurance report is not intended for use in evaluating Elisa's performance in executing the corporate responsibility principles Elisa has defined. To assess the financial state and performance of Elisa, Elisa's audited Financial Statement for the year ended 31 December 2013 is to be consulted.

The work performed in the engagement

Our assurance procedures are designed to obtain limited assurance on whether the Responsibility Information is presented in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 3.1 in all material respects. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Responsibility Information, and applying analytical and other evidence gathering procedures, as appropriate. The evidence gathering procedures mentioned above are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

In our engagement we have performed the following procedures:

- Interviews with four members of senior management to reassert our understanding of the connection between Elisa's corporate responsibility procedures and Elisa's business strategy and operations as well as corporate responsibility objectives;
- An assessment of data management processes, information systems and working methods used to gather and consolidate the presented Responsibility Information, and a review of Elisa's related internal documents;
- Comparison of the presented Responsibility Information to underlying rules of procedure, management and reporting systems as well as documentation;

- An assessment of the Responsibility Information's conformity with the principles of the GRI-guidelines;
- A review of the performance data and assertions presented in the Responsibility Information, and an assessment of information quality and reporting boundary definitions;
- Testing of data accuracy and completeness through samples from the Group's information systems and original numerical information received from the Group companies;

Based on the assurance procedures performed, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not presented in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 3.1 in all material respects.

Helsinki, March 6, 2014

KPMG OY AB

Esa Kailiala, Authorized Public Accountant

Nathalie Clément, Senior Manager, Advisory

GRI Index

* F: fully reported, P: partly reported, N: not available

Indicator	Included*	Reference page	Additional info
1. STRATEGY AND ANALYSIS			
1.1 Statement from the CEO		Business / CEO's review	
1.2 Description of key impacts, risks, and opportunities		Responsibility / Responsibility at Elisa, Management of Corporate Responsibility	
2. ORGANISATIONAL PROFILE			
2.1 Name of the organisation	F	Business / Elisa in brief	Elisa Oyj
2.2 Primary brands, products and services	F	Business /Elisa in brief, Consumer customers' unit, Corporate customers' unit	
2.3 Operational structure of the organization	F	http://corporate.elisa.com/on-elisa/organisation/	
2.4 Location of organization's headquarters	F	http://corporate.elisa.com/on-elisa/contact/	
2.5 Number of countries where the organization operates	F	Business / Elisa in brief	
2.6 Nature of ownership and legal form	F	Responsibility / Sustainable Value for Society: Financial effects	
2.7 Markets served	F	Business / Elisa in brief	
2.8 Scale of the reporting organization	F	Financials / The report of the Board of Directors 2013	
2.9 Significant changes during the reporting period regarding size, structure, or ownership	F	Financials / The report of the Board of Directors 2013	
2.10 Awards received in the reporting period	F	Responsibility / Sustainable Value for Society: Our carbon footprint	
REPORT PARAMETERS			
3.1 Reporting period for information provided	F	Responsibility / Description of the report	
3.2 Date of most recent previous report	F	Responsibility / Description of the report	
3.3 Reporting cycle	F	Responsibility / Description of the report	
3.4 Contacts	F	Responsibility / Description of the report	
3.5 Process for defining report content	F	Responsibility / Responsibility at Elisa, Description of the report	
3.6 Boundary of the report	F	Responsibility / Description of the report	
3.7 State any specific limitations on the scope or boundary of the report	F	Responsibility / Description of the report	
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	F	Responsibility / Description of the report	
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations	F	Responsibility / Description of the report	
3.10 Explanation of the effect of any re-statements of information provided in earlier reports	F	Responsibility / Description of the report	

3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied	F	Responsibility / Description of the report	
3.12 Table identifying the location of the Standard disclosures of the report	F	Responsibility / Description of the report : GRI Index	
3.13 Assurance		Responsibility / Description of the report	
4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENTS			
4.1 Governance structure of the organization	F	Corporate Governance / Corporate Governance statement	
4.2 Chairman of the highest governance body	F	Corporate Governance / Board of Directors	
4.3 Board structure and number of members that are independent and/or non-executive members	F	Corporate Governance / Board of Directors	
4.4 Mechanisms for shareholders and employees to provide recommendations to the board	F	Responsibility / Developing personnel: Well-being and community spirit; Corporate Governance / Corporate Governance statement	
4.5 Linkage between compensation for board members, senior managers, and executives, and the organization's performance	F	Responsibility / Responsibility at Elisa: Management of Corporate Responsibility; Corporate Governance / Corporate Governance statement, Board of Directors, Incentive Plan	
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided	F	Corporate Governance/ Board of Directors	
4.7 The qualifications and expertise of the members of board	P		Elisa complies with the Corporate Governance Code of the Finnish Securities Market Association, reg 9.
4.8 The organisation's mission or values, operating rules and principles	P	Responsibility / Responsibility at Elisa: Internal principles, http://corporate.elisa.com/on-elisa/values/ , http://corporate.elisa.com/on-elisa/strategy/	
4.9 Board procedures for management of economic, environmental, and social performance, including relevant risks and opportunities	P	Corporate Governance / Board of Directors	
4.10 Processes for board's own performance evaluation	P	Corporate Governance / Board of Directors	
COMMITMENTS TO EXTERNAL INITIATIVES			
4.11 Explanation of whether and how the precautionary approach or principle is addressed	P	Responsibility / Responsibility at Elisa: Internal principles	
4.12 External conomic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	F	Responsibility / Responsibility at Elisa: Internal principles	

4.13 Memberships in associations, and national and international advocacy organizations	F	Responsibility / Responsibility at Elisa: Internal principles	
4.14 Stakeholder groups engaged with	P	Responsibility / Responsibility at Elisa: Material themes and perspectives	
4.15 Basis for identification and selection of stakeholders	F	Responsibility / Responsibility at Elisa: Material themes and perspectives	
4.16 Approaches to stakeholder engagement	F	Responsibility / Responsibility at Elisa: Material themes and perspectives	
4.17 Key topics and concerns that have been raised through stakeholder engagement, and responses	F	Responsibility / Responsibility at Elisa: Material themes and perspectives	
MANAGEMENT APPROACH			
ECONOMIC ASPECTS			
EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	P	Responsibility / Sustainable value for Society: Financial effects, Financials / Consolidated Financial Statement: Notes 4. Revenue, 5. Other operating income, 6. Materials and services, 7. Employee expenses, 9. Research and development costs, 12. Income taxes	
EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change	F	Responsibility / Responsibility at Elisa: Management of Corporate Responsibility, Corporate Governance / Description of the key features in the internal control and risk management systems associated with the financial reporting process	
EC3 Coverage of the organization's defined benefit plan obligations	F	Financials / Consolidated Financial Statement: Notes	
EC4 Significant financial assistance received from government	F	Financials / Consolidated Financial Statement: Notes	No significant assistance recieved
EC5 Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	P	Responsibility / Developing Personnel	
EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	P	Responsibility / Sustainable Value for Society: Procurement principles	
EC7 Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	P	Responsibility / Developing Personnel	
EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, inkind, or pro bono engagement	F	Responsibility / Sustainable Value for Society	

EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts	F	Responsibility / Responsibility at Elisa, Sustainable Value for Society: Financial effects	
ENVIRONMENT			
EN1 Materials used by weight or volume	F	Responsibility / Sustainable Value for Society: More efficient material management	
EN2 Percentage of materials used that are recycled input materials	P	Responsibility / Sustainable Value for Society: More efficient material management	
EN3 Direct energy consumption by primary energy source	F	Responsibility / Sustainable Value for Society: Our carbon footprint	
EN4 Indirect energy consumption by primary	F	Responsibility / Sustainable Value for Society: Our carbon footprint	
EN5 Energy saved due to conservation and efficency improvements	F	Responsibility / Developing Personnel: Changing work and work environment, Sustainable Value for Society: Energy efficiency in data centers and radio network	
EN6 Initiatives to provide energy-efficient or re-newable energy based products and services, and reductions in energy requirements as a result	P	Responsibility / Responsibility for Customers: Low emission alternatives for customers	
EN7 Initiatives to reduce indirect energy consumption and reductions achieved	P	Responsibility / Developing Personnel: Changing work and work environment, EN 17	http://corporate.elisa.fi/elisa-oyj/vastuullisuus/ymparistovastuu
EN8 – EN 10 Water usage	N		Not material
EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N		There are no proven direct substantial effects on biodiversity. Indicator is deemed not material.
EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	O	Responsibility / Responsibility for Customers: Mobile and data communication networks	There are no proven direct substantial effects on biodiversity. Indicator is deemed not material.
EN13 Habitats protected or restored	N		There are no proven direct substantial effects on biodiversity. Indicator is deemed not material.

EN14 Strategies, current actions, and future plans for managing impacts on biodiversity	N		There are no proven direct substantial effects on biodiversity. Indicator is deemed not material.
EN15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	N		There are no proven direct substantial effects on biodiversity. Indicator is deemed not material.
EN16 Total direct and indirect greenhouse gas emissions by weight	F	Responsibility / Sustainable Value for Society: Our carbon footprint	
EN17 Other relevant indirect greenhouse gas emissions by weight	F	Responsibility / Sustainable Value for Society: Our carbon footprint	
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved	F	Responsibility / Sustainable Value for Society: Energy efficiency in data centers and radio network, Our carbon footprint	
EN19 Emissions of ozone-depleting substances by wieght	F		No emissions to be reported
EN20 NO, SO, and other significant air emissions by type and weight	N		No emissions to be reported
EN21 Total water discharge by quality and destination	N		No emissions to be reported
EN22 Total weight of waste by type and disposal method	F	Responsibility / Sustainable Value for Society: More efficient material management	
EN23 Total number and volume of significant spills	N		No emissions to be reported
EN24 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	F	Responsibility / Sustainable Value for Society: More efficient material management	
EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	N		There are no proven direct substantial effects on water. Indicator is deemed not material.
EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	F	Responsibility / Responsibility for Customers: Low emission alternatives for customers, Sustainable value for society: Energy efficiency in data centers and radio network	

EN27 Percentage of products sold and their pack-aging materials that are reclaimed by category	P	Responsibility / Sustainable Value for Society: More efficient material management	
EN28 Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	F		No reported incidents
EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	P	Responsibility / Sustainable Value for Society: Our carbon footprint	
EN30 Total environmental protection expenditures and investments by type	N	Financials / Parent company financial statement: Notes 20. Collateral, commitments and other liabilities; Environmental costs	Expenditure for environmental investmens are not reported separately.
SOCIAL PERFORMANCE			
Labour			
LA1 Total workforce by employment type, employment contract, and region	F	Responsibility / Developing personnel	
LA2 Total number and rate of employee turnover by age group, gender, and region	F	Responsibility / Developing personnel: Well-being and community spirit	
LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	F	Responsibility / Developing personnel	
LA4 Percentage of employees covered by collective bargaining agreements	F	Responsibility / Developing personnel	
LA5 Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	F	Responsibility / Developing personnel: Changing work and work environment	
LA6 Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs	F	Responsibility / Developing personnel: Occupational safety	
LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region	F	Responsibility / Developing personnel: Occupational safety	
LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	P	Responsibility / Developing personnel: Well-being and community spirit	
LA9 Health and safety topics covered in formal agreements with trade unions	P	Responsibility / Developing personnel: Personnel development	
LA10 Average hours of training per year per employee by employee category	F	Responsibility / Developing personnel: Personnel development	
LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	F	Responsibility / Developing personnel: Personnel development	
LA12 Percentage of employees receiving regular performance and career development reviews	F	Responsibility / Developing personnel: Well-being and community spirit	
LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	F	Responsibility / Developing personnel: Diverse workplace	
LA14 Ratio of basic salary of men to women by employee category	N		

HUMAN RIGHTS			
HR1 Significant investment agreements that include human rights clauses	P	Responsibililty / Sustainable value for society: Procurement principles	No significant agreements
HR2 Significant suppliers and contractors that have undergone screening on human rights and actions taken	P	Responsibility / Sustainable value for society: Procurement principles	
HR3 Total hours of employee training on policies and procedures concerning aspects of human rights	P	Responsibility / Responsibility at Elisa: Internal principles, Developing personnel: Personnel development	
HR4 Total number of incidents of discrimination and actions taken	N	Responsibility / Developing personnel: Diverse workplace	
HR5 Incidents where freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	P	Responsibility / Developing personnel: Changing work and work environment, Sustainable value for society: Procurement principles	
HR6 Risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	P	Responsibililty / Sustainable value for society: Procurement principles	
HR7 Risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	P	Responsibililty / Sustainable value for society: Procurement principles	
HR8 Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights	P	Responsibility / Responsibility at Elisa: Internal principles, Developing personnel: Personnel development	
SOCIETY			
SO1 Programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	P	Responsibility / Responsibility at Elisa, Sustainable value for society: Financial effects	
SO2 Percentage and total number of business units analysed for risks related to corruption	P	Responsibility / Responsibility at Elisa: Internal principles	
SO3 Percentage of employees trained in organisation's anti-corruptions policies and procedures	F	Responsibility / Responsibility at Elisa: Internal principles	
SO4 Actions taken in response to incidents of corruption	F		No reported incidents
SO5 Public policy positions and participation in public policy development and lobbying	F	Responsibility / Responsibility at Elisa: Material themes and perspectives	
SO6 Financial and in-kind contributions to political parties, politicians, and related institutions by country	F	Responsibility / Responsibility at Elisa: Material themes and perspectives	No contributions given
SO7 Legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	F	Financials / The report of the Board of Directors 2013	No reported incidents
SO8 Significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	F	Financials / The report of the Board of Directors 2013	No reported incidents

PRODUCT RESPONSIBILITY			
PR1 Description of policy for preserving customer health and safety during use of products and services, including monitoring systems and results of monitoring	F	Responsibility / Responsibility for Customers: Mobile and data communication networks, Product safety	
PR2 Incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services	F		No reported incidents
PR3 Description of reporting organisation's policy, procedures/management systems, and compliance mechanisms for consumer privacy	F	Responsibility / Responsibility for customers: Protection of privacy and data security	
PR4 Incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	F	Responsibility / Responsibility for customers	
PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	P	Responsibility / Responsibility for customers	
PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	F	Responsibility / Responsibility for customers	
PR7 Non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	F	Responsibility / Responsibility for customers	
PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	F		No reported incidents
PR9 Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	F		No reported incidents
TELECOMMUNICATIONS SPECIFIC INDICATORS			
PRODUCT AND SERVICE AVAILABLITY			
PA1 Polices and practices to enable the deployment of telecommunications infrastructure and access to telecommunications products and services in remote and low population density areas	P	Responsibility / Responsibility at Elisa, Sustainable value for society	
PA2 Policies and practices to overcome barriers for access and use of telecommunication products and services including: language, culture, illiteracy, and lack of education, income, disabilities, and age. Include an explanation of business models applied	P	Responsibility / Responsibility for customers	
PA3 Policies and practices to ensure availability and reliability of telecommunications products and services and quantify, where possible, for specified time periods and locations of down time	P	Responsibility / Sustainable value for society	
PA4 Level of availability of telecommunications products and services in areas where the organisation operates	P	Responsibility / Sustainable value for society	
PA5 Products and services provided to and used by low and no income sectors of the population	N		Indicator not directly applicable
PA6 Programmes to provide and maintain telecommunication products and services in emergency situations and for disaster relief	P	Responsibility / Sustainable value for society	
PA7 Polices and practices to manage human rights issues relating to access and use of telecommunications products and services	P		No separate policy

PA8 Policies and practices to publicly communicate on EMF related issues	P	Responsibility / Responsibility for customer: Mobile and data communication networks, Product safety	No separate policy
PA9 Total amount invested in programmes and activities in electromagnetic field research.	N	Responsibility / Responsibility for customer: Mobile and data communication networks	Not reported separately
PA10 Initiatives to ensure clarity of charges and tariffs	F	Responsibility / Responsibility for customers	
PA11 Initiatives to inform customers about product features and applications that will promote responsible, efficient, cost effective, and environmentally preferable use	N		No separate policy
TECHNOLOGY			
TA1 Examples of the resource efficiency of telecommunication products and services delivered	P	Responsibility / Sustainable value for society: More efficient material management, EN 6	
TA2 Examples of telecommunication products, services and applications that have the potential to replace physical objects	F	Responsibility / Responsiblity for customers: Low emission alternatives for customers	
TA3 Measures of transport and/or resource changes of customer use of the telecommunication products and services listed above	F	Responsibility / Responsiblity for customers: Low emission alternatives for customers	
TA4 Estimates of the rebound effect (indirect consequences) of customer use of the products and services listed above, and lessons learned for future development	N		
TA5 Practices relating to intellectual property rights and open source	F	Responsibility / Responsibilty for customers: Product safety	
INVESTMENTS			
IO1 Capital investment in telecommunication network infrastructure broken down by country/region	F	Responsibility / Sustainable value for society: Financial effects, Financials / The report of the Board of Directors	
IO2 Net costs for service providers under the Universal Service Obligation when extending service to geographic locations and low-income groups, which are not profitable	P	Responsibility / Sustanainable value for society	
IO3 Practices to ensure health and safety of field personnel involved in the installation, operation and maintenance of masts, base stations, laying cables and other outside plant. Related health and safety issues include working at heights, electric shock, exposure to EMF and radio frequency fields, and exposure to hazardous chemicals	F	Responsibility / Developing personnel: Occupational safety, Responsibility for customers: Product safety	
IO4 Compliance with ICNIRP (International Commission on Non-Ionising Radiation Protection) standards on exposure to radiofrequency (RF) emissions from handsets	F	Responsibility / Developing personnel: Occupational safety	
IO5 Compliance with ICNIRP (International Commission on Non-Ionising Radiation Protection) guidelines on exposure to radiofrequency (RF) emissions from base stations	F	Responsibility / Responsibility for customers: Mobile and data communication networks	

IO6 Policies and practices with respect to Specific Absorption Rate (SAR) of handsets	F	Responsibility / Responsibility for customers: Product safety	
IO7 Policies and practices on the siting of masts and transmission sites including stakeholder consultation, site sharing, and initiatives to reduce visual impacts	F	Responsibility / Responsibility for customers: Mobile and data communication networks	
IO8 Number and percentage of stand-alone sites, shared sites, and sites on existing structures	N		Not reported separately

Corporate Governance Statement

Elisa observes the Corporate Governance Code of the Finnish Securities Market Association. The Code is available for viewing on the Association's website at: www.cgfinland.fi. Elisa departs in no respect from the recommendations of the Code. Elisa's financial statements, including a report on operations, will be available on Elisa's website at www.elisa.com.

General Meeting of Shareholders and Articles of Association

General Meeting of Shareholders is Elisa's highest decision making body, which approves, among other things, the income statement and balance sheet. It also declares the dividend to be paid at the Board of Directors' proposal, appoints members to the Board of Directors, appoints the auditors, and approves the discharge of the members of the Board of Directors and the CEO from liability.

Notices of General Meetings of Shareholders are posted on Elisa's website, and the information about the time and place, as well as the website address, are given by announcement in one Finnish newspaper no later than 21 days prior to the meeting, as required in the Articles of Association. A stock exchange release is also issued on each notice. It is available on Elisa's website. The agenda of the meeting is specified in the notice. Proposals of the Board of Directors to be submitted to the meeting may be viewed on Elisa's website prior to the meeting.

Elisa's Articles of Association may be examined on Elisa's website at www.elisa.com. Any decisions to amend the Articles of Association are taken by a General Meeting of Shareholders.

Elisa's 2014 Annual General Meeting will be held 2 April 2014 at 2:00 p.m. at the Helsinki Fair Centre, Congress entrance, Messuaukio 1, Helsinki.

Shareholders' Nomination Board

Elisa's annual general meeting decided in 2012 to establish a shareholders' nomination board which is a body with responsibility for preparing the proposals to the annual general meeting for the election and remuneration of the members of board of directors of Elisa and accepted a charter for the nomination board. Shareholders' nomination board has been established for the time being. The term of each nomination board expires when the next shareholders' nomination board has been appointed.

The biggest shareholders were determined in the shareholder register of Elisa at 31 August 2013, who named the members to the nomination board. The composition of the nomination board from September 2013 has been:

- Eija Ailasmaa, Chair (appointed by Solidium Oy)
- Pekka Pajamo (Varma Mutual Pension Insurance Company)
- Timo Ritakallio (Ilmarinen Mutual Pension Insurance Company)
- Jorma Eräkare (Nordea Finland Fund)
- Raimo Lind (chairman of the board of Elisa Corporation)

The nomination board convened after the 2013 AGM 2 times with the previous composition and the committee named in September 2013 convened 3 times before the decision on proposals in January 2014. In addition to the meetings the candidates were interviewed outside the meetings. The nomination board discussed the size of the board and present composition as well as the competences, that were seen best for the company. The nomination board also looked into the remuneration of the board members.

The nomination board informed on 27 January 2014 Elisa board its proposals to the annual general meeting.

Elisa shareholders' nomination board proposes to the annual general meeting that

- the remuneration to be same as previous year, however, removing to the lock up period of 4 years
- number of board members to be 7
- Raimo Lind, Leena Niemistö, Eira Palin-Lehtinen, Jaakko Uotila and Mika Vehviläinen to be re-elected
- Petteri Koponen and Seija Turunen to be elected as new members to the board.

Board of Directors

Charter of the Board

The Board attends to the administration and proper organization of the company's operations in accordance with the Finnish Limited Liability Companies Act and other regulations. The Board decides on matters which under law are subject to decision by the Board. The company's Board of Directors has adopted a charter for itself.

In the charter, the Board is tasked with determining the company's strategic choices and the targets for Elisa's management, and with monitoring the achievement of these. The Board shall also appoint the CEO and decide on the composition of the Executive Board. The Board regularly monitors financial performance and the development of the company's financial standing on the basis of management reports. The Board also supervises the compliance of Elisa's administration, and the management of business and other risks. The Board addresses major investments in and disposal of businesses or assets, and also sets the boundaries for the company's management in executing operative investments and financial arrangements.

According to the charter, the following are particularly subject to the Board's decision:

- Elisa's strategic choices
- distribution policy
- convening and submitting proposals to General Meetings
- matters having to do with Elisa's stock and Elisa shareholders
- major mergers and acquisitions, as well as investments
- financial statements and interim reports
- appointment, dismissal and terms of employment of the CEO and members of the Executive Board.

The charter also specifies other matters to be addressed by the Board, such as adopting the annual financial plan, the principles of the company's organization and the main business policies. The Board conducts an annual self-evaluation of its activities executed in the form of a questionnaire. Members of the Board of Directors are not allowed to participate in decision making for which they must legally disqualify themselves due to conflict of interests.

Meetings and remuneration

As a rule, the Board convenes 8–10 times a year. In 2013, the members of the Board were paid the following emoluments, which were decided upon and set by the Annual General Meeting:

- A monthly remuneration fee for the Chairman EUR 9,000 per month
- A monthly remuneration fee for the Deputy Chairman and chairman of the Audit Committee EUR 6,000 per month
- A monthly remuneration fee for the members EUR 5,000 per month
- A meeting remuneration fee EUR 500/meeting/ participant.

The monthly remuneration fees (deducted by tax withheld at the calculated rate of 60 per cent) are used for purchases of Elisa shares every quarter. The shares are subject to a transfer restriction of 4 years during the term of service on the Board. The restriction is lifted when Board membership ends.

In 2013, a total of 2,619 Elisa shares were purchased to Mr Raimo Lind, the Chairman of the Board; 1,746 shares to Mr Ari Lehtoranta, the Deputy Chairman; 1,453 shares to Ms Leena Niemistö; 1,746 shares to Ms Eira Palin-Lehtinen, 1,453 shares to Mr Mika Salmi, 1,043 to Mr Jaakko Uotila, and 1,453 to Mr Mika Vehviläinen.

The shares purchased for the current members of Elisa's Board of Directors on 31 December 2013 were not registered in the members' book-entry accounts until 3 January 2014, and are thus not included in the following figures.

Elisa Board members' shareholdings in Elisa, (companies under the members control)	Number of shares, 31 Dec. 2013
Raimo Lind, Chairman of the Board	9,499
Ari Lehtoranta, Deputy Chairman of the Board	8,341
Leena Niemistö, member	5,248
Eira Palin-Lehtinen, member	6,485
Mika Salmi, member	2,218
Jaakko Uotila, member	736
Mika Vehviläinen, member	2,368

In 2013, the Board of Directors convened 18 times. The average attendance rate at Board meetings was 97 per cent.

Compensation & Nomination Committee

According to its charter, the Compensation & Nomination Committee deals with and prepares the appointment and dismissal of persons within management, the management succession planning and development, matters associated with long-term incentive schemes applicable to management, and other matters relating to the remuneration of management. The Committee shall also deal with incentive schemes for Elisa's personnel.

In 2013, the Compensation & Nomination Committee comprised Chairman of the Board Mr Raimo Lind (Committee Chairman) and members Mr Ari Lehtoranta and Mr Mika Vehviläinen. In 2013, the Compensation & Nomination Committee convened 3 times and the attendance rate was 89 per cent.

Audit Committee

The Audit Committee is tasked with supervising the proper organization of the company's accounting and financial administration, financing, internal and financial auditing, and risk management. According to the charter, the following in particular shall be addressed and prepared by the Audit Committee:

- significant changes in recognition principles
- significant changes in items measured in the balance sheet
- follow-up to ensure the independence of the auditor
- matters reported by internal auditing
- financial statements, interim reports and Corporate Governance Statement
- risk reports and organization of risk management
- organization of financial administration and financing.

The Audit Committee also regularly reviews reports from internal auditing and the financial auditors, and prepares a proposal on auditor election for the General Meeting.

In 2013, the Audit Committee was chaired by Ms Eira Palin-Lehtinen with Ms Leena Niemistö and Mr Jaakko Uotila as Audit Committee members. In 2013, the Audit Committee convened 5 times and the attendance rate was 93 per cent. The principal auditor also attends Audit Committee meetings.

Board of Directors

According to the Articles of Association, Elisa's Board of Directors comprises a minimum of 5 and a maximum of 9 members. The members of the Board are appointed at the Annual General Meeting for a one-year term of office starting at the close of the relevant General Meeting, and ending at the close of the next General Meeting after the new appointments are made. The Board of Directors elects a chairman and deputy chairman from among its members.

At present, the Board of Directors comprises 7 members. The Annual General Meeting of 25 March 2013 elected the following Board members: Mr Raimo Lind (Chairman), Mr Ari Lehtoranta (Deputy Chairman), Ms Leena Niemistö , Ms Eira Palin-Lehtinen, Mr Mika Salmi, Mr Jaakko Uotila and Mr Mika Vehviläinen.

All Board members are independent of the company and of the company's major shareholders.

In its organizing meeting, the Board of Directors annually decides upon committees, their chairmen and members. In 2013, the acting committees were: the Compensation & Nomination Committee and the Audit Committee. The duties and charters of the committees are adopted by the Board of Directors.

Back: Mika Salmi (left), Ari Lehtoranta, Mika Vehviläinen and Jaakko Uotila
Front: Leena Niemistö (left), Chairman of the Board Raimo Lind and Eira Palin-Lehtinen

Mika Salmi

Member since 2012
b.1965
BSc.(Econ.) 1987, MBA INSEAD 1992
Key employment history: CreativeLIVE inc, CEO and member of the Executive Board sice June 2012. President, Global Digital Media, Viacom 2006-2009. CEO/Founder, AtomFilms/Shockwave 1998-2006. Various internet, media and music executive roles 1988-1998.
Main Board memberships and public duties currently undertaken: Board member of INSEAD (International business school with campuses in France, Singapore and Abu Dhabi); voting member, Academy of Television Arts and Sciences (Emmys); Executive Chairman, Pressplane 2009-; Executive Chairman, FUZZ 2010 -.

Ari Lehtoranta

Vice chairman of the board, member since 2009
b.1963
MSc (electrical engineering)
Key employment history: Kone Corporation, Executive Vice President, Central and North Europe. Member of the Executive Board since 2008. Previously served in KONE Corporation as Executive Vice President, Major Projects 2008-2010. Nokia Siemens Networks/Nokia Networks as Head of Radio Access (Senior Vice President) 2005-2008. Nokia Corporation as Vice President of Operational Human Resources 2003-2005. Nokia Networks as Head of Broadband Division, Head of Systems Integration; Vice President for Customer Services for Europe. Managing Director of Nokia Telecommunications in Italy as well as in various other positions 1985-2003.
Main Board memberships and public duties currently undertaken: Member of the Board of Caverion Corporation since 2013.

Mika Vehviläinen

Member since 2012
b. 1961
MSc (Econ.and BA) HSE 1986
Key employment history: CEO, Cargotec from 1 March 2013. CEO, Finnair 2010-2013. COO and member of the executive team, Nokia Siemens Networks 2007-2010. Nokia Oyj, different positions in the group 1992-2006.
Main Board memberships and public duties currently undertaken: Vacon Oyj, Vice Chairman of the board.

Jaakko Uotila

Member since 2013
b.1949
MSc, Pharmaseutics, Helsinki University 1977 and MSc of Management, California American University 1990
Key employment history: CEO Alko Oy 2001-2012. CEO Yliopiston Apteekki 1996-2001. Deputy CEO Orion Farmos 1994-1996. Orion-yhtymä Oy various positions 1977-1994.
Main Board memberships and public duties currently undertaken: Member of the Board of Medifon Oy and Cisa Oy.

Leena Niemistö

Member since 2010
b. 1963
MD, PhD, Specialist in Physical and Rehabilitation Medicine
Key employment history: Dextra Oy, CEO to the present since 2003, Pihlajalinna Oy Vice President, Private Healtcare since 2013. Doctor of Medicine since 2003. Specialist in Physical and Rehabilitation Medicinein in the Invalid Foundation, Orton Rehabilitation Centre in 2000-2004 and specializing in 1995-1999.
Main Board memberships and public duties currently undertaken: Member of the Board of Ilmarinen Mutual Pension Insurance Company; Lääkäripalveluyritykset ry; Handelsbanken Finland; Pihlajalinna Oy; HLD Healthy Life Devices Oy; Modz Oy and Aprovix Ab; Chairman of the Board of the prize committee of Ars Fennica and Deputy Chairman of the Foundation for the Finnish Cancer Institute.

Raimo Lind

Chairman of the Board, member since 2009
b. 1953
BSc (Econ.), graduated 1975 from Helsinki School of Economics and Business Administration, and with MSc (Econ.) in 1980
Key employment history: Wärtsilä Group, Executive Vice President and Deputy to the President 2005-2013. Wärtsilä Group Vice President, CFO since 1998. Tamrock Coal Business, Vice President 1996-97. Tamrock Service Business, Vice President 1994-96. Tamrock Oy, CFO 1992-93. Scantrailer Ajoneuvoteollisuus Oy, President 1990-92. Wärtsilä Service Division, Deputy Vice President 1988-89. Wärtsilä Singapore, Managing Director & Area Director 1984-88. Wärtsilä Diesel Group, Vice President & Controller 1980-84. Wärtsilä Group, positions within control and finance and in development and internationalisation 1976-80.
Main Board memberships and public duties currently undertaken: Deputy Chairman of the Board, Sato Corporation until 03/2013; member of Representative Assembly of Confederation of Finnish Industries EK; member of the Board of the Federation of Finnish Technology Industries and the Wilhelm Wahlforss Foundation; member of the Board of the HiQ AB since 03/2013; Capman Credit, advisor since 11/2013.

Eira Palin-Lehtinen

Member since 2008
b. 1950
LL.M., trained on the bench
Key employment history: Executive Vice President for Nordea with responsibility for Nordic private banking business and wealth management until the end of 2007.
Main Board memberships and public duties currently undertaken: Member of the Board of Sampo plc; two Luxembourg-domiciled Nordea funds (Nordea Alternative Investment, and Nordea I Sicav); Chairman of the Board of the Finnish Foundation for Share Promotion; the deputy member of the Board and the member of the finance committee of the Sigrid Jusélius Foundation; member of the board of the Sibelius Academy Foundation and Jalkapallo-Säätiö; member of the investment committee of Svenska Konstsamfundet.

Executive Board and CEO

Elisa's Executive Board

Elisa's Executive Board prepares the company strategy, directs the company's regular operations, monitors the development of results, and deals with issues having substantial financial or other impacts on Elisa.

The following table presents the composition of the Executive Board and the members' holdings (on 31 December 2013).

Elisa Executive Board's holdings in Elisa	Number of shares, 31 Dec. 2013
Mr Veli-Matti Mattila, CEO	74,731
Mr Asko Känsälä, Executive Vice President, Consumer Customers	63,753
Mr Pasi Mäenpää, Executive Vice President, Corporate Customers	15,089
Mr Timo Katajisto, Executive Vice President, Production	4,548
Mr Jari Kinnunen, CFO	26,611
Ms Merja Ranta-aho, Executive Vice President, HR	747
Ms Katiye Vuorela, Executive Vice President, Corporate Communications	10,212
Mr Sami Ylikortes, Executive Vice President, Administration	27,639

Chief Executive Officer

Elisa's Chief Executive Officer (CEO) is responsible for the day-to-day business activities and administration of the company in accordance with instructions and orders from the Board of Directors and with the Finnish Limited Liability Companies Act. The CEO is appointed by the Board of Directors. The CEO is also responsible for ensuring that the company's accounting practices comply with the law and that financial matters are handled in a reliable manner. Mr Veli-Matti Mattila served as CEO in 2013.

The total salary paid to CEO Veli-Matti Mattila in the financial year was EUR 688,634.14 consisting of a fixed salary including taxable benefits (EUR 21,107.98), and a performance-based bonus (EUR 154,226.16). The performance-based bonus can total a maximum of 90 per cent of the taxable income.

Elisa's CEO is part the long term share-based incentive system for the key personnel in the Elisa Group (below, Incentive plans for key personnel).

Elisa's CEO is entitled to retire at the age of 60. The supplementary pension arrangement is based on a defined contribution plan. The supplementary pension insurance contribution that covers the pension as of the age of 62 was EUR 143,172.99 for 2013. The additional liability accrued with regard to the age of 60 and 61 (EUR 209,263.00) was entered in the company's balance sheet. Elisa's CEO is entitled to a paid-up pension.

The period of notice for the CEO is 6 months from Elisa's side and 3 months from the CEO's side. Should the contract be terminated by Elisa, the Chief Executive Officer is entitled to receive a severance payment that equals the total salary of 24 months minus his or her salary of the period of notice. CEO Veli-Matti Mattila held 74,731 shares in Elisa on 31 December 2013.

Members of the Executive Board

Veli-Matti Mattila

b.1961, M.Sc. (Tech.), MBA, joined the company in 2003

Main occupation: Chief Executive Officer

Key employment history:
CEO of Oy L M Ericsson Ab 1997–2003. He has held various positions in the Ericsson Group in Finland and the USA since 1986. Mr Mattila's previous career also includes expert advisory tasks at Swiss Ascom Hasler AG.

Public duties currently undertaken:
Member of the Board of Directors of Sampo Ltd, member of the Supervisory Board of the Finnish Fair Association, member of Representative Assembly of Confederation of Finnish Industries EK, and member of the Board of Directors of the service sector employers' association called PALTA.

Asko Känsälä

b. 1957, M.Sc. (Tech.), joined the company in 2003

Main occupation:
Executive Vice President, Consumer Customers

Key employment history:
Sales Director for the Nordic and Baltic sales unit of the Ericsson Group, member of the management group 2001–2003; Sales Director of Oy LM Ericsson Ab 1996–2001; Tekes, the Finnish Funding Agency for Technology and Innovation, Counsellor, Industry and Technology 1993–1996; Sales Manager at Hewlett Packard Oy 1987–1993.

Public duties currently undertaken:
Deputy Chairman of the Board of Directors of Ficom (2014).

Pasi Mäenpää

b. 1965, Diploma in Computer Science, MBA, joined the company in 2006

Main occupation:
Executive Vice President, Corporate Customers

Key employment history:
CEO at Cisco Systems Finland Oy 2002–2006; Regional Manager for Central Europe at Netigy Corporation 2000–2002; Vice President, Sales for Europe and the USA at Fujitsu 1999–2000; Sales and Country Manager at Oracle Corporation in Northern, Central and Eastern Europe 1990–1999.

Timo Katajisto

b. 1968, M.Sc. (Tech.), joined the company in 2008

Main occupation:
Executive Vice President, Production

Key employment history:
Member of the Executive Board of Nokia Siemens Networks in 2007, Strategic Projects and Quality; Member of the Executive Board of Nokia Networks 2005–2007, Production and Network Installation; various positions at Nokia Networks and its predecessor Nokia Telecommunications, 1992–2005.

Jari Kinnunen

b. 1962, M.Sc. (Econ. & Bus. Adm.), joined the company in 1999

Main occupation: Chief Financial Officer

Key employment history:
CEO and President of Yomi Plc in 2004; CFO of Elisa Kommunikation GmbH in Germany 1999–2004; Managing Director of Polar International Ltd 1996–1999 and Controller 1990–1996; Controller at Oy Alftan Ab 1987–1990.

Public duties currently undertaken:
Member of the Finance and Tax Committee in the Confederation of Finnish Industries EK.

Katiye Vuorela

b. 1968, M.Sc. (Econ. & Bus. Adm.), joined the company in 2008

Main occupation:
Executive Vice President, Corporate Communications

Key employment history:
Paroc Group Holding Oy, Vice President, Communications from 2000 to 2008; Lotus Development Finland Oy, an IBM subsidiary, Marketing and Communications Manager from 1998 to 2000; Nokia Telecommunications (the predecessor of Nokia Siemens Networks), Dedicated Networks business unit, Marketing Communications Manager from 1994 to 1998.

Sami Ylikortes

b. 1967, M.Sc. (Econ. & Bus. Adm.), LL.M., joined the company in 1996

Main occupation:
Executive Vice President, Administration

Key employment history:
Executive Vice President, Administration, since 2000; secretary to the Board of Directors 1998–2007; positions in accounting management at Unilever Finland Oy 1991–1996

Public duties currently undertaken:
Member of Labor Market Committee of Service Sector Employers Association PALTA.

Merja Ranta-aho

b. 1966, M.Sc. (Psychology), Lic. Techn. (Work and organization psychology), joined the company in 2001

Main occupation: Executive Vice President, HR

Key employment history:
Executive Vice President, Administration, since 2013. Vice President, HR, in Elisa Consumer Customers Business 2009-2013. Various positions in Elisa and Radiolinja human resources development 2001-2009. Helsinki University of Technology, researcher and teacher from 1992-2001 and positions in communications 1990–2001.

Incentive Plan

Executive Board Incentive Plan

Members of the Executive Board are paid a total salary, which includes salary in money and taxable benefits for the use of a company-owned car and telephone.

In addition, members of the Executive Board are paid a performance-based bonus based on financial targets set by the company's Board of Directors.

Elisa's Executive Board is covered by the company's long-term share-based incentive scheme. The total salary paid to members of the Executive Board in the financial year was EUR 1,785,836.43, which consists of a fixed salary, including taxable benefits (EUR 70,625.50), and a performance-based bonus (EUR 331,211.38).

Elisa's Executive Board is part the long term share-based incentive system for the key personnel in the Elisa Group (below, Incentive plans for key personnel).

The members of Elisa's Executive Board, with the exception of the CEO, are entitled to retire at the age of 62. The pensions are based on a defined contribution plan. The annual supplementary pension insurance contribution in respect of the Executive Board was EUR 117,509.46. The members of the Executive Board are entitled to a paid-up pension.

The salaries and other remuneration of the CEO and other members of the Executive Board, as well as their long-term incentive schemes, are decided upon by the Board of Directors.

Incentive plan for key personnel

On 19 December 2011, Elisa's Board of Directors decided on share-based incentive systems for the key personnel in the Elisa Group.

Performance Share Plan for 2011

The Performance Share Plan, includes three performance periods, the calendar years of 2012–2014, 2013–2015 and 2014–2016. The rewards equal at most the value of some 3.3 million shares in Elisa. The Board of Directors will decide on the Plan's performance criteria and their targets at the beginning of each performance period.

The Plan's potential reward over the performance period of 2012–2014, 2013–2015, and 2014–2016 is based on the increase in the Consumer Customer and Corporate Customer segments' new business revenues and on Elisa's earnings per share (EPS). In 2015, 2016 and 2017 respectively, the reward will be paid partly in the company's shares and partly in cash. The portion payable in cash covers taxes and tax-like costs arising from the reward. No reward is paid if a key person's employment ends before the reward payment. The Plan's target group consists of about 160 persons and the rewards equal at most the value of some 1 million shares in Elisa for each year, including the portion payable in cash.

Restricted Stock Plan for 2011

The Restricted Stock Plan, covers the calendar years of 2012–2018. The lock-up period for the rewards paid through the Restricted Stock Plan is about three years. The reward is paid only if a key person's employment is valid when the reward is due to be paid. The rewards to be paid through this stock plan equal at most the value of some 0.5 million shares in Elisa, including the portion payable in cash. So far, no decisions have been made on the basis of this Plan.

Share-based incentive system for 2008

On 22 December 2008, Elisa's Board of Directors decided on a share based incentive system for the key personnel in the Elisa Group. The system consisted of three earning periods: calendar years 2009, 2010 and 2011. Bonuses have been paid earlier years and lock-up period has ended at the end of 2013. More details are described in the parent company's financial statements.

Description of the key features in the internal control and risk management systems associated with the financial reporting process

The objective of the internal control and risk management systems associated with Elisa's financial reporting process is to obtain reasonable assurance that the company's financial statements and financial reporting are reliable, and that they have been prepared in compliance with the laws, regulations and generally accepted accounting principles, as well as with other regulations applicable to public listed companies. Internal control and risk management procedures are integrated into the company's operations and processes. Elisa's internal control can be described using the international COSO framework.

Control environment

Elisa's control environment is based on the company's values, goal-oriented management, and on the described and monitored processes, practices, policies and guidelines. Elisa's financial administration is responsible for the internal controls of financial reporting.

Annual business and strategy planning processes and target-setting, as well as rolling monthly financial forecasts, represent a key element in Elisa's business and performance management. Financial results are assessed against the forecast, the annual plan, the previous year's results, and the strategic plan.

Targets are set for the Elisa Group and for each unit, and individual targets are specified in semi-annual appraisal based on the scorecard and performance-based bonus system. Individual targets and objectives are set in appraisals and target-setting discussions, and results and operations are assessed particularly from the value perspective.

Risk assessment

Risk assessment is an integral part of Elisa's planning process. The purpose of risk assessment is to identify and analyze risks that could affect the achievement of specified targets, and to identify measures to reduce risks.

The key risks associated with the accuracy of financial reporting have been identified in a process-specific risk analysis. Risk assessment also covers the risks related to misuse and resulting financial losses, as well as the misappropriation of the company's other assets.

Controls

Control measures consist of automatic and manual reconciliations, control and instructions integrated into the processes with the objective of ensuring the accuracy of financial reporting and the management of the risks involved. The reporting control mechanism processes have been documented. Key control mechanisms also include information system access rights management, authorizations, and the controlled and tested implementation of information system changes.

The financial development of business operations is constantly monitored on a unit basis. Financial management discusses any exceptional items and recognitions in its meetings and investigates the causes and reasons for any changes in the rolling monthly forecasts.

Financial information and communication

External Communications

The objective of Elisa's external communications is to provide timely, equal, transparent and accurate information to all interest groups at the same time. Communications must comply with all the laws, regulations, instructions and other rules applicable to listed companies. Information is communicated through stock exchange and press releases, and on the company's website. Elisa's financial information may only be disclosed by the CEO, CFO, Investor Relations Director, and the Group Treasurer. Elisa has a silent period for the 2 weeks preceding the disclosure of financial performance information.

Internal communications

Key instructions, policies and procedures are available to the personnel in the company's intranet and in other shared media. Personnel are also informed of the key instructions and changes in various briefings, by e-mail and through everyday supervisory work. Training and guidance on how to comply with the rules and requirements are arranged as necessary. In addition, regular information and training are provided to the financial organization, particularly regarding any changes in accounting, reporting and disclosure requirements.

Control

The Board of Directors' Audit Committee is tasked with supervising the proper organization of the company's accounting and financial administration, internal and financial auditing and risk management. The Board of Directors reviews and approves interim reports and financial statements bulletins in its regular meetings prior to publication. Elisa's Board of Directors and Executive Board monitor the Group's and the business units' results and performance on a monthly basis. Elisa's financial administration continuously assesses its own controls for functionality and sufficiency. In addition, Elisa's internal auditing function audits the reliability of financial reporting within the framework of its annual audit plan.

Risk management

Risk management is described in more detail under sections "Charter of the Board", "the Audit Committee" and "Description of the key features of the internal control and risk management systems associated with the financial reporting process". The company classifies risks into strategic, operational, hazard and financial risks. The hazard risks are identified and insurance is taken out to deal with these risks. Elisa uses an external insurance broker to establish the probability of the risk and the value of the insurance.

Internal auditing

The purpose of internal auditing is to assist the organization in achieving its goals by evaluating and investigating its functions and by monitoring compliance with corporate regulations. For this purpose, internal auditing produces analyses, assessments, recommendations and information for use by the

Board of Directors and company's senior management. Reports on completed audits are submitted to the CEO, the Board of Directors and the management of the unit audited, and to the Audit Committee, when necessary.

International internal auditing standards (IIA) form the foundation for internal auditing. Internal auditing is independent of the rest of the organization. The starting point for internal auditing is business management and the work is coordinated with the Auditors. An annual auditing plan and auditing report are presented to the Board of Directors' Audit Committee. Internal auditing may also carry out separately agreed audits on specific issues at the request of the Board of Directors and Elisa's Executive Board.

Auditors

The auditors' principal duty is to ensure that the financial statements have been prepared in accordance with the valid regulations, so that the statements give a true and fair view of the company's performance and financial position, as well as other necessary information, to the company's stakeholders.

Other key goals are: to ensure that internal controls and risk management have been duly organized and the organization operates in compliance with instructions and within the framework of issued authorizations. The mutual division of labor between external and internal auditing is organized so that internal auditing will ensure that the organization operates in accordance with the company's internal guidelines.

The company had one external authorized auditing company in 2013. The auditing company must be duly authorized by the Central Chamber of Commerce. The auditors' term of office is the current financial period for which they are appointed. The duties of the auditors end at the close of the first Annual General Meeting following the expiration of their term of office.

In the year under review, Elisa's auditor was KPMG Oy Ab, authorized public accountants, with Mr Esa Kailiala (APA) serving as principal auditor.

For the 2013 financial period, the auditing fees of the Finnish group companies totaled approximately EUR 260,000.00, of which the parent company accounted for EUR 180,000.00. The auditing fees for the foreign group companies were EUR 10,000.00.

The auditing firm has been paid fees of EUR 344,000.00 for services not associated with auditing. These services had to do with mergers and acquisitions, tax services, a review of regulation accounting and other expert services. The fees include payments to a trainings provider Teleware, which is part of the KPMG Group. These payments totaled EUR 70,000.00 and related mainly to Elisa's actual operations.

Company insiders and insider administration

Elisa has adopted the Insider Guidelines prepared by the Helsinki Stock Exchange, which entered into force on 9 October 2009.

In accordance with the Securities Markets Act, Elisa's public insiders include the members of Elisa's Board of Directors, the Chief Executive Officer, and the principal auditor for the company within the auditing firm. In addition to this, the public insiders also include the members of Elisa's Executive Board. Information concerning insiders as required by law is published in Elisa's public insiders register. This information also includes persons closely associated with the public insiders, i.e. related parties, and corporations which are controlled by the related parties or on which they exercise an influence. Information about the holdings of public insiders is available on Elisa's website at www.elisa.com.

Elisa also has a number of company-specific insiders consisting of other management and financial administration personnel. Project specific insiders have also been defined where necessary.

Elisa's Legal Affairs department monitors compliance with the insider regulations and maintains the company's insider registers together with Euroclear Finland Oy. Insider information is reviewed at least once a year. When trading in Elisa's securities, permanent insiders should consider its timing to ensure it will not weaken the trust of the general public in the securities markets. Permanent insiders are not allowed to trade in the company's securities during the 14 days preceding the publication of the company's interim report or annual accounts (=closed window). It is advisable for insiders to only make long-term investments in Elisa and conduct their trading within the 14 days following the publication of Elisa's financial results. In addition, those involved in any insider projects must not trade in the company's securities during the project.

The report of the Board of Directors 2013

The Financial report has been prepared in accordance with the International Financial Reporting Standards (IFRS).

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

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 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 (-30) million. A lowered interest rate after partial refinancing of EUR 300 million debt decreased net financial expenses. In 2012 the financial expenses included a non-recurring write-down of EUR 3 million from investments available for sale. Income taxes in the income statement amounted to EUR -58 (-60) million. Elisa's net profit was EUR 196 (209) million. The Group's earnings per share amounted to EUR 1.25 (1.33), and excluding non-recurring items EUR 1.33 (1.35).

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	2013	2012	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 177 (155) million

Elisa's cash flow after investments was EUR 84 (155) million, and excluding acquisitions EUR 177 (155) million. 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.

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 2013 approved the mergers. On 23 August 2013, 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" and in the section "Shares and shareholders" of the consolidated financial statements.

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 had no impact on Elisa's result.

Consumer Customers business

EUR million	2013	2012
Revenue	949	962
EBITDA	295	307
EBITDA-%	31.1	31.9
EBITDA excl. non-recurring items	304	307
EBITDA-% excl. non-recurring items	32.1	31.9
EBIT	178	192
EBIT excl. non-recurring items	187	192
CAPEX	132	114

Revenue decreased by 1 per cent. The decrease in usage 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.

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.

Corporate Customers business

EUR million	2013	2012
Revenue	598	591
EBITDA	195	194
EBITDA-%	32.7	32.8
EBITDA excl. non-recurring items	204	194
EBITDA-% excl. non-recurring items	34.1	32.8
EBIT	103	107
EBIT excl. non-recurring items	111	107
CAPEX	108	80

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.

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.

Personnel

In 2013, the average number of personnel at Elisa was 4,320 (3,973). Employee expenses totalled EUR 270 (237) million, which include a non-recurring restructuring cost of EUR 17 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.

Investments

EUR million	2013	2012
Capital expenditure, of which	240	193
Consumer Customers	132	114
Corporate Customers	108	80
Shares	150	0
Total	390	193

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 considerations and acquisitions of minority shareholders at Kymen Puhelin and Telekarelia.

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 Dec. 2013
Committed credit lines	300	0.0
Commercial paper program (1	250	101.0
EMTN program (2	1,000	761.7

1) Domestic commercial paper program, 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.

Trading of shares	2013	2012
Shares traded, millions	128.1	116.5
Volume, EUR million	2,068.4	1,935.4
% of shares	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 in 2013 were 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, EUR
Shares at 31 Dec. 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 Dec. 2013	167,335,073	7,986,043	159,349,030	

1) Stock exchange bulletin 25 April 2013, 2) Stock exchange bulletins 20 March 2013 and 19 June 2013, 3) Stock exchange bulletin 7 November 2013, 4) Stock exchange bulletin 31 December 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, EUR	-	-	8.67	
Subscription period	1 Oct. 2009–31 May 2011	1 Oct. 2010–31 May 2012	1 Oct. 2011–31 May 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 Dec. 2012–6 March 2013	20 March 2013	6,400	63,808
7 March 2013–31 May 2013	19 June 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 Note 27 of the consolidated financial statement 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 a 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 consolidated financial statement.

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 [1]). Elisa's datacentres improved their energy efficiency showing 3,797 tCO_2 savings. Elisa saved 678 (340) tCO_2 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 Carbon Disclosure Project (CDP) in 2013.

Elisa invests in flexible work. 2013 personnel survey result was second best over a 10-year period.

Elisa will publish its first online responsibility report in annual report 2013. Responsibility report incorporates the GRI index [2].

1) Kg/GB is an efficiency measure showing how much carbondioxide is produced by transmitting a gigabyte of information.
2) Corporate social responsibility reporting is based on GRI (Global Reporting Initiativa) framework.

Corporate Governance Statement

Elisa will publish 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

Consolidated income statement

EUR million	Note	2013	2012
Revenue	1, 4	1,547.4	1,553.4
Other operating income	5	4.0	4.7
Materials and services	6, 35	-619.9	-655.6
Employee expenses	7, 27	-270.0	-237.0
Other operating expenses	8	-170.8	-164.5
EBITDA	1	490.7	501.1
Depreciation and amortisation	1, 10	-210.1	-202.1
EBIT	1	280.6	298.9
Financial income	11	10.3	9.4
Financial expense	11	-36.2	-39.5
Share of associated companies' profit		0.0	0.1
Profit before tax		254.6	268.9
Income taxes	12	-58.2	-60.4
Net profit		196.3	208.5
Attributable to			
Equity holders of the parent		196.6	208.7
Non-controlling interests		-0.2	-0.2
		196.3	208.5
Earnings per share (EUR/share) calculated from the profit attributable to equity holders of the parent:			
Basic and diluted	13	1.25	1.33
Diluted	13	1.25	1.33
Average number of outstanding shares (1,000 shares):			
Basic	13	157,269	156,548
Diluted	13	157,269	156,685

Consolidated statement of comprehensive income

EUR million	Note	2013	2012
Profit for the period		196.3	208.5
Other comprehensive income, net of tax			
Items which may be reclassified subsequently to profit or loss:			
Translation differences		-0.2	0.0
Financial assets available-for-sale	19	1.1	-1.3
		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
Total comprehensive income		190.9	202.7
Total comprehensive income attributable to:			
Equity holders of the parent		191.2	202.9
Non-controlling interests		-0.2	-0.2
		190.9	202.7

Consolidated statement of financial position

EUR million	Note	31 Dec. 2013	31 Dec. 2012
ASSETS			
Non-current assets			
Property, plant and equipment	14	713.6	616.1
Goodwill	15	832.4	797.1
Other intangible assets	15	143.3	101.3
Investments in associated companies	16	2.4	6.5
Financial assets available-for-sale	17, 18, 19	22.5	19.9
Deferred tax assets	21	13.5	12.1
Other receivables	17, 18, 20, 25, 28	70.5	45.1
		1,798.3	1,598.1
Current assets			
Inventories	22	55.5	59.4
Trade and other receivables	23	327.3	310.0
Tax receivables		5.4	1.4
Cash and cash equivalents	24	137.8	39.8
		526.0	410.6
TOTAL ASSETS	1	2,324.3	2,008.7
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		83.0	83.0
Treasury shares		-148.2	-194.1
Contingency reserve		3.4	3.4
Fair value reserve		-3.2	2.0
Other funds		381.0	381.0
Reserve for invested non-restricted equity		90.9	52.7
Retained earnings		453.4	514.2
Equity attributable to equity holders of the parent	26, 27	860.3	842.1
Non-controlling interests		1.9	2.8
TOTAL SHAREHOLDERS' EQUITY		862.2	844.9
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	21	21.0	16.9
Pension obligations	28	13.8	7.1
Provisions	29	2.4	3.3
Financial liabilities	30	829.7	702.8
Other liabilities	31	35.6	13.7
		902.5	743.8
Current liabilities			
Trade and other payables	31	267.4	243.3
Tax liabilities		0.3	0.8
Provisions	29	12.6	0.3
Financial liabilities	30	279.3	175.6
		559.6	419.9
TOTAL LIABILITIES		1,462.1	1,163.8
TOTAL EQUITY AND LIABILITIES		2,324.3	2,008.7

Consolidated statement of cash flows

EUR million	Note	2013	2012
Cash flow from operating activities			
Net profit		254.6	268.9
Adjustments			
Depreciation and amortisation	10	210.1	202.1
Financial income (-) and expense (+)		25.9	30.1
Gains (-) and losses (+) on the disposal of fixed assets		-1.0	-0.5
Increase (+) / decrease (-) in provisions in the income statement		5.1	-0.7
Other adjustments		-12.3	-5.6
		227.9	225.4
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables		-13.5	-14.2
Increase (-) / decrease (+) in inventories		6.4	-19.2
Increase (+) / decrease (-) in trade and other payables		2.1	-16.1
		-4.9	-49.5
Dividends received		0.5	1.0
Interest received		9.7	8.7
Interest paid		-34.9	-39.8
Taxes paid		-64.9	-72.3
Net cash flow from operations		388.1	342.5
Cash flow from investing activities			
Acquisitions of subsidiaries		-91.4	
Contingent consideration of subsidiaries		-1.7	-0.7
Capital expenditure [1]		-212.5	-188.9
Proceeds from disposal of subsidiaries		0.1	0.6
Proceeds from disposal of tangible and intangible assets		1.4	1.3
Net cash flow used in investing activities		-304.1	-187.7
Cash flow from financing activities			
Proceeds from long-term borrowings		300.1	150.9
Repayment of long-term borrowings		-82.1	-0.3
Increase (+) / decrease (-) 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		98.1	-19.2
Cash and cash equivalents at the beginning of the period		39.8	59.0
Cash and cash equivalents at the end of the period	24	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.

Consolidated statement of changes in shareholders' equity

EUR million	Share capital	Treasury shares	Other reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interests	**Total share-holders equity**
	Equity attributable to equity holders of the parent							
Shareholders' equity at 1 Jan. 2012	83.0	-197.0	392.3	48.3	510.3	836.8	3.5	840.3
Adoption of IAS 19R					-2.0	-2.0		
Shareholders' equity at 1 Jan. 2012	83.0	-197.0	392.3	48.3	508.4	834.8	3.5	838.5
Profit for the period					208.7	208.7	-0.2	208.5
Translation differences					0.0	0.0		0.0
Remeasurements of the net defined benefit liability			-4.5			-4.5		-4.5
Financial assets available-for-sale			-1.3			-1.3		-1.3
Total comprehensive income			-5.8		208.7	202.9	-0.2	202.7
Dividends					-203.4	-203.4	-0.5	-204.0
Share-based compensation		2.9			3.5	6.4		6.4
Options exercised				4.4		4.4		4.4
Other changes					-2.8	-2.8	0.0	-2.8
Shareholders' equity at 31 Dec. 2012	83.0	-194.1	386.4	52.7	514.2	842.2	2.8	844.9
Profit for the period					196.6	196.6	-0.2	196.3
Translation differences					-0.2	-0.2		-0.2
Remeasurements of the net defined benefit liability			-6.3			-6.3		-6.3
Financial assets available-for-sale			1.1			1.1		1.1
Total comprehensive income			-5.2		196.4	191.2	-0.2	190.9
Dividends					-203.2	-203.2	-0.6	-203.8
Share-based compensation					3.2	3.2		3.2
Disposal of new and treasury shares		6.0		35.3	-1.3	40.0		40.0
Cancellation of treasury shares		39.9			-39.9	0.0		0.0
Acquisition of subsidiary with non-controlling interests						0.0	23.2	23.2
Acquisition of non-controlling interests					-15.9	-15.9	-23.2	-39.1
Options exercised				2.9		2.9		2.9
Shareholders' equity at 31 Dec. 2013	83.0	-148.2	381.2	90.9	453.4	860.3	1.9	862.2

Notes to the consolidated financial statements

Basic information on the group

Elisa Corporation ("Elisa" or "the Group") engages in telecommunications activities, providing data communications services in Finland and in selected international market areas. The parent company of the Group is Elisa Corporation ("the parent") with domicile in Helsinki, and its registered address is Ratavartijankatu 5. The shares of the parent company, Elisa Corporation, have been listed on the NASDAQ OMX Helsinki since 1999.

On 6 February 2014 Elisa's Board of Directors has accepted this financial statement to be published. A copy of the consolidated financial statements is available from Elisa's head office at Ratavartijankatu 5, Helsinki, or on the company's website www.elisa.com.

Basis of presentation of financial statements

Elisa's consolidated financial statements are prepared in accordance with International Financial Reporting Standards including adherence with IAS and IFRS standards and SIC and IFRIC interpretations valid as at 31 December 2013. The International Financial Reporting Standards refer to standards and interpretations that have been approved for application in the EU in the Finnish Accounting Act and the provisions issued pursuant to it according to the procedures provided for in EU regulation (EC) No. 1606/2002 ("IFRS").

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

The preparation of consolidated financial statements in conformity with IFRS requires the application of judgment by the Group management in making estimates and decisions. Information on decisions requiring management judgment on the application of appropriate accounting principles that have a material impact on the consolidated financial statements are presented in the Accounting principles under "The accounting policies that require management's judgments and sources of estimation uncertainty".

Applied new and revised standards and interpretations

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 and the net defined benefit pension liability is recognised on the statement of financial position. 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 of 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.

As a result of amended IAS 1 Presentation of Financial Statements other comprehensive income for the period is grouped into those that will not be reclassified subsequently to profit or loss and that can be reclassified subsequently to profit or loss.

IFRS 13 Fair Value Measurement impacts on the notes to the consolidated financial statements. These changes do not have a significant impact on the Group's financial statements.

The Annual Improvements of IFRS standards adopted as of 1 January 2013 did not have an impact on the consolidated financial statement.

Consolidated accounting principles

Combination principles

Subsidiaries

The consolidated financial statements include the parent company, Elisa Corporation, and those subsidiaries in which the parent company has, directly or indirectly, more than 50 per cent of voting rights or over which the parent company otherwise exercises control. Even though the entity had less than 50 per cent of the voting rights, control over an entity is presumed to exist when the Group has through an agreement the right to more than 50 per cent of the voting rights, the Group has the power to govern the operating and financial policies of the entity, the Group has the power to appoint or remove the majority of the members of the board of the entity which exercises control in the Group or has the right to use majority vote in the board of the entity.

Subsidiaries are consolidated from the date of acquisition. Similarly, divested companies are consolidated until the date of disposal. The acquisition method is used in the accounting for the elimination of internal ownership. All intra-group transactions, gain on the sale of inventories and fixed assets, intra-group receivables, payables and dividends are eliminated.

Changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for equity transactions. As at the date when control is lost, any investment retained in the former subsidiary is recognised at fair value and the difference is recorded through profit or loss. Identifiable assets acquired and assumed liabilities are measured at their fair value as of the acquisition date. Changes in the contingent consideration and acquisition-related expenses are recognised as an expense in the income statement. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss. A gain resulting from a bargain purchase is recognised in profit or loss.

Non-controlling interests are measured either at the amount which equals the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The method to be used is selected on a case-by-case basis. Changes in non-controlling interests are recognised in retained earnings.

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 exceeding the share of ownership are allocated to non-controlling interests.

Associates

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 nor exercise control. Associated companies are consolidated in accordance with the equity method of accounting. If the Group's share of losses of an associate exceeds its interest in the associate, 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 company becomes an associate and divested companies are consolidated until the date of disposal.

Joint ventures

Joint ventures are companies over which the Group exercises joint control with other parties. Assets under joint control are consolidated using the proportional consolidation method. The Group applies the method to the consolidation of mutual real estate companies.

Conversion of items denominated in a foreign currency

The consolidated financial statements have been presented in euro, which is the functional and presentation currency of the parent company.

Transactions in foreign currencies

Transactions in foreign currencies are translated into functional currency at the rates of exchange prevailing at the dates of transactions. Monetary items have been translated into the functional currency using the rates of exchange as at the year-end and non-monetary items using the rates of exchange at the dates of transactions, excluding items measured at fair value, which have been translated using the rates of exchange on the date of valuation. Gains and losses arising from the translation are recognised in the profit or loss. Foreign exchange gains and losses from operations are included within the corresponding items above EBIT. Foreign exchange gains and losses from loans denominated in a foreign currency are included within financial income and expenses.

The translation of foreign Group companies' financial statements

The income statements of foreign Group companies are translated into euro using the weighted average rate of exchange of the financial year and the statements of financial position using the rates of exchange as at the year-end. Differences resulting from the translation of the result for the period at a different rate on the income statement and on the statement of financial position are recognised in other comprehensive income as translation differences within consolidated shareholders' equity.

Revenue recognition principles

Revenue includes normal sales income from business operations deducted by taxes related to sales and discounts granted. Sales are recognised 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. Service revenue is recognised when it is probable that economic benefit will flow to the Group and when the income and costs associated with the transaction can be measured reliably. Revenue and expenses related to long-term projects are recognised on the basis of the percentage of completion when the final outcome of the project can be estimated reliably. The percentage of completion is determined as a proportion of hours worked to the estimated total number of hours of work. When it is likely that total costs to complete the project will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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. Sales are recognised as revenue once the service has been rendered either on the basis of realised traffic volumes or the validity of a contract. Opening fees are recognised at the time of connection. Revenues from prepaid mobile phone cards are recognised over the period of estimated use of the cards. Service fees invoiced from a customer on behalf of a third-party content service provider are not recognised as revenue.

A service contract may include the delivery or rendering of a product and a service or access right (service bundle). The share of revenue attributable to the product is recognised separately from the service revenue.

Long-term service contracts covering a wide range of communications services for corporate customers are recognised over the term of the contract. Customers are usually not entitled to redeem the equipment at the end of the service period.

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

EBIT

Earnings before interest and taxes (”EBIT”) stands for revenue and other operating income deducted by operating expenses (materials and services adjusted by change in inventories, employee expenses and other operating expenses), depreciation and amortisation.

Current taxes and deferred taxes

The tax expense in the income statement comprises current tax and deferred tax. Income taxes for the financial year are calculated from taxable profit with reference to a valid tax rate and are adjusted by possible previous years’ taxes.

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. Principal temporary differences arise from tax losses carried forward, depreciation difference and between the fair value and tax base of identifiable net assets acquired in business combinations. Deferred tax is not recognised on goodwill impairment that is not deductible for tax purposes. Deferred tax is not recognised on non-distributable profits of subsidiaries insofar as there is no profit distribution decision in the foreseeable future. No deferred tax is recognised on valuation differences of shares for which gain on sale would be tax-deductible.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax liabilities are recognized in the balance sheet in total.

Interest and dividends

Interest income is recognised using the effective interest method, and dividend income is recognised when the right to receive payment is established.

Intangible Assets

Goodwill

Goodwill arising from business combinations prior to 2004, is accounted for in accordance with the previous financial statements regulations and that book value is the assumed IFRS acquisition cost. Business combinations incurring between 1 January 2004 and 31 December 2009 have been accounted for in accordance with IFRS 3 (2004). Goodwill arising from business combinations incurring 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 events or circumstances indicate a potential impairment. For the purpose of impairment testing, goodwill is allocated to cash-generating units (CGU's) including Consumer Customers and Corporate Customers. Goodwill is carried at its cost less any accumulated impairment losses.

Research and development

Research costs are recorded as an expense 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 future economic benefit is expected from the product. Otherwise development costs are recorded as an expense. Development costs initially recognised as expenses are not capitalised at a later date.

Other intangible assets

An intangible asset is recognised only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. Subsequent costs related to 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 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	4–5 years
Brand	10 years
Development expenses	3 years
IT software	5 years
Other intangible assets	5-10 years

Property, plant and equipment

Property, plant and equipment are recognised in the statement of financial position at 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 lives. The residual value and the useful life of an asset is reviewed at the year-end and adjusted as necessary.

Subsequent costs, such as renewals and major renovation projects, are capitalised when it is probable that future economic benefits will flow to the Group. Ordinary repair, service and maintenance costs are charged to expense during the financial period in which they are incurred.

Expected useful lives 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	1–4 years
Other machinery and equipment	3–5 years

Land areas are not depreciated.

Government grants

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.

Financial assets and liabilities

Financial assets

The Group classifies its financial assets as financial assets at fair value through profit or loss, loans and receivables and financial assets available-for-sale. The classification of financial assets takes place at initial recognition and depends on the purpose for which the financial assets were acquired. The purchases and sales of financial assets are recognised on the settlement date. Financial assets are derecognised once the contractual rights to the cash flows from the financial asset expires or once it has transferred substantially all the risks and rewards of ownership of the financial asset outside the Group.

Financial assets recognised at fair value through profit or loss are included in current assets. This category includes money market funds and commercial paper. Investments in money market funds consist of funds that make investments in high-quality euro-denominated fixed income securities issued by enterprises and public corporations operating in the European Economic Area. Commercial paper consists of debt securities issued by Finnish companies with a good credit rating. Both realised and unrealised gains and losses from changes in fair value are recognised in profit or loss during the financial period in which they incur.

Derivatives are recognised at cost as financial assets or liabilities on the date of acquisition and are subsequently remeasured at their fair value. The changes in fair value are immediately recognised within financial items in income statement. The fair value of derivatives is expected to approximate the quoted market price or, if this is not available, fair value is estimated using commonly used valuation methods. The Group does not apply hedge accounting.

Loans and receivables are valued at amortised cost and are included either in current financial assets, or in non-current financial assets if they fall due within more than 12 months. In addition to loan receivables, this category includes trade receivables and other receivables. Trade receivables are recognised at the original invoiced amount. The Group recognises an impairment loss on trade receivables if payment is delayed by more than 90 days or if a sales receivable is considered as finally lost. To the extent that trade receivables are sold, the impairment loss is reduced.

Financial assets available-for-sale are included in non-current assets. Equity investments, excluding investments in associated companies and mutual real estate companies, are classified as financial assets available-for-sale and are generally measured at fair value. Values of equities that cannot be measured reliably are reported at cost less impairment. Fair values of financial assets available-for-sale are measured either on the basis of the value of comparable companies, the discounted cash flow method or by using quoted market rates. Changes in the fair value of equity investments are recognized within other comprehensive income. When the equity investment is sold, accumulated changes in fair value are released from shareholders' equity and recognised in profit or loss.

Items measured at fair value are categorized using the 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 interest rate swaps and currency swaps are categorised at level 2. Level 3 includes instruments with prices that are not based on verifiable market data but instead on the company's internal information, for example. The contingent consideration relating to business combinations are categorised at level 3. See Note 17.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, short-term bank deposits and other short-term highly liquid investments with maturity less than 3 months.

Financial liabilities

Financial liabilities are initially recognised at fair value equaling the net proceeds received. Financial liabilities are subsequently measured at amortised cost by using the effective interest method. Transaction costs are included within the cost of financial liabilities. Financial liabilities are recorded within non-current and current liabilities and they may be non-interest or interest-bearing.

Impairment

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. Regardless of any existence of impairment indications, the recoverable amount of goodwill and intangible assets under construction is also annually assessed. The Group does not have any intangible assets with an indefinite useful life. The need for impairment is assessed at the level of cash-generating units.

Value in use is the present value of the future cash flows expected to be derived from an asset item or a cash-generating unit. 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 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. An impairment loss recognised for goodwill is never reversed under any circumstances.

Inventories

Inventories are stated at the cost of an acquisition or at the net realisable value if lower that the cost. The cost is determined using a weighted average price.

Treasury shares

Elisa shares owned by the parent company (treasury shares) are reported as deduction from equity.

Provisions and contingent liabilities

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

Contingent liabilities are possible obligations that arise from past events and their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities also include present obligations that arise from past events but it is not probable that an outflow of resources will be required to settle the obligations or the amount of the obligations cannot be measured with sufficient reliability. Contingent liabilities are not recognised in the statement of financial position.

Employee benefits

Pension obligations

Pensions are classified as either defined contribution or defined benefit plans. In a defined contribution plan, the Group has no legal or constructive obligation to pay further contributions if the fund is unable to pay all employees the benefits relating to employee service. The premiums for defined contribution pension plans are recognised as expenses during the financial year in which they incur. A defined benefit plan is a pension plan that is not a defined contribution plan.

Groups' defined benefit obligation has been calculated separately from each plan by 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 on high quality corporate bonds and if it is not available, the market yields on government bonds are used. The maturity of the corporate bonds and government bonds are substantially consistent with the maturity of the pension obligation. 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 on the statement of financial position.

Current service cost and net interest of the net defined benefit liability are recorded in employee expenses in 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.

The impacts of the adoption of the revised IAS 19 have been presented in Applied new and revised standards and interpretations.

Performance-based bonus scheme and personnel fund

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

Share-based incentives

The aim of the Group's share-based incentive plans is the long-term commitment of top management to the improvement of the company's value. The amount of the award to be paid is tied to the accomplishment of the related targets. Share-based incentive plans are measured at fair value at the date of grant and are charged to the income statement as follows: the cash portion of the reward is allocated until the end of the month preceding the month of the actual payment and the share portion of the reward is allocated over the commitment period. The proportion settled in shares is recognised in equity, while the proportion settled in cash is recognised as a liability. If the assumption regarding the realised number of shares changes, an adjustment is recorded through profit and loss. The fair value of the portion settled in cash shall be reassessed at the end of each financial period until the end of the month preceding the month during which the reward is paid. Transfer restrictions related to the scheme are not taken into account in fair valuation or expense recognition. The plans do not involve any other non-market based terms and conditions.

On 18 December 2007, Elisa's Board of Directors decided to grant stock options to the Group's key employees and a fully-owned subsidiary of Elisa Corporation, Fonetic Oy. Stock options are measured at fair value at the date of grant and charged to the income statement over the period between the date of grant and the beginning of exercise period. The expense determined at the date of grant is based on the Group's assessment of the number of options that are expected to vest at the end of the vesting period. The fair value of options is determined by using the Black-Scholes option pricing model. Estimates of the final number of options are updated at the end of each financial period, and the changes in these estimates are recognised in profit or loss. When options are exercised, payments received for share subscriptions net of transaction costs are recognised in the reserve for invested non-restricted equity in accordance with the terms and conditions of the plan.

Leases

The group as a lessee

Leases in which the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease term.

Leases of tangible assets, in which the Group has substantially all the risks and rewards of the ownership, are classified as finance leases. Assets acquired on finance leases are recognised in the statement of financial position at the beginning of the lease period at the lower of fair value of the leased asset or the present value of future minimum lease payments. Assets acquired under finance leases are depreciated over the shorter of useful life of the asset or the lease period. Minimum lease payments are apportioned between financial expenses and the reduction of the outstanding liability over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance lease liabilities are recognised in interest-bearing liabilities. The Group has primarily leased telecommunications networks and facilities, IT servers, videoconference equipments and infrastructure under finance leases.

The group as a lessor

The Group acts as a lessor in two different types of lease arrangements that are accounted for operating leases: telecom premises and carrier services. Rental income from such leases is recognised as revenue over the lease period. Rental income from real estate leases is recorded in other operating income over the lease period.

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

The accounting policies that require management's judgements and sources of estimation uncertainty

The preparation of financial statements requires the application of judgment in making estimates and assumptions. Actual results may differ from the estimates and assumptions made. In addition, the application of the accounting principles also requires the application of judgment. The estimates are based on the management's best view at the end of the financial period. Any changes in estimates and assumptions are recognised in the financial year during which the estimate or assumption is adjusted as well as in all subsequent periods.

Impairment testing

Goodwill and intangible assets under construction are tested for impairment annually or more frequently if events or circumstances indicate a potential impairment. 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 level of revenue and profitability and the discount rate. Any changes may lead to the recognition of impairment losses. The carrying value of goodwill is EUR 832.4 million at 31 December 2013. See Note 15.

Share-based incentive plans

The expense recognition for the share-based incentive plans is based on an estimate of the fulfillment of the share incentive plan criteria and the development of Elisa share price. The fulfillment of the share incentive plan criteria and the development of the share price might deviate from the estimates. Share-based compensation expenses were EUR 6.2 million in 2013 and the liability relating to share-based incentive plans as at 31 December 2013 was EUR 5.0 million. See Note 27.

Income and expenses

The measurement and allocation of income and expenses to the appropriate financial period is partially based on estimates from past experience.

Taxes

Particularly as 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 as at the end of each financial period. Changes in the estimates may lead to the recognition of significant tax expenses. As at 31 December 2013, the Group has EUR 13.5 million deferred tax receivables.

Application of new and revised accounting pronouncements under IFRS

On 1 January 2014, the Group will adopt the following new and revised consolidation standards, providing they are approved by the EU by the planned date of adoption.

• IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in Other Entities, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. IFRS 11 changes the group's consolidation of joint venture from the proportional consolidation to the equity method. The change does not have a significant impact on the Group's financial statements.

On 1 January 2015, the Group will adopt the following new standard, providing it is approved by the EU by the planned date of adoption.

• IFRS 9 Financial Instruments. In accordance with the standard, financial assets are measured at fair value unless certain conditions require measurement at amortised cost. The mixed measurement model is also simplified.

1. Operating Segments

The Group's reportable segments are based on the internal reporting provided to management. Elisa's internal organizational and management structure is based on a customer-oriented operating model. The Group's reportable operating segments are Consumer Customers and Corporate Customers.

The Consumer Customers segment provides consumers and households with telecommunications services, such as voice and data services. The Corporate Customers segment provides to the corporate and community customers voice and data services, ICT solutions and contact center services.

The segments are controlled by the segment-specific performance reporting that includes external revenue, EBITDA, EBIT and 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 taxes, investments in associated companies, financial assets available-for-sale, interest-bearing receivables, financial items and income tax receivables are not included in segment assets. Management reporting does not include segment liabilities.

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 the customer location. Assets are presented on the basis of location.

Operating Segments

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
Assets	1,211.9	835.6	276.8	2,324.3

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
Assets	1,145.7	760.3	102.7	2,008.7

Product and service information

2013

EUR million	Mobile Communications	Fixed Network and other	Group total
Revenue	927.5	619.8	1,547.4

2012

EUR million	Mobile Communications	Fixed Network and other	Group total
Revenue	1,001.0	552.4	1,553.4

Geographical information

2013

EUR million	Finland	Rest of Europe	Other countries	Eliminations	Group total
Revenue	1,443.0	116.4	3.8	-15.8	1,547.4
Assets	2,671.9	162.5	0.8	-510.8	2,324.3

2012

EUR million	Finland	Rest of Europe	Other countries	Eliminations	Group total
Revenue	1,432.4	133.8	4.9	-17.6	1,553.4
Assets	1,863.1	145.6			2,008.7

2. Acquisitions

Acquisitions in 2013

Acquisition of Sulake Corporation Oy

On 15 February, Elisa increased its ownership in Sulake Corporation from 24 per cent to 100 per cent by purchasing shares from other principal shareholders.

Sulake creates social meeting places and games on the Internet. The best-known Sulake service is Habbo Hotel, which is targeted at teenagers. Sulake's global client base, brand, community platform and business competence, combined with Elisa's expertise, provide new kind of future opportunities.

The purchase price was EUR 6.2 million. The fair value of previously held shares in the acquired entity at the time of acquisition was EUR 6.4 million. Including previous ownership the business combination resulted in goodwill of EUR 15.0 million. The goodwill resulted from positive future outlook of new services and is not tax deductible.

Sulake is consolidated from 1 February 2013 onwards. Revenue after the acquisition was EUR 12.9 million and profit for the period EUR -3.7 million. Had the acquisition been done as of the beginning of the year, the impact on Group revenue and profit for the period would have been EUR 14.2 million and EUR -4.1 million respectively.

The transactions between the Group and the acquired company at the time of the acquisition have been taken into account in the consolidation of the business operations.

Consideration transferred

EUR million	
Cash paid	6.2
Previous ownership	6.4
Settlement of pre-existing relationship	2.3
Total cost of acquisition	15.0

Analysis of net assets acquired

EUR million	Carrying amount
Intangible assets	4.0
Tangible assets	0.3
Trade and other current receivables	2.9
Cash and cash equivalents	1.6
Financial liabilities	-4.1
Trade payables and other current liabilities	-4.7
	0.0

Effects of acquisition on cash flow

EUR million	
Purchase price paid in cash	-6.2
Cash and cash equivalents of the acquired entity	1.6
	-4.6

Goodwill arising from business combination

EUR million	
Consideration transferred (including earlier ownership)	15.0
Net asset acquired	0.0
Goodwill	15.0

The EUR 0.1 million expenses related to the acquisition have been recorded in other operating expenses in the consolidated statement of comprehensive income. The expenses are due to transfer tax.

Acquisition of PPO-Yhtiöt Oy

On 30 April 2013, Elisa acquired all shares of a fixed network operator PPO-Yhtiöt Oy and 11 per cent of Telekarelia Oy's share capital. With the acquisition, the Group's ownership in Telekarelia Oy was 67 per cent and in Kymen Puhelin Oy 46 per cent. Kymen Puhelin Oy is consolidated to the Group based on control over an entity. In addition Elisa acquired 54 per cent of Kymen Puhelin Oy outstanding share capital and 33 per cent of Telekarelia Oy outstanding share capital during year 2013 increasing the ownership to 100 per cent. Through this acquisition Elisa strengthens its market position in the field of activity of PPO-Yhtiöt Oy and its subsidiaries.

The purchase price was EUR 104.3 million including a contingent consideration of EUR 1.6 million. The Group is underwritten to pay the contingent consideration if it sells interests from spesified associates that have transfered to the Group in the acquisition. The contingent consideration is recognised at fair value.

As a part of the acquisition the Group has recognised a contingent liability of EUR 6.3 million related to a guarantee liability given by Telekarelia Oy and Kymen Puhelin Oy. Had these liabilities realised the seller is obligated to refund a maximum of EUR 3.1 million of the purschase price.

EUR 5.2 million of the acquisition cost was allocated to customer base, which is amortised in 5 years. The acquisition resulted in EUR 19.1 million goodwill relating to market access in the field of activity of the purchased entities. Goodwill is not tax deductible.

Companies are consolidated from 1 May 2013 onwards. Revenue after the acquisition was EUR 57.9 million and profit for the period EUR 11.6 million. Had the acquisition been made as of the beginning of the year, the impact on Group revenue and profit for the period would have been EUR 88.0 million and EUR 8.8 million respectively.

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

Consideration transferred

EUR million	
Cash paid	105.9
Consideration receivable	-3.1
Contingent consideration	1.6
Total cost of acquisition	104.3

Analysis of net assets acquired

EUR million	Carrying amount
Customer base	5.2
Other intangible assets	3.8
Tangible assets	96.2
Equity investments and funds	5.6
Deferred tax assets	4.5
Inventories	3.7
Trade and other receivables	12.8
Cash and cash equivalents	19.1
Deferred tax liabilities	-9.9
Provisions	-6.3
Financial liabilities	-8.8
Trade payables and other liabilities	-17.4
	108.4

Effects of acquisition on cash flow

EUR million	
Purchase price paid in cash	-105.9
Cash and cash equivalents of the acquired entity	19.1
	-86.8

Goodwill arising from business combination

EUR million	
Consideration transferred	104.3
Non controlling interest measured based on proportionate share in the recognised amounts of the identifiable net assets	23.2
Net asset acquired	108.4
Goodwill	19.1

Expenses related to the acquisition of EUR 1.6 (0.3) million were recorded in other operating expenses in the consolidated statement of comprehensive income. The expenses are mainly due to transfer tax.

After the transaction the seller acquired Elisa Oyj shares. The transaction is presented as proceeds from the sale of treasury shares in the consolidated statement of cash flows.

Acquisition of non-controlling interests

The group acquired 54 per cent of Kymen Puhelin Oy and 33 per cent cent of Telekarelia Oy between 10 June and 31 December 2013. After these acquisition the Group owns all shares of Kymen Puhelin Oy and Telekarelia Oy. The book value of net assets on 31 December 2013 were EUR 40.0 million in Kymen Puhelin and EUR 23.2 million in Telekarelia. Due to the acquisitions the non-controlling interest decreased by EUR 23.2 million and the equity by EUR 15.9 million.

EUR milllion	
Consideration paid with shares	35.3
Cash paid	3.9
Consideration transferred	39.2
Non-controlling interests	23.2
Tha acquisitions effect on Groups earnings	15.9

Expenses related to the acquisition of EUR 0.1 million were recorded in other operating expenses in the consolidated statement of comprehensive income.

Kymen Puhelin Oy, Telekarelia Oy and PPO Yhtiöt Oy were merged into Elisa Oyj on 31 December 2013.

Acquisitions for the previous periods

On 4 November 2010 Elisa acquired all of the issued shares of Appelsiini Finland Oy. The acquisition cost of EUR 19.7 million included a contingent consideration of EUR 2.6 million, which was based on the combined service revenue of the acquired entity for 2011–2012. Upon the settlement of the contingent consideration during the period, the Group recorded an expense of EUR 0.8 million.

Acquisitions in 2012

There were no any acquisitions during 2012.

3. Disposals

Disposals in 2013

Disposal of PPO Palvelut Oy

Elisa divested the fully owned PPO Palvelut Oy on 30 September 2013. The sales price was EUR 0.2 million. The divestment didn't affect consolidated income statement. The impact of the losses incurred during the period of ownership by the Group are included in the consolidated statement of comprehensive income.

PPO Palvelut Oy's result has been consolidated in the Group from 1 May until 30 September 2013.

Net assets of the sold entity

EUR million	Carrying amount
Tangible assets	0.1
Inventories	1.1
Trade and other current receivables	0.5
Cash and cash equivalents	0.1
Trade payables and other current liabilities	-0.8
	1.0

Effects of disposal on cash flow

EUR million	
Sales price received in cash	0.2
Cash and cash equivalents of the sold entity	-0.1
	0.1

Disposals in 2012

Disposal of Kiinteistö Oy Paimion Puhelimenkulma

Elisa divested its share of 77 per cent in Kiinteistö Oy Paimion Puhelimenkulma on 29 May 2012. The sales price was EUR 0.6 million. The divestment resulted in a loss of EUR 0.2 million recorded within Other operating expenses in the Consolidated income statement. The loss was influenced by the amount of gains incurred during the period of ownership by the Group.

The Group has consolidated the results of Kiinteistö Oy Paimion Puhelimenkulma until 31 May 2012.

Net assets of the sold entity

EUR million	Carrying amount
Tangible assets	0.8

Effects of disposal on cash flow

EUR million	
Sales price received in cash	0.6

4. Revenue

EUR million	**2013**	2012
Rendering of services	1,333.1	1,359.3
Equipment sales	214.3	194.1
	1,547.4	1,553.4

5. Other operating income

EUR million	**2013**	2012
Gain on disposals of property, plant and equipment	1.4	0.7
Government grants	0.1	0.2
Other items [1]	2.4	3.8
	4.0	4.7

1) Other items include rental income from real estate, income from patents and other income items not associated with ordinary operating activities.

6. Materials and services

EUR million	**2013**	2012
Purchases of materials, supplies and goods	252.5	274.5
Change in inventories	3.8	-15.6
External services	363.6	396.7
	619.9	655.6

7. Employee expenses

EUR million	2013	2012
Salaries and wages	215.0	187.4
Share-based compensation expenses	6.2	6.5
Pension expenses – defined contribution plans	34.5	31.1
Pension expenses – defined benefit plans	0.6	0.2
Other statutory employee costs	13.6	11.8
	270.0	237.0

	2013	2012
Average number of personnel	4,320	3,973

A more detailed analysis of defined benefit pension plans is included in Note 28.

Management remuneration

EUR million	2013	2012
Managing Directors and deputies [1]	2.0	2.5
Members and deputy members of Boards of Directors	0.6	0.5

1) The salary cost includes EUR 0.6 million of share-based compensation expenses in 2012.

Managing Directors' pension commitments
The retirement age of the Group companies' Managing Directors is 60–63 years.

Employment benefits for key management

Key management consists of Elisa's Board of Directors, the CEO and the Executive Board.

EUR million	2013	2012
Board of Directors	0.5	0.4
Managing Director	0.7	0.7
Executive Board	1.7	1.7
Share-based compensation expenses [1]	2.1	1.9
	5.0	4.7

1) The share-based compensation expenses in 2013 are EUR 6.2 (6.5) million, of which EUR 2.1 (1.9) million is allocated to the CEO and Executive Board. The terms and conditions of share-based incentive plans are described under Note 27.

EUR million	2013	2012
Remunerations and other short-term employee benefits	2.9	2.8
Post-employment benefits	0.3	0.2
Share-based benefits	2.1	1.9
	5.3	4.9

Management remuneration is descibed under parent company's Note 4.

The period of notice for the CEO is 6 months from the Group's side and 3 months from the CEO's side. Should the contract be terminated by the Group, the Chief Executive Officer is entitled to receive a severance payment equalling the total salary of 24 months deducted by the notice period salary. The period of notice for other members of the Executive Board is 6 months from the Group's side. In addition to the notice period salary the members of the Executive Board are entitled to receive a severance payment equalling the total salary of 9 months.

On the basis of the executive agreement the Group CEO is entitled to retire at the age of 60. The CEO's pension arrangement is a cash based plan. The pension benefit includes vested rights. The company is liable for the pension at the age of 60 and 61 and the related accumulated liability EUR 0.7 million is included in pension obligations on the balance sheet. Pension will accrue annually at the rate of 5.1 per cent of the annual income under Tyel (Employees Pensions Act). Starting at the age of 62, the pension will accrue at the rate of 20.7 per cent of the annual income under Tyel in the management's group supplementary pension insurance. Other members of the Executive Board appointed before year 2009 are entitled to retire at the age of 62 on the basis of their executive agreements. The contractual right has been covered with a supplementary pension insurance.

Share-based compensation granted to the management

No share-based compensations were granted in 2013.

The maximum award granted for the Executive Board under the 2012–2014 plan equals the value of 239,000 shares, of which the value of 80,000 shares is the maximum award for the CEO. The award will be paid after the publication of 2014 financial statements.

The maximum award granted for the Executive Board under the 2013–2015 plan equals the value of 240,000 shares, of which the value of 80,000 shares is the maximum award for the CEO. The award will be paid after the publication of 2015 financial statements.

Elisa shares held by the key management

The members of Elisa's Board of Directors, the CEO, the members of the Executive Board and their family members held a total of 258,279 shares and votes, corresponding to 0.15 per cent of all shares and votes.

Employee bonus and incentive schemes

Performance-based bonus scheme

All employees are included in performance, incentive or commission-based bonus scheme. Rewards are based on financial and operational metrics of Elisa and its units. Targets are set and the maximum amount of reward is confirmed semi-annually. Some of the Group's key personnel were within the share-based compensation plan in 2013.

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 tool for the performance-based bonus system is the earnings per share (EPS) and revenue increase of new services. The Board of Directors makes annual decisions on the performance-based bonus scheme and defines the values that determine the reward amount.

The members of the personnel fund include the employees of Elisa except for the Group's personnel that is included within the scope of either the share incentive plan or the stock option plan.

EUR 0.9 (1.3) million was recorded in the personnel fund from which EUR 0.6 (1.2) million was based on the 2013 earnings.

Share-based incentive plan

On 19 December 2011 Elisa's Board of Directors decided on a share-based incentive plan for key personnel for 2012–2018. On 18 December 2008, Elisa's Board of Directors decided on a share-based incentive plan for key management for 2009–2011. The plans are described under Note 27.

Stock option plan

On 18 December 2007, Elisa's Board of Directors decided to offer a maximum of 2,550,000 stock options for subscription by Elisa Group's key personnel and Fonetic Oy, a fully-owned subsidiary of Elisa Corporation. The stock option plan expired in 2013. The plan is described in detail under Note 27.

8. Auditor fees

EUR million	2013	2012
Auditing	0.3	0.2
Tax advisory services	0.1	0.1
Education services	0.1	0.1
Other services	0.2	0.2
	0.6	0.6

9. Research and development costs

EUR million	2013	2012
Research and development costs recognised as expenses	2.2	2.3
Capitalised development costs	7.9	7.2
	10.0	9.5

Focus areas for research and development activities in 2013 included contactless payment, visual communication services and development of IT-services.

10. Depreciation and amortisation

EUR million	2013	2012
Depreciation of tangible assets		
Buildings and constructions		
Owned buildings and constructions	10.4	10.5
Buildings and constructions on finance lease	0.4	0.4
Telecom devices, machines and equipment		
Owned telecom devices, machines and equipment	151.6	147.2
Assets on finance lease	2.0	2.8
Other tangible assets	0.6	0.9
	165.0	161.8
Amortisation of intangible assets		
Customer base	4.1	4.1
Other intangible assets	40.8	36.3
	44.9	40.4
	209.9	202.1

EUR 0.2 (0.0) million asset impairments were recognised.

11. Financial income and expense

EUR million	2013	2012
Financial income		
Dividend income from financial assets available-for-sale	0.5	1.0
Interest and financial income from loans and other receivables	2.4	1.3
Interest income from derivatives	7.1	7.1
Other financial income	0.6	0.3
Gains/losses of financial assets at fair value through profit or loss, derivatives not in hedge accounting	-0.4	-0.4
	10.3	9.4
Financial expense		
Interest expenses on financial liabilities measured at amortised cost	-27.2	-27.9
Other financial expenses on financial liabilities measured at amortised cost	-1.1	-0.6
Interest expenses on derivatives	-6.7	-6.8
Other interest expenses	-0.1	-0.2
Impairment of financial assets available-for-sale	-0.4	-3.3
Other financial expenses	-0.6	-0.7
	-36.2	-39.5

Foreign exchange rate gains and losses included in EBIT are not material.

12. Income taxes

EUR million	2013	2012
Taxes for the period	-59.6	-61.2
Taxes for previous periods	-0.1	0.2
Deferred taxes	0.2	0.2
Deferred taxes for previous periods	-0.2	0.4
Impact of the change in Finnish tax rate on deferred tax	1.5	
	-58.2	-60.4

Income taxes recognised directly in comprehensive income:

	2013			2012		
EUR million	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
Remeasurements of the net defined benefit liability	-7.4	1.1	6.3	-6.0	1.5	-4.5

Other comprehensive income items do not include taxes. The other comprehensive income items consist of changes in the fair value of financial assets available-for-sale and translation differences. The change in fair value is tax-free because the Group's ownership of the company exceeds 10 per cent.

Reconciliation of the tax expense in the income statement and taxes calculated at the statutory tax rate 24.5 per cent in the Group's country of incorporation:

EUR million	2013	2012
Profit before tax	254.6	268.9
Tax according to the domestic tax rate	-62.4	-65.9
Tax effects of the following:		
Tax-free gains/losses on the disposal of shares	0.0	0.6
Non-deductible expenses	-5.0	-0.8
Tax effects of foreign subsidiaries	4.2	4.6
Use of tax losses that have not been recognised before	2.1	
Taxes for previous periods	0.1	0.7
Change in deffered taxes - Finnish tax rate change	1.5	
Other items	1.3	0.4
Taxes in the income statement	-58.2	-60.4
Effective tax rate, %	22.9	22.5

The Finnish corporation tax rate change from 24.5 per cent to 20.0 per cent was enacted 17 December 2013 and it became effective from 1 January 2014. As a result the relevant deferred tax balances were remeasured for the financial statement 2013.

13. Earnings per share

Undiluted earnings per share are calculated by dividing the profit for the period attributable to the equity holders of the parent by the weighted average number of shares outstanding during the financial year.

	2013	2012
Profit for the period attributable to the equity holders of the parent (EUR million)	196.6	208.7
Weighted average number of shares during the financial year (1,000 pcs)	157,269	156,548
Undiluted earnings per share (EUR/share)	1.25	1.33

The calculation of earnings per share adjusted for dilution takes the diluting effect of the conversion of all potential ordinary shares into account in the weighted average number of shares.

	2013	2012
Profit for the period for the purpose of calculating EPS adjusted for dilution (EUR million)	196.6	208.7
Weighted average number of shares during the financial year (1,000 pcs)	157,269	156,548
Impact of stock options (1,000 pcs)		137
Weighted average number of shares for the purpose of calculating EPS adjusted for dilution (1,000 pcs)	157,269	156,685
Earnings per share adjusted for dilution (EUR/share)	1.25	1.33

14. Property, plant and equipment

2013

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. 2013	6.7	227.8	2,572.9	35.6	26.1	2,869.1
Additions	0.1	6.0	140.4	0.0	19.7	166.3
Companies acquired	1.2	8.2	79.9	0.1	7.5	96.9
Disposals	0.0	-0.5	-6.0	0.0	-0.1	-6.7
Companies sold		0.0	-0.1			-0.1
Reclassifications	0.1	4.3	27.2		-31.4	0.1
Translation differences		0.0	-0.3		0.1	-0.1
Acquisition cost at 31 Dec. 2013	8.0	245.8	2,814.0	35.7	21.9	3,125.4
Accumulated depreciation and impairments at 1 Jan. 2013		107.8	2,111.4	34.0		2,253.2
Depreciation		10.8	153.6	0.6		165.0
Accumulated depreciation on disposals and reclassifications		-0.4	-5.8			-6.2
Translation differences			-0.2			-0.2
Accumulated depreciation and impairment at 31 Dec. 2013		118.3	2,259.0	34.6		2,411.8
Book value at 1 Jan. 2013	6.7	120.0	461.5	1.6	26.1	615.9
Book value at 31 Dec. 2013	8.0	127.5	555.1	1.1	21.9	713.6

2012

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. 2012	6.8	222.6	2,440.4	35.6	30.8	2,736.2
Additions	0.1	4.0	146.7		9.6	160.5
Disposals	-0.1	-0.5	-26.1		0.0	-26.7
Companies sold	-0.2	-0.9	-0.1			-1.2
Reclassifications	0.1	2.7	12.0	0.0	-14.3	0.4
Acquisition cost at 31 Dec. 2012	6.7	227.8	2,572.9	35.6	26.1	2,869.1
Accumulated depreciation and impairments at 1 Jan. 2012		97.8	1,987.5	33.2		2,118.5
Depreciation		10.9	150.0	0.9		161.8
Accumulated depreciation on disposals and reclassifications		-0.9	-26.1			-27.0
Accumulated depreciation and impairment at 31 Dec. 2012		107.8	2,111.4	34.0		2,253.2
Book value at 1 Jan. 2012	6.8	124.8	452.9	2.4	30.8	617.7
Book value at 31 Dec. 2012	6.7	120.0	461.5	1.6	26.1	615.9

Commitments to purchase property, plant and equipment and intangible assets at 31 December 2013 were EUR 38.6 (35.9) million.

Additions in 2013 include EUR 2.9 (3.1) million property, plant and equipment leased under finance lease agreements.

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

2013

EUR million	Buildings and constructions	Machinery and equipment	**Total**
Acquisition cost	17.4	110.0	127.4
Accumulated depreciation	4.5	97.2	101.7
Book value at 31 Dec. 2013	12.9	12.8	25.7

2012

EUR million			
Acquisition cost	17.4	106.9	124.3
Accumulated depreciation	4.1	95.2	99.3
Book value at 31 Dec. 2012	13.4	11.7	25.1

15. Intangible assets

2013

EUR million	Goodwill	Customer base	Other intangible assets	Intangible assets under construction	**Total**
Acquisition cost at 1 Jan. 2013	797.1	82.5	377.0	12.2	1,268.8
Additions			32.7	41.2 [1]	73.8
Companies acquired	35.3	5.2	7.8	0.2	48.5
Disposals			-1.1		-1.1
Reclassifications			8.6	-7.7	0.8
Translation differences			0.0		0.0
Acquisition cost at 31 Dec. 2013	832.4	87.7	424.8	45.9	1,390.8
Accumulated amortisation at 1 Jan. 2013		76.9	293.5		370.4
Amortisation		4.1	41.0		45.1
Accumulated depreciation on disposal			-0.4		-0.4
Accumulated amortisation at 31 Dec. 2013		81.0	334.1		415.1
Book value at 1 Jan. 2013	797.1	5.6	83.4	12.2	898.4
Book value at 31 Dec. 2013	832.4	6.7	90.7 [2]	45.9	975.7

2012

EUR million	Goodwill	Customer base	Other intangible assets	Intangible assets under construction	Total
Acquisition cost at 1 Jan. 2012	797.1	89.2	348.1	14.2	1,248.6
Additions			24.0	9.0	33.0
Disposals		-6.7	-5.6		-12.2
Reclassifications			10.4	-11.0	-0.5
Acquisition cost at 31 Dec. 2012	797.1	82.5	377.0	12.2	1,268.8
Accumulated amortisation at 1 Jan. 2012		79.5	262.8		342.3
Amortisation		4.1	36.3		40.4
Accumulated depreciation on disposal		-6.7	-5.6		-12.2
Accumulated amortisation at 31 Dec. 2012		76.9	293.5		370.4
Book value at 1 Jan. 2012	797.1	9.7	85.3	14.2	906.3
Book value at 31 Dec. 2012	797.1	5.6	83.4 [2]	12.2	898.4

1) Includes the Finnish 800 MHz spectrum license in carrying amount of EUR 33.3 million.

2) Includes IT software for a book value of EUR 57.1 (59.0) million and brand for a book value of EUR 7.9 (12.2) million.

Goodwill impairment testing

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

EUR million	2013	2012
Consumer Customers	503.7	480.2
Corporate Customers	328.7	316.9
	832.4	797.1

The reported operating segments based on the Elisa organisational and management structure are Consumer Customers and Corporate Customers. Furthermore, the operating segments are the lowest level at which the company management monitors the goodwill.

The Group does not have any other intangible assets with an indefinite useful life.

In 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). The cash flows projections are based on plans approved by the management covering a 5-year period. The projections are mostly consistent with information from external sources and reflect actual development. The discount rate used is from 7.91 per cent to 7.92 per cent depending on the segment. Cash flows after 5 years have been projected by estimating the change in future cash flows as zero. As a result of the performed impairment tests, there is no need for impairment of the segments' goodwill. Use 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 the forecast revenue and profitability levels.

Sensitivity analysis

Projection parameters applied	Consumer Customers 2013	Corporate Customers 2013	Consumer Customers 2012	Corporate Customers 2012
Amount in excess of CGU carrying value, EUR million	2,359	1,253	3,028	1,329
EBITDA margin on average, % (1	35.9	35.6	35.4	33.3
Horizon growth, %	0.0	0.0	0.0	0.0
Pre-tax discount rate, %	7.9	7.9	6.8	6.8

1) On average during 5-year projection period

Change in projection parameters that makes the fair value equal to book value	Consumer Customers 2013	Corporate Customers 2013	Consumer Customers 2012	Corporate Customers 2012
EBITDA margin on average, %	-17.0	-14.4	-19.2	-13.5
Horizon growth, %	-56.0	-35.2	-55.9	-21.8
Pre-tax discount rate, %	20.0	16.5	22.0	14.2

16. Investments in associated companies

EUR million	2013	2012
At beginning of period	6.5	0.1
Share of periods profit	-0.1	0.0
Business combinations	2.4	
Reclassification	-6.5	6.4
At the end of period	2.4	6.5

Elisa's holdings in associates are presented under Note 35.

During the comparison year Elisa's holding in Sulake Corporation Oy increased from 17 per cent to 24 per cent. As a result the shares which had been previously classified as available for sale had been classified as associated company shares since 31 December 2012. During the reporting period the holding in Sulake increased from 24 per cent to 100 per cent and the company is consolidated from 1 February 2013 onwards.

As a result of the acquisition of PPO-Yhtiöt Oy the group received the following new associates: FNE-Finland Oy, Helmivisio Oy, Kiinteistö Oy Kiihtelysvaaran Oravanpyörä, Softera Oy ja Super Head End Finland Oy.

17. Financial assets recognised at fair value

EUR million	2013	Level 1	Level 2	Level 3
Financial assets recognised at fair value	0.0		0.0	
Financial assets available-for-sale	6.9	6.9		
Other liabilities	2.0			2.0
	8.8	6.9	0.0	2.0

EUR million	2012	Level 1	Level 2	Level 3
Financial assets recognised at fair value	0.4		0.4	
Financial assets available-for-sale	5.7	5.7		
Other liabilities	2.1			2.1
	8.3	5.7	0.4	2.1

Level 3 reconciliation

Other liabilities

EUR million	2013	2012
Balance at the beginning	2.1	2.8
Increase of contingent consideration	1.6	
Remeasurement of contingent consideration	0.8	
Payment of contingent consideration	-2.5	-0.7
Balance at the end	2.0	2.1

Level 3 includes contingent considerations relating to business combinations. Changes in the fair value of contingent considerations are recognised in other operating expenses.

According to management estimation, if the information which defines the fair value of level 3 financial instruments is changed to a possible alternative hypothesis, it would not outstandingly change the fair values of level 3 items at fair values considering the small amount of liabilities.

For recognition of levels, see Accounting Policies, Financial Assets and Liabilities.

18. Carrying amounts of financial assets and liabilities by category

2013

EUR million	Note	Financial assets available-for-sale	Loans and receivables	Financial assets/ liabilities recognised at fair value through profit or loss (1	Financial liabilities measured at amortised	**Book values**	**Fair values**
Non-current financial assets							
Financial assets available-for-sale	19	22.5				22.5	22.5
Receivables	20		70.4	0.1		70.5	70.5
Current financial assets							
Trade and other receivables	23		327.3			327.3	327.3
		22.5	397.7	0.1		420.3	420.3
Non-current financial liabilities							
Financial liabilities	30				829.7	829.7	837.2
Other liabilities (2	31				29.4	29.4	29.4
Current financial liabilities							
Financial liabilities	30				279.3	279.3	280.4
Trade and other payables (2	31				261.4	261.4	261.4
					1,399.7	1,399.7	1,408.3

1) Assets defined as such at initial recognition

2) Excluding advances received

2012

EUR million	Note	Financial assets available-for-sale	Loans and receivables	Financial assets/ liabilities recognised at fair value through profit or loss [1]	Financial liabilities measured at amortised	Book values	Fair values
Non-current financial assets							
Financial assets available-for-sale	19	19.9				19.9	19.9
Receivables	20		44.6	0.4		45.1	45.1
Current financial assets							
Trade and other receivables	23		310.0			310.0	310.0
		19.9	354.6	0.4		375.0	375.0
Non-current financial liabilities							
Financial liabilities	30				702.8	702.8	723.9
Other liabilities [2]	31				7.6	7.6	7.6
Current financial liabilities							
Financial liabilities	30				175.6	175.6	175.1
Trade and other payables [2]	31				237.7	237.7	237.7
					1,123.7	1,123.7	1,144.3

1) Assets defined as such at initial recognition

2) Excluding advances received

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

19. Financial assets available-for-sale

EUR million	**2013**	2012
Publicly listed shares	6.9	5.7
Unlisted shares	15.7	14.2
	22.5	19.9

The most significant unlisted equity investments

EUR Million	**2013**	2012
Anvia Oyj	8.6	8.6
Datawell Oy	2.1	2.1
	10.7	10.7

The unlisted equity investments are recognised at acquisition cost less possible impairment, if the fair value of the equity investments cannot be determined reliably.

Changes in the fair value of listed shares EUR -1.1 (-1.3) million have been recognised in other comprehensive income.

20. Non-current receivables

EUR million	2013	2012
Loan receivables	0.1	0.1
Loan receivables from associated	0.1	
Trade receivables	46.2	27.4
Finance lease receivables	15.8	9.0
Prepayments and accrued income	8.0	8.0
Derivatives	0.1	0.4
Other non-current receivables	0.3	0.1
	70.5	45.1

Derivatives are classified under Financial assets/liabilities recognised at fair value through profit or loss. Other non-current receivables are classified under Loans and receivables.

The effective interest rate on receivables (current and non-current) was 0.28 (0.16) per cent.

Gross finance lease receivables - maturity of minimum lease payment receivables

EUR million	2013	2012
Not later than one year	10.1	6.7
Later than one year not later than five years	15.3	10.0
Gross investment in finance leases	25.4	16.8
Unearned finance income	-1.0	-0.3
Present value of finance lease receivables	24.4	16.5

Maturity of present value of future minimun lease payment receivables

EUR million	2013	2012
Not later than one year	8.6	7.4
Later than one year not later than five years	15.8	9.0
	24.4	16.5

Elisa acts as a lessor in finance lease arrangements concerning videoconference equipment. Lease periods vary from one to 5 years and conditions vary in terms of index clauses.

21. Deferred tax receivables and liabilities

The change in deferred tax receivables and liabilities during 2013

Deferred tax receivables EUR million	1 Jan. 2013	Recognised in income statement	Business combinations	Recognised in consolidated statement of comprehensive income	31 Dec. 2013
Finance lease agreements	2.7	-0.1			2.6
Internal margins	5.6	-1.5			4.1
Share-based incentive plan	1.6	1.2			2.8
Fair value measurement of tangible and intangible assets in business combinations	0.0	-4.4	4.5		0.1
Other temporary differences	2.2	0.7		1.0	3.9
	12.1	-4.1	4.5	1.0	13.5

Deferred tax liabilities EUR million	1 Jan. 2013	Recognised in income statement	Business combinations	31 Dec. 2013
Fair value measurement of tangible and intangible assets in business combinations	5.0	-3.0	1.3	3.3
Accumulated depreciation difference	9.5	-5.7	8.5	12.3
Other temporary differences	2.4	2.8	0.2	5.4
	16.9	-5.8	9.9	21.0

The Group had EUR 43.7 (2.4) million of unused tax losses at 31 December 2013, for which no tax receivable has been recognised. These losses expire in 2014–2022. The change compared to year 2012 results mainly from the acquisition of Sulake Corporation Oy. No tax liability has been recognised for the untaxed retained earnings EUR 145.8 million of the Estonian subsidiary as no profit distribution decision or plans for profit distribution exist for the time being.

During 2013, the Finnish corporation tax rate changed from 24.5 per cent to 20.0 per cent. The change was enacted 17 December 2013 and it became effective from 1 January 2014. As a result the deferred tax balances were remeasured for the financial statement 2013.

Deferred tax liabilities and receivables are not offset.

The change in deferred tax receivables and liabilities during 2012

Deferred tax receivables EUR million	1 Jan. 2012	Recognised in income statement	31 Dec. 2012
Finance lease agreements	2.8	-0.1	2.7
Negative depreciation difference	1.4	-1.0	0.4
Internal margins	6.2	-0.6	5.6
Share-based incentive plan	0.7	0.9	1.6
Other temporary differences	1.1	0.7	1.8
	12.2	-0.1	12.1

Deferred tax liabilities EUR million	1 Jan. 2012	Recognised in income statement	31 Dec. 2012
Fair value measurement of tangible and intangible assets in business combinations	7.1	-2.1	5.0
Accumulated depreciation difference	10.2	-0.7	9.5
Other temporary differences	1.8	0.6	2.4
	19.1	-2.2	16.9

22. Inventories

EUR million	2013	2012
Materials and supplies	7.0	16.3
Work in progress	0.0	0.1
Finished goods	48.5	43.1
	55.5	59.4

An impairment of EUR 0.1 (0.1) million on inventories was recognised during the period.

23. Trade and other receivables

EUR million	2013	2012
Trade receivables	290.9	282.3
Allowances for doubtful accounts	-7.1	-7.6
Finance lease receivables	8.6	7.4
Prepayments and accrued income	25.1	21.3
Loan receivables	0.1	0.0
Receivables from associated companies	0.0	0.9
Other receivables	9.6	5.6
	327.3	310.0

Prepayments and accrued income include interest receivables and accruals from operating activities.

Trade receivables by age

EUR million	2013	2012
Not due	247.9	249.2
Overdue		
Less than 30 days	25.4	18.6
31-60 days	5.3	3.8
61-90 days	3.2	2.1
More than 90 days	2.0	1.1
	283.8	274.8

The book value of trade receivables approximates their fair value. The credit risk on trade receivables is described in Note 34. The maximum credit risk is the value of trade receivables on the closing of the accounts, EUR 283.8 million.

24. Cash and cash equivalents

EUR million	2013	2012
Cash assets	72.8	39.8
Deposits	22.0	
Commercial papers (under 3 months)	43.0	
	137.8	39.8

25. Derivative instruments

Nominal values of derivatives

	2013			2012		
	Period of validity			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
Interest rate and currency swaps	151.5	3.0			150.0	

Fair values of derivatives

	2013			2012		
EUR million	Positive fair value	Negative fair value	Total	Positive fair value	Negative fair value	Total
Interest rate and currency swaps	0.1	0.0	0.0	0.4		0.4

Determination of fair value

The fair value of derivative instruments is determined using market prices quoted on a functional market, the cash flow discounting method or option pricing models.

Elisa's interest rate swaps are categorized at the fair value hierarchy level 2. See Note 17.

26. Equity

Share capital and treasury shares

EUR million	Number of shares (thousands)	Share capital	Treasury shares
1 Jan. 2012	166,663	83.0	-197.0
Subscription rights used	505		2.9
31 Dec. 2012	167,168	83.0	-194.1
Subscription rights used	337		
Share issue	1,830		6.0
Cancellation of treasury shares	-2,000		39.9
31 Dec. 2013	167,335	83.0	-148.2

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

According to its Articles of Assocation, Elisa Corporation only has one series of shares, each share entitling to one vote. In accordance with the Articles of Association, the maximum number of shares is 1,000 (1,000) million shares. All issued shares have been paid. Shares do not have nominal value.

Treasury shares include the acquisition cost of treasury shares held by the Group.

Treasury shares

	Shares pcs	Accounting countervalue EUR	Holding, % of shares and votes
Treasury shares held by the Group/Elisa Corporation at 1 Jan. 2012	10,435,275		
Transfer, Share incentive plan	-147,159		
Treasury shares held by the Group/Elisa Corporation at 31 Dec. 2012	10,288,116	5,110,155	6.15
Restored, Share incentive plan	1,526		
Disposal of treasury shares	-303,599		
Cancellation of treasury shares	-2,000,000		
Treasury shares held by the Group/Elisa Corporation at 31 Dec. 2013	7,986,043	3,962,734	4.77

Other reserves

EUR million	Contingency reserve	Fair value reserve	Other reserves	Reserve for invested non-restricted equity	Total
1 Jan. 2012	3.4	7.8	381.0	48.3	440.6
Financial assets available-for-sale		-1.3			-1.3
Remeasurements of the net defined benefit liability		-4.5			-4.5
Stock options exercised				4.4	4.4
31 Dec. 2012	3.4	2.0	381.0	52.7	439.1
Financial assets available-for-sale		1.1			1.1
Remeasurements of the net defined benefit liability		-6.3			-6.3
Share issue				35.3	35.3
Stock options exercised				2.9	2.9
31 Dec. 2013	3.4	-3.2	381.0	90.9	472.1

The EUR 3.4 million contingency reserve includes the amount transferred from the distributable equity under the Articles of Association or by a decision by the General Meeting. The fair value reserve of EUR -3.2 million includes changes in the fair value of the financial assets available-for-sale and the remeasurements of the net defined benefit liability. The other reserves of EUR 381.0 million were formed through the use of an equity issue in acquisitions. Translation differences amounted to EUR -0.1 million.

The reserve for invested non-restricted equity includes the proportion of share subscription prices not recognised as share capital in accordance with share issue terms. In 2013, EUR 35.3 million was recognised in the reserve for invested non-restricted equity due to the disposal of treasury shares related to business combinations.

27. Share-based payments

On 19 December 2011, Elisa's Board of Directors decided on the implementation of 2 new share-based incentive plans.

Share-based incentive plan 2012–2014

The first performance-based share incentive plan has 3 vesting periods: calendar years 2012–2014, 2013–2015 and 2014–2016. The maximum award of the plan equals the value of 3,315,000 Elisa shares. The Board of Directors decides the earnings criteria and the targets separately for each plan in the beginning of the vesting period. After the end of each vesting period, the award is paid as a combination of company shares and cash within 1 month following the completion of financial statements. If the contract of employment is terminated before the payment of the award, no award shall be paid.

The earnings criteria for the 2012–2014 plan are based on revenue growth of new business operations and earnings per share. The number of key personnel participating in the 2012–2014 plan is 160 and the award equals the value of 983,000 Elisa shares.

The earnings criteria for the 2013–2015 plan are based on revenue growth of new business operations and earnings per share. The number of key personnel participating in the 2013–2015 plan is 157 and the award equals the value of 983,500 Elisa shares.

The earnings criteria for the 2014–2016 plan are based on revenue growth of new business operations and earnings per share. The number of key personnel participating in the 2014–2016 plan is 154 and the award equals the value of 996,500 Elisa shares.

Share-based incentive plan 2012–2018

The other share incentive plan covers calendar years 2012–2018. The awards granted under the plan have a vesting period of approximately 3 years. The pontential award is based on the validity of the key personnel contract of employment. The maximum amount of awards paid under the plan equal the value of 500,000 Elisa shares. Resolutions relating to this plan have not yet been made.

Share-based incentive plan for 2009–2011

On 18 December 2008, Elisa's Board of Directors decided on the implementation of a share-based incentive plan. Under the plan, members of key management are eligible to receive Elisa shares as a reward for their performance over 3 calendar year long earnings periods. The earning periods are calendar years 2009, 2010 and 2011. The share-based payments of years 2009, 2010 and 2011 have ended.

The Board of Directors decided the earnings criteria and the targets separately for each earnings period. The amount of the award to be paid under the share-based incentive plan was tied to the accomplishment of the related targets. After the end of each vesting period, the award was paid as a combination of company shares and cash within 1 month following the completion of financial statements. The maximum award of the plan was 1,100,000 shares from which 408,619 shares were transferred. 9,632 from the transferred shares were returned. The maximum amount of the award equals the value of 2,200,000 Elisa shares.

The reward for the 2011 share-based incentive plan was determined on the basis of the development of earnings per share and revenue in 2011. The total award amounted to EUR 5.6 million, of which EUR 2.9 million was paid in cash. In accordance with the decision of the Board of Directors, Elisa transferred 152,503 shares to 159 persons covered by the incentive scheme on 1 March 2012, of which 44,345 shares were transferred to members of the Management Board and 13,645 shares were transferred to the CEO. 3,832 of the transferred shares were returned to the company during 2012 and 1,526 shares were returned during 2013.

The reward for the 2010 share-based incentive plan was determined on the basis of the development of earnings per share and revenue in 2010. The total award amounted to EUR 3.5 million, of which EUR 1.8 million was paid in cash. In accordance with the decision of the Board of Directors, Elisa transferred 99,483 shares to 48 persons covered by the incentive scheme on 1 March 2011, of which 37,648 shares were transferred to members of the Management Board and 4,408 shares were transferred to the CEO. 252 of the transferred shares were returned to the company during 2011 and 1,512 shares were returned during 2012.

The reward for the 2009 share incentive plan was determined on the basis of the development of earnings per share and revenue in 2009. The total reward amounted to EUR 5.1 million, of which EUR 2.7 million was paid in cash. In accordance with the decision of the Board of Directors, Elisa transferred 156,633 shares to 47 persons covered by the incentive scheme on 1 March 2010, of which 52,715 shares were transferred to members of the Management Board and 20,083 shares were transferred to the CEO. 2,510 of the transferred shares were returned to the company on 1 June 2010.

If the contract of employment is terminated before the payment of the award, no award shall be paid. The CEO must hold one-half of the shares received under the plan for as long as he serves as the CEO. Others must hold all shares received under the plan for one year and two-thirds of the shares for two years after the end of each vesting period. The award is to be returned if the contract of employment is terminated or cancelled during the restriction period by the company or the employee.

Expenses recognised for share incentive plan was EUR 6.2 (6.4) million in 2013.

Amount of share incentives and terms and assumptions in the fair value calculation

	2011 plan	2010 plan	2009 plan
Number of awards granted	907,000	630,000	624,000
Grant date	31 Dec. 2010	31 Dec. 2009	31 Dec. 2008
Fair value of share at the date of grant, EUR (1	15.47	15.16	11.50
Share price at the date of grant, EUR	16.27	15.96	12.30
Estimated realisation of share price after one committed year (2	18.37	17.99	13.59
Estimated realisation of share price after two commited years (2	19.72	19.30	14.48
Vesting period starts	1 Jan. 2011	1 Jan. 2010	1 Jan. 2009
Vesting period ends	31 Dec. 2011	31 Dec. 2010	31 Dec. 2009
Restriction period ends	31 Dec. 2013	31 Dec. 2012	31 Dec. 2011
Estimated realisation of earnings criteria at the beginning of vesting period, %	50	50	67
Realisation of earnings criteria, %	36	40	53
Distributed number	152,503	99,483	156,633
Returned number	-5,358	-1,764	-2,510
Share price, EUR	17.91	16.71	15.42
Distributed number out of the maximum number of share awards granted, %	17	16	25
Number of participants in the plan	159	50	47

1) The fair value of the share is the grant date share price less estimated dividend.

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.

Amount of share incentives and terms and assumptions in the fair value calculation

	2014 plan	2013 plan	2012 plan
Number of awards granted	996,500	983,500	983,000
Grant date	31 Dec. 2013	31 Dec. 2012	31 Dec. 2011
Fair value of share at the date of grant, EUR (1	15.36	12.83	12.23
Share price at the date of grant, EUR	19.26	16.73	16.13
Estimated realisation of share price after vesting and restriction period 2)	19.54	16.24	16.16
Vesting period starts	1 Jan. 2014	1 Jan. 2013	1 Jan. 2012
Vesting and restriction period ends	31 Dec. 2016	31 Dec. 2015	31 Dec. 2014
Estimated realisation of earnings criteria at the beginning of vesting period, %	50	50	72
Number of participants in the plan	154	157	160

1) The fair value of the share is the grant date share price less estimated dividend. Estimated dividend used in the calculation equals the previous period dividend of EUR 1.30 per share.

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 is the previous period dividend.

Stock option plan 2007

On 18 December 2007, Elisa's Board of Directors decided to issue stock options to the Group's key employees and a fully-owned subsidiary of the company. The stock option scheme is targeted at approximately 150 key employees who are not included in the share-based incentive plan for senior management. The stock options are granted without consideration. No new option rights are granted from the stock option plan.

The stock options entitle to the subscription of a total of 2,550,000 new shares or treasury shares. The options are divided into options 2007A, 2007B and 2007C, 850,000 in each series. Based on the stock-options 1,198,074 shares were subscribed.

Terms of the arrangement

	Option plan 2007A	Option plan 2007B	Option plan 2007C	
Validity period (years)	3.5	3.5	3.5	
Exercise period	1 Dec. 2009–31 May 2011	1 Dec. 2010–31 May 2012	1 Dec. 2011–31 May 2013	
Exercise price assessment date [1]	1 Nov.–30 Nov. 2007	1 Nov.–30 Nov. 2008	1 Nov.–30 Nov. 2009	
	Number of options	Number of options	Number of options	**Total**
Shares under option 1 Jan. 2012		238,198	605,000	843,198
Exercised		-238,197	-266,822	-505,019
Expired		-1		-1
Expired, in stock		-268,000		-268,000
Shares under option 31 Dec. 2012			338,178	338,178
Granted			-336,878	-336,878
Expired			-1,300	-1,300
Expired, in stock			-245,000	-245,000
Shares under option 31 Dec. 2013			0	0
In stock 31 Dec. 2012			245,000	245,000
In stock 31 Dec. 2013			0	0
Options exerciseable 31 Dec. 2012			338,178	338,178
Options exerciseable 31 Dec. 2013	0	0	0	0
Initial exercise price, EUR	20.84	11.89	13.99	
Exercise price 31 Dec. 2012, EUR		6.87 [2]	9.97	
Exercise price 31 Dec. 2013, EUR			8.67 [2]	

1) Average Elisa share price weighted by trading volume at NASDAQ OMX Helsinki Oy

2) Exercise price at the time of expiry

Fair values of stock options

Elisa calculates the fair value of stock options using the Black-Scholes model at the date of grant. The fair value is recognised as personnel expenses over the vesting period. Grant date is the date on which the recipient confirms in writing the acceptance of the stock options. No expenses were recognised for the stock option plan during 2012 and 2013.

28. Pension obligations

Pension schemes for Elisa's personnel in Finland are arranged through pension insurance companies for statutory pension insurance (TyEL) and through life insurance company for supplementary pension cover. The Finnish TyEL system is a defined contribution plan. Some supplementary pension plans and pension plans under the responsibility of Elisa have been classified as defined benefit plans. Only Elisa Corporation has defined benefit plans.

The pension plans of foreign subsidiaries are defined contribution plans.

The net defined benefit obligation recognised in the statement of financial position is determined as follows:

EUR million	2013	2012
Present value of unfunded obligations	-1.9	-1.3
Present value of funded obligations	-67.1	-48.5
Fair value of plan assets	55.2	42.5
Net liability (-) / receivable (+) in the statement of financial position	-13.8	-7.1

Pension expenses recognised in the statement of comprehensive income:

EUR million	2013	2012
Expense recognised in profit or loss		
Service cost	0.3	0.1
Net interest	0.4	0.1
Settlements	-0.1	0.0
	0.6	0.2
Remeasurements	7.5	6.0
Tax effect of the remeasurements	-1.2	-1.5
	6.3	4.5

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

EUR million	2013	2012
Net defined benefit obligation at the beginning of the period	7.1	2.4
Pension expenses recognised in the statement of comprehensive income	0.6	0.2
Remeasurements	7.5	6.0
Settlements	-1.5	-1.4
Net defined benefit obligation at the end of period	13.8	7.1

Changes in the present value of the obligation:

EUR million	2013	2012
Obligation at the beginning of the period	-49.8	-45.7
Current service cost	-0.3	-0.1
Interest expenses	-2.0	-2.0
Remeasurements		
Actuarial gain (+) or loss (-) arising from changes in demographic assumptions	0.3	-6.8
Gain (+) or loss (-) arising from experience adjustments	-22.0	0.8
Benefits paid	4.4	4.0
Settlements	0.3	0.0
Obligation at the end of period	-69.0	-49.8

Changes in the fair value of plan assets:

EUR million	2013	2012
Fair value of plan assets at the beginning of the period	42.5	43.2
Interest incomes	1.6	1.9
Remeasurements, gain (+) or loss (-)	14.2	0.0
Benefits paid	-4.4	-4.0
Contributions paid by employer	1.5	1.4
Settlements	-0.2	0.0
Fair value of plan assets at the end of period	55.2	42.5

The principal actuarial assumptions used:

	2013	2012
Discount rate, %	3.00	3.00
Future salary increase, %	3.30	3.30
Future pension increase, %	2.00	2.10

Sensitivity analysis of defined benefit obligation:

Change in actuarial assumptions	Effect on the net defined benefit obligation, EUR million
Discount rate +0.5%	-3.9
Future salary increase +0.5%	+0.3
Future pension increase +0.5%	+4.5
Expected mortality +1 year	+2.7

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 by using the same method which is applied when calculating defined benefit obligation.

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

Weighted average duration of the obligation is 15.9 years.

The Group expects to contribute EUR 1.5 (1.0) million to defined benefit pension plans in 2014.

The defined benefit assets exist in a life insurance company and the distribution of assets measured at fair value is not available.

29. Provisions

EUR million	Termination benefits	Other	Total
1 Jan. 2013	1.2	2.4	3.6
Business combinations		6.4	6.4
Increases in provisions	17.2		17.2
Reversals of unused provisions	-0.9	-0.7	-1.6
Utilised provisions	-4.7	-5.8	-10.5
31 Dec. 2013	12.8	2.3	15.1

EUR million	2013	2012
Long-term provisions	2.4	3.3
Short-term provisions	12.6	0.3
	15.1	3.6

Termination benefits

As a part of the Group's rationalisation Elisa has carried out statutory employee negotiations leading to personnel reductions in 2013. The restructuring provision includes provisions for both unemployment pensions and other expenses due to redundancies. The provisions associated with redundancies will be realised in 2014, and the provision associated with unemployment pensions will be realised in 2014–2015.

Other provisions

Other provisions include an environmental provision made for telephone poles and warranty provisions recognised in the acquisition of PPO-Yhtiöt Oy, of which EUR 5.8 million has been used in 2013.

30. Financial liabilities

EUR million	2013 Balance sheet values	2013 Fair values	2012 Balance sheet values	2012 Fair values
Non-current				
Bonds	588.6	596.1	449.8	470.9
Bank loans	209.6	209.6	220.5	220.5
Loans from pension funds	1.0	1.0		
Capital loans	0.2	0.2		
Finance lease liabilities	30.2	30.2	32.5	32.5
	829.7	837.2	702.8	723.9
Current				
Bonds	161.4	162.5	75.0	74.4
Bank loans	11.8	11.8	0.5	0.5
Loans from pension funds	0.1	0.1		
Finance lease liabilities	5.0	5.0	4.7	4.7
Commercial paper	101.0	101.0	95.5	95.5
	279.3	280.4	175.6	175.1
	1,109.0	1,117.5	878.4	899.0

Interest bearing liabilities include a total of EUR 35.2 (37.2) million of secured liabilities (finance lease liabilities). In substance the finance lease liabilities are secured liabilities, since rights to the leased property will revert to the lessor if payments are neglected.

Both the loans from pension funds and the capital loans came to the group from the acquisition of PPO Yhtiöt Oy. The loans from pension funds are from Kotkan Puhelinyhdistyksen Eläkesäätiö.

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 have been calculated by discounting the related cash flow by the market rate of interest on the balance sheet date.

The average maturity of non-current liabilities was 5.6 (4.6) years and effective average rate of interest 2.5 (2.8) per cent.

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

2013

EUR million	2014	2015	2016	2017	2018	2019–	**Total**
Bonds	178.8	15.0	15.0	15.0	15.0	631.5	870.3
Financial costs	17.1	15.0	15.0	15.0	15.0	31.5	108.6
Repayments	161.7	0.0	0.0	0.0	0.0	600.0	761.7
Bank loans	15.2	15.0	134.0	10.0	59.9	0.0	234.0
Financial costs	4.4	4.3	3.3	0.9	0.8	0.0	13.6
Repayments	10.8	10.7	130.7	9.1	59.1	0.0	220.4
Committed credit limits	1.0						1.0
Financial costs	0.0						0.0
Repayments	1.0						1.0
Commercial paper	101.0						101.0
Financial costs	0.5						0.5
Repayments	100.5						100.5
Loans from pension funds	0.1	0.1	0.1	0.1	0.1	0.6	1.2
Financial costs	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Repayments	0.1	0.1	0.1	0.1	0.1	0.5	1.0
Capital loans	0.0	0.1	0.0	0.0	0.0	0.2	0.3
Financial costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	0.0	0.1	0.0	0.0	0.0	0.2	0.2
Finance lease liabilities	7.5	6.2	5.2	3.9	2.9	57.9	83.6
Financial costs	2.5	2.3	2.1	2.0	1.6	38.0	48.4
Repayments	5.0	3.9	3.1	1.9	1.3	19.9	35.2
Interest rate swap	-0.4						-0.4
Trade payables	138.3						138.3
Financial costs	24.1	21.6	20.5	17.9	17.4	69.5	170.9
Repayments	417.5	14.8	133.9	11.1	60.5	620.6	1,258.5
Total	441.6	36.4	154.4	28.9	77.9	690.2	1,429.4

2012

EUR million	2013	2014	2015	2016	2017	2018–	Total
Bonds	91.7	176.1	6.8	6.8	6.8	313.5	601.6
Financial costs	16.7	14.4	6.8	6.8	6.8	13.5	64.9
Repayments	75.0	161.7	0.0	0.0	0.0	300.0	536.7
Bank loans	9.4	13.7	13.5	133.4	10.0	59.9	239.9
Financial costs	4.6	4.5	4.3	4.2	0.9	0.8	19.2
Repayments	4.8	9.3	9.2	129.2	9.1	59.1	220.7
Committed credit limits	0.2						0.2
Repayments	0.2						0.2
Commercial paper	95.5						95.5
Financial costs	0.4						0.4
Repayments	95.1						95.1
Finance lease liabilities	7.4	6.2	5.5	4.7	3.7	60.9	88.4
Financial costs	2.7	2.5	2.3	2.1	2.0	39.6	51.2
Repayments	4.7	3.7	3.2	2.6	1.7	21.3	37.2
Interest rate swap	-0.4	-0.4					-0.8
Trade payables	126.3						126.3
Financial costs	24.0	21.0	13.4	13.0	9.7	53.9	134.9
Repayments	306.1	174.7	12.4	131.8	10.8	380.4	1,016.2
Total	330.1	195.7	25.8	144.9	20.5	434.3	1,151.2

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

Bonds

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

	31 Dec. 2013					
	Fair value EUR million	Balance sheet value EUR million	Nominal value EUR million	Nominal interest rate-%	Effective interest-%	Maturity date
EMTN programme 2001 / EUR 1,000 million						
II/2007 [1]	162.5	161.4	161.7	4.750	4.789	3 March 2014
I/2012 [1]	297.3	289.4	300.0	2.250	2.403	4 Oct. 2019
I/2013	298.8	299.2	300.0	2.750	2.785	22 Jan. 2021
	758.6	750.0	761.7			

The fair value of bonds is based on market quotes.

1) On 4 October 2012, Elisa exchanged bonds issued in 2007 with a nominal value of EUR 138.3 million and maturity in 2014, to new bonds that mature in 2019.

Gross finance lease liabilities - maturity of minimum lease payments

EUR million	2013	2012
Not later than one year	7.5	7.4
Later than one year not later than five years	18.5	20.1
Later than five years	57.7	60.9
Gross finance lease liabilities	83.7	88.4
Future financing charges	-48.5	-51.2
Present value of finance lease liabilities	35.2	37.2

Maturity of present value of finance lease liabilities

EUR million	2013	2012
Not later than one year	5.0	4.7
Later than one year not later than five years	10.3	11.2
Later than five years	19.9	21.3
	35.2	37.2

The Group leases telecom facilities, mobile and optic fibre networks and servers as well as videoconference equipment and infrastructure under finance lease arrangements. The conditions vary in terms of purchase options/redemption clauses, index clauses and lease periods.

31. Trade payables and other liabilities

EUR million	2013	2012
Non-current		
Advances received	6.2	6.1
Other liabilities (1	29.4	7.6
	35.6	13.7
Current		
Trade payables	138.3	126.3
Advances received	6.0	5.6
Accrued employee-related expenses	47.6	40.1
Other accruals	26.1	23.2
Other liabilities	49.4	48.0
	267.4	243.2
	303.0	256.8

The current value of trade payables and other liabilities is a reasonable estimate of their fair value. The payment times for the Group's trade payables correspond to conventional corporate terms of payment. Other accruals include interest expense and other regular expense accruals.

1) Includes non-current liabilities of EUR 20.0 million related to the 800 MHz spectrum license.

32. Operating leases

Group as a lessee

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

EUR million	2013	2012
Not later than one year	28.8	30.2
Later than one year not later than five years	37.0	38.0
Later than five years	6.9	7.0
	72.7	75.3

Elisa's operating leases include mainly business premises, telecom facilities, office equipment and cars. The lease periods range from 1 month to more than 50 years for telecom facilities.

A total of EUR 58.4 (53.6) million was paid as lease expenses on the basis of other lease contracts and recognised through profit or loss in 2013.

Group as a lessor

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

EUR million	2013	2012
Not later than one year	1.8	1.8
Later than one year not later than five years	0.0	0.1
	1.8	1.9

Elisa acts as a lessor for conventional lease contracts of real estates and lease contracts for telecom premises and equipment space. The lease contract periods are mainly short and their duration is 1–6 months.

33. Collateral, commitments and other liabilities

EUR million	2013	2012
On behalf of 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 [1]	0.6	0.5
Other	0.0	
	20.0	6.2
Other contractual obligations		
Repurchase obligations	0.1	0.0
Letter of credit	0.1	

1) Elisa has guaranteed small short-term loans of less than EUR 20,000 for personnel. The maximum amount of the guarantee limit was EUR 0.5 (0.5) million at 31 December 2013.

Real estate investments

Real estate investments VAT refund liability is EUR 33.3 (29.4) million at 31 December 2013.

34. Financial risk management

Elisa Corporation's centralised financing function is responsible for exchange rate, interest rate, liquidity, and refinancing risks for the entire Group. The principles of financing policy, such as funding and investment principles, are annually discussed and ratified by the Committee for Auditing 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 borrowing and investments are diversified in fixed- and variable-rate instruments. Derivative financial instruments may also be used in managing interest rate risk. The aim is to hedge the negative effects caused by changes in the interest rate level. Hedge accounting is not applied to the derivatives.

Timing of interest rate changes for interest-bearing financial liabilities (EUR million), 31 Dec. 2013, at nominal value

Time of interest rate change	less than 1 year	1 to 5 years period	Over 5 years period	Total
Variable-rate financing instruments				
Commercial paper loans	101.0			101.0
Bank loans	101.4			101.4
Finance lease liabilities	5.0			5.0
Fixed-rate financing instruments				
Bonds	161.7		600.0	761.7
Bank loans		120.0		120.0
Loans from pension funds	1.0			1.0
Capital loans	0.2			0.2
Finance lease liabilities		10.3	19.9	30.2
	370.3	130.3	619.9	1,120.5

The Group's interest-bearing financial assets as at 31 December 2013 consist of commercial papers and bank deposits amouted to EUR 65.0 million and cash in bank amounted to EUR 72.8 million.

The sensitivity analysis includes financial liabilities at the balance sheet date. The change in the interest rate level is assumed to be one percentage point. 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 contracts would be valid unchanged for the entire year.

	2013		2012	
EUR million	Income statement	Shareholders' equity	Income statement	Shareholders' equity
Change in interest rate level +/- 1%	+/- 1.5		+/- 2.0	

Exchange rate risk

Most of Elisa Group's cash flows are denominated in euro, which means that the company's exposure to exchange rate risk (economic risk and transaction risk) is minor. Exchange rate risks associated with business arise from international interconnection traffic and, to a minor extent, acquisitions. The most important currencies are the International Monetary Fund's Special Drawing Rights (SDR), the US dollar (USD) and the Swedish krona (SEK), the impact of other currencies is not material. No exchange rate hedging was used during the period. The company's financial liabilities do not involve exchange rate risk.

The translation difference exposure for foreign subsidiaries included in consolidated equity is minor. The translation difference exposure has not been hedged during the period.

Foreign exchange exposure 31 December 2013

EUR million	Trade receivables	Trade payables
SDR	2.9	3.2
USD	0.1	2.1
SEK	0.5	0.1

Foreign exchange exposure 31 December 2012

EUR million	Trade receivables	Trade payables
SDR	3.3	5.1
USD	0.4	1.3
SEK	0.2	0.1

A change of twenty percentage points in SDR would impact consolidated profit before tax by EUR +/- 0.1 (+/- 0.4) million, in USD EUR +/- 0.4 (+/- 0.2) million and in SEK EUR +/- 0.1 (+/-0.0) million.

Liquidity risk

The objective of liquidity risk management is to ensure the Group's financing in all circumstances. The company's most important financing arrangement is an EMTN programme of EUR 1,000 million, under which bonds have been issued for EUR 761.7 million. The company also has a EUR 250 million commercial paper programme and committed revolving credit facility of EUR 300 million. Both the EUR 170 million revolving credit facility valid until 3 June 2018 and the EUR 130 million revolving credit facility valid until 21 November 2014 were undrawn as of 31 December 2013. The margin of the limits is determined by the Groups' 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 in hand and at banks, and unused committed limits

EUR million	2013	2012
Cash and bank	137.8	39.8
Credit limits	300.0	300.0
	437.8	339.8

Cash and bank as well as unused committed credit limits deducted by commercial papers issued by Elisa amounted to EUR 336.8 (244.3) million on 31 December 2013.

Contract-based cash flows for financial liabilities are presented under Note 30.

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 to investment targets with a good credit rating. 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 accounts receivable. The units have credit policies prepared in writing that are mainly consistent with uniform principles. The credit ratings of new customers are reviewed from external sources always 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 accounts receivable are minor as the Group's customer base is wide; the 10 largest customers represent approximately 5 per cent of customer invoicing. EUR 7.1 (7.6) million of uncertain receivables have been deducted from consolidated accounts receivable. The Group's previous experience in the collection of trade receivables corresponds to the recognised impairment. Furthermore the Group sells the trade receivables of defined customergroups that are overdue by an average of 136 days. 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 as at 31 December 2013 is the value of trade receivables EUR 283.8 million. The age distribution of trade receivables is described in Note 23.

Other price risk

Elisa's financial assets available-for-sale consist mostly of publicly listed shares in Comptel Corporation. The sensitivity analysis includes shares at the balance sheet date. The analysis assumes a change of 20 percentage points in the share price.

	2013		2012	
EUR million	Income statement	Shareholders' equity	Income statement	Shareholders' equity
Change in Comptel share price +/- 20%	+/- 0	+/- 1.4	+/- 0	+/- 1.1

Notes on the 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 through liabilities directly or indirectly.

The target for the company's equity ratio is over 35 per cent and net debt / EBITDA 1.5 to 2.0. The net debt / EBITDA indicator is calculated exclusive of non-recurring items.

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 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	2013	2012
Interest-bearing net debt	971.2	838.6
Total equity	862.2	844.9
Total capital	1,833.4	1,683.5
Gearing ratio	112.6	99.3
Net debt / EBITDA	2.0	1.7
Equity ratio	37.3	42.3

Available sources of financing

With regard to equity financing, the company's objective is to maintain sufficient flexibility for the Board of Directors to issue shares. The Annual General Meeting decides the amount of the share issue authorisation. The authorisation has been used mainly in connection with mergers and acquisitions.

Shareholders' equity	2013	2012
Treasury shares, 1,000	7,986	10,288
Share issue authorisation, 1,000	12,614	14,748
Maximum total, 1,000 [1]	12,614	14,748
Share price	19.26	16.73
Total, EUR million	242.9	246.7

With regard to liability 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	2013	2012
Commercial paper programme (non-committed) [2]	149.0	154.5
Revolving credits (committed) [3]	300.0	300.0
EMTN programme (non-committed) [4]	238.3	463.3
Total, EUR million	687.3	917.8
Total equity and debt capital	930.2	1,164.5

1) The authorisation to issue shares at 31 December 2013 amounted to a maximum of 12,614,002 shares. This may be effected through an issue of new shares or sale of treasury shares.

2) The commercial paper programme amounts to EUR 250 million, of which EUR 101.0 million was in use at 31 December 2013.

3) Elisa has two committed revolving credit facilities to a total of EUR 300 million. Both facilities were unused at 31 December 2013.

4) Elisa has an European Medium Term Note programme (EMTN) to a total of EUR 1,000 million. EUR 761.7 million was in use at 31 December 2013. The program was updated on 14 May 2013 and it is valid for one year as of the update.

35. Related party transactions

The Group's related parties consist of the parent company, subsidiaries, associates and joint ventures, as well as Elisa's Board of Directors, the CEO and the Executive Board.

The Elisa Group structure is as follows 31 December 2013:

The parent company of the Group is Elisa Corporation.

Subsidiaries	Domicile	Group's ownership,%
Appelsiini Finland Oy	Helsinki	100
Arediv Oy	Oulu	62
BCC Finland Oy	Vaasa	100
Ecosite Oy	Espoo	100
Elisa Eesti As	Tallinn	100
Elisa Hong Kong Limited	Hong Kong	100
Elisa Rahoitus Oy	Helsinki	100
Enia Oy	Helsinki	100
Epic TV SAS	Chamonix Mont Blanc	100
Fiaset Oy	Helsinki	100
Fonetic Oy	Jyväskylä	100
Gisforest Oy	Kajaani	100
Helsingin Netti Media Oy	Helsinki	100
JMS Group Oy	Helsinki	100
Karelsat Oy	Joensuu	100
Kiinteistö Oy Raision Luolasto	Espoo	100
Kiinteistö Oy Rinnetorppa	Kuusamo	80
Kiinteistö Oy Tapiolan Luolasto	Espoo	100
Kotkan Tietoruutu Oy	Kotka	100
KYMP Oy	Kotka	100
Kympnet Oy	Kotka	100
Kymtel Oy	Kotka	100
LNS Kommunikation AB	Stockholm	100
Optimiratkaisut Oy	Kotka	100
Planetmedia Oy	Kotka	100
Preminet Oy	Helsinki	100
OOO LNR	St. Petersburg	100
Videra LLC	St. Petersburg	100
Sulake Corporation Oy	Helsinki	100
Sulake Suomi Oy	Helsinki	100
Sulake Danmark Abs	Copenhagen	100
Sulake Norge AB	Oslo	100
Sulake Sverige AB	Stockholm	100
Sulake UK Ltd	London	100
TTG Sulake BV	Amsterdam	100
Sulake Schwitzerland GmbH	Zürich	100
Sulake Deutschland GmbH	Kelkheim	100
Sulake Italia S.R.L	Roma	100
Habbo Hotel S.L (Spain)	Madrid	100
Sulake Brasil	Sao Paolo	100
Sulake Inc	Los Angeles	100
Sulake Singapore Pte Ltd	Singapore	100
Tampereen Tietoverkko Oy	Tampere	63
Tansec Oy	Kotka	100
Telcont Oy	Kotka	67
Videra Oy	Oulu	69

One Conference Ab	Solna	69
Videra Norge As	Oslo	69
Xenex Telecom Oy	Tuusula	69
Viske Oy	Raahe	100

Joint ventures		
Kiinteistö Oy Brahenkartano	Turku	60

Associates		
FNE-Finland Oy	Kontiolahti	46
Helmivisio Oy	Kotka	40
Kiinteistö Oy Helsingin Sentnerikuja 6	Helsinki	50
Kiinteistö Oy Herrainmäen Luolasto	Tampere	50
Kiinteistö Oy Kiihtelysvaaran Oravanpyörä	Joensuu	25
Kiinteistö Oy Lauttasaarentie 19	Helsinki	42
Kiinteistö Oy Runeberginkatu 43	Helsinki	30
Kiinteistö Oy Stenbäckinkatu 5	Helsinki	40
Softera Oy	Helsinki	34
Super Head End Finland Oy	Helsinki	36
Suomen Numerot NUMPAC Oy	Helsinki	33

Significant changes in ownership of subsidiaries are presented in Notes 2. and 3. and changes in ownership of associates in Note 16.

Other changes in the Group structure are described below:

Videra LLC was founded on 21 March 2013. The wholly owned subsidiary was consolidated with the Group since the foundation.

On 31 December 2013 PPO Yhtiöt Oy, Telekarelia Oy and Kymen Puhelin Oy were merged into Elisa Corporation. The mergers do not affect the consolidated financial statements.

Sulake France EURL was liquidated on 14 May 2013, Sulake Australia Pty Ltd was liquidated on 7 August 2013, Sulake Canada Inc was liquidated on 31 August 2013 and Sulake Corporation China Rep. was liquidated on 19 December 2013. The liquidations do not affect the consolidated financial statements.

The transactions carried out with related parties:

2013

EUR million	Sales	Purchases	Receivables
Associates and joint ventures	0.2	2.2	0.1

2012

EUR million	Sales	Purchases	Receivables
Associates and joint ventures		0.6	0.9

Employee benefits to key management are presented under Note 7 and contingent liabilities on behalf of associated companies under Note 33.

36. Events after the balance sheet date

There have been no significant events after the balance sheet date.

Key indicators describing the Group's financial development

	2013	2012	2011
INCOME STATEMENT			
Revenue, EUR million	1,547	1,553	1,530
Change of revenue, %	-0.4	1.5	4.6
EBITDA (EUR million)	491	501	506
EBITDA as % of revenue	31.7	32.3	33.1
EBIT, EUR million	281	299	295
EBIT as % of revenue	18.1	19.2	19.3
Profit before tax, EUR million	255	269	265
Profit before tax as % of revenue	16.5	17.3	17.3
Return on equity (ROE), %	22.9	24.7	24.1
Return on investment (ROI), %	15.3	17.4	17.9
Research and development costs, EUR million	10	9	5
Research and development costs as % of revenue	0.6	0.6	0.3
BALANCE SHEET			
Gearing ratio, %	112.6	99.3	93.8
Current ratio	1.0	1.0	0.8
Equity ratio, %	37.3	42.3	42.3
Non-interest bearing liabilities, EUR million	353	285	312
Interest bearing net debt	971.2	838.6	788.0
Balance sheet total, EUR million	2,324	2,009	1,999
INVESTMENTS IN SHARES			
Purchases of shares, EUR million	150		0
CAPITAL EXPENDITURES			
Investments, EUR million	240	193	197
Investments as % of revenue	15.5	12.5	12.9
PERSONNEL			
Average number of employees during the period	4,320	3,973	3,757
Revenue/employee, EUR 1,000	358	391	407

The order book is not shown because such information is immaterial owing to the nature of the company's business.

Formulae for financial summary indicators

EBITDA	EBIT + depreciation, amortisation and impairment	
EBIT	Profit for the period + income taxes + financial income and expense + share of associated companies' profit	
Return on equity (ROE), %	$\frac{\text{Profit for the period}}{\text{Total shareholders' equity (on average during the year)}}$	x 100
Return on investment (ROI), %	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Total equity + interest bearing liabilities (on average during the year)}}$	x 100
Gearing ratio, %	$\frac{\text{Interest-bearing liabilities - Cash and cash equivalents and financial assets at fair value through profit or loss}}{\text{Total shareholders' equity}}$	x 100
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities - advance payments received}}$	
Equity ratio, %	$\frac{\text{Total shareholders' equity}}{\text{Balance sheet total -advance payments received}}$	x 100

Per-share indicators [1]

	2013	2012	2011
Share capital, EUR	83,033,008.00	83,033,008.00	83,033,008.00
Number of shares at year-end	159,349,030	156,879,666	156,227,740
Average number of shares	157,269,132	156,548,402	155,878,493
Number of shares at year-end, diluted	159,349,030	157,016,312	156,528,070
Average number of shares, diluted	157,269,132	156,685,047	156,178,823
Market capitalisation, EUR million [2]	3,069	2,625	2,520
Earnings per share (EPS), EUR	1.25	1.33	1.29
Dividend per share, EUR	1.30 [5]	1.30	1.30
Payout ratio, %	104.0	97.5	100.6
Equity per share, EUR	5.41	5.37	5.36
P/E ratio	14.8	12.6	12.5
Effective dividend yield, % [2]	6.7	7.8	8.1
Share performance in NASDAQ OMX Helsinki			
Mean price, EUR	16.15	16.61	15.41
Closing price at year-end, EUR	19.26	16.73	16.13
Lowest price, EUR	13.37	14.84	12.70
Highest price, EUR	19.49	17.97	17.00
Trading of shares in NASDAQ OMX Helsinki [3]			
Total trading volume, 1,000 shares	128,100	116,534	121,878
Percentage of shares traded [4]	77	70	73

1) The numbers of shares are presented without treasury shares held by Elisa Group. Treasury shares have been accounted for in the calculation of the indicators.

2) Calculated on the basis of the closing price on the last trading day of the year.

3) Elisa share is also traded in alternative marketplaces. According to the Fidessa Fragmentation report, the trading volumes in these markets in 2013 were approximately 93 (104) per cent of NASDAQ OMX Helsinki.

4) Calculated in proportion to the average number of shares for the period.

5) The Board of Directors proposes a dividend payment of EUR 1.30 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 issues	
Dividend per share [1]	Dividend adjusted for issues / Number of shares at the balance sheet date adjusted for issues	
Effective dividend yield, %	Dividend per share / Share price at the balance sheet date adjusted for 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 issues	
P/E ratio (Price/Earnings)	Share price on the balance sheet date / Earnings per share	

1) The calculation formulas apply also to the capital repayment indicators.

Income statement, parent company, FAS

EUR million	Note	2013	2012
Revenue	1	1,305.9	1,374.1
Change in inventories		0.0	-0.2
Other operating income	2	5.1	6.4
Materials and services	3	-563.0	-615.8
Personnel expenses	4	-192.2	-179.6
Depreciation and amortisation	5	-190.8	-194.2
Other operating expenses		-142.5	-150.3
Operating profit		222.6	240.4
Financial income and expenses	7	-25.7	-28.5
Profit before extraordinary items		196.9	211.8
Extraordinary items	8	18.2	9.1
Profit after extraordinary items		215.1	220.9
Appropriations	9	-11.2	0.2
Income taxes	10	-59.2	-56.2
Profit for the period		144.7	164.8

Balance sheet, parent company, FAS

EUR million	Note	31 Dec. 2013	31 Dec. 2012
ASSETS			
Fixed assets			
Intangible assets	11	478.8	447.8
Tangible assets	11	558.7	490.6
Investments	12	341.6	283.8
		1,379.2	1,222.2
Current assets			
Inventories	13	42.0	48.4
Non-current receivables	14	93.1	61.0
Current receivables	15	301.9	276.2
Financial securities		43.0	
Cash and bank		82.7	29.0
		562.6	414.7
TOTAL ASSETS		1,941.8	1,636.9
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	16		
Share capital		83.0	83.0
Treasury shares		-148.1	-194.0
Contingency reserve		3.4	3.4
Reserve for invested non-restricted equity		77.8	50.8
Retained earnings		287.6	367.2
Profit for the period		144.7	164.8
		448.5	475.4
Accumulated appropriations		27.4	
Provisions for liabilities and charges	17	14.2	3.1
Liabilities			
Non-current liabilities	18	917.7	689.3
Current liabilities	19	533.9	469.1
		1,451.6	1,158.4
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,941.8	1,636.9

Cash flow statement, parent company, FAS

EUR million	2013	2012
Cash flow from operating activities		
Profit before extraordinary items	196.9	211.8
Adjustments:		
Depreciation and amortisation	190.8	194.2
Other income and expenses with no payment relation	7.5	
Financial income (-) and expense (+)	25.7	28.5
Gains (-) and losses (+) on the disposal of fixed assets	-0.8	-0.6
Gains (-) and losses (+) on the disposal of investments	0.0	0.5
Change in provisions in the income statement	10.7	-0.7
Cash flow before change in working capital	430.7	433.8
Increase (+) / decrease (-) in working capital	-4.7	-42.8
Cash flow before financial items and taxes	426.0	391.0
Dividends received	1.6	1.8
Interest received	9.1	8.1
Interest paid	-34.4	-39.1
Income taxes paid	-60.1	-66.1
Net cash flow from operating activities	342.1	295.7
Cash flow from investing activities		
Capital expenditure	-174.0	-162.7
Proceeds from disposal of tangible and intangible assets	1.4	1.3
Investments in shares and other financial assets	-125.0	-6.8
Proceeds from disposal of shares and other financial assets	0.0	0.6
Loans granted	-24.7	-14.5
Repayment of loan receivables	1.0	10.2
Net cash flow used in investing activities	-321.3	-171.9
Cash flow after investing activities	20.8	123.7
Cash flow from financing activities		
Proceeds from long-term borrowings	378.0	150.9
Repayment of long-term borrowings	-79.5	
Change in short-term borrowings	-44.3	-99.6
Proceeds from increase in reserve for invested non-restricted equity	2.9	4.4
Proceeds from the sale of treasury shares	4.6	
Dividends paid	-202.6	-203.0
Net cash flow used in financing activities	59.1	-147.3
Change in cash and cash equivalents	79.8	-23.5
Cash and cash equivalents at the beginning of the period	29.0	52.6
Cash and cash equivalents received through business combinations and mergers	16.8	
Cash and cash equivalents at the end of the period	125.7	29.0

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.

Comparability with previous year figures

The following should be considered when comparing current period with previous period figures:

- merger losses of EUR 26.7 million are recognised as goodwill in 2013 and
- a merger profit of EUR 9.7 million are included within extraordinary items for 2012.

Items denominated in foreign currencies

Transactions denominated in a foreign currency are recorded at the rates of exchange prevailing at the dates of transactions. As at the year-end assets and liabilities denominated in a foreign currency are valued at the average rate quoted by the European Central Bank as at year-end.

Fixed assets

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

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

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

Intangible rights	3–5 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	1–4 years
Other machines and equipment	3–5 years

Inventories

Inventories are stated at the lowest of variable costs, 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 recognized 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.

Recognition principles

Sales are recognised as income at the time of transfer and income from services is recognised once the services have been rendered.

Interconnection fees that are invoiced from the customer and paid as such to other telephone companies are presented as a deduction item under sales income (Finnish Accounting Standards Board 1995/1325).

The profit from the sales of business operations, shares and fixed assets, subsidies received and rental income from premises are presented under other operating income.

Research and development

Research costs are charged to expense on the income statement. Product development expenses are recognised in the balance sheet from the date the product is technically feasible, it can be utilised commercially and future financial benefit is expected from the product. In other cases, development costs are recorded as an expense. Development costs previously recognised as expenses are not capitalised later.

Government grants for product development projects and the like are recognised under other operating income when the product development costs are recognised as annual expenses. If a government grant is associated with capitalised product development costs, the grant reduces the capitalised acquisition cost.

Future expenses and losses

Probable future expenses and losses related to the current or a prior financial period without a corresponding income are recognised in the income statement. Such items are recognised in 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 within accruals.

Extraordinary income and expenses

Extraordinary items include gains and losses related to Group contributions and mergers.

Income taxes

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

1. Revenue

EUR million	2013	2012
Sales	1,394.8	1,496.9
Interconnection fees and other adjustments	-88.9	-122.8
	1,305.9	1,374.1
Geographical distribution		
Finland	1,273.5	1,332.9
Rest of Europe	29.3	36.3
Other countries	3.2	4.9
	1,305.9	1,374.1

2. Other operating income

EUR million	2013	2012
Gain on disposal of fixed assets	1.2	0.6
Others (1	3.9	5.8
	5.1	6.4

1) Other operating income items mainly include rental income of real estate, income from patents, management fee income charged from subsidiaries and miscellaneus other operating income.

3. Materials and services

EUR million	2013	2012
Materials, supplies and goods		
Purchases	155.3	179.2
Change in inventories	13.4	-13.6
	168.7	165.7
External services	394.3	450.2
	563.0	615.8

4. Personnel expenses

EUR million	2013	2012
Salaries and wages	157.4	146.4
Pension costs	28.2	26.9
Other statutory employee costs	6.6	6.3
	192.2	179.6
Personnel on average	2,722	2,691

CEO remuneration

EUR	2013	2012
Fixed salary	513,300.00	531,143.23
Performance-based bonus	154,226.16	180,091.34
Fringe benefits	21,107.98	18,975.77
Share-based payments (1		497,587.24
	688,634.14	1,227,797.58

1) Elisa Corporation changed the measurement period of the share-based incentive plan to 3 years in 2012. Accordingly, there were no payments under the plan in 2013.

In accordance with employees pensions act and on the basis of CEO remuneration, EUR 178,000 (152,000) in pension costs has been recognised in profit or loss. The CEO is entitled to retirement at the age of 60. See Note 7 to the consolidated financial statements.

The Board of Directors' remuneration

EUR	2013	2012
Risto Siilasmaa		29,500.00
Ari Lehtoranta	78,500.00	74,000.00
Raimo Lind	115,000.00	105,000.00
Leena Niemistö	67,000.00	66,000.00
Eira Palin-Lehtinen	79,000.00	75,000.00
Mika Salmi	65,000.00	47,000.00
Jaakko Uotila	49,500.00	
Mika Vehviläinen	66,000.00	48,000.00
	520,000.00	444,500.00

The following compensation determined by the Annual General Meeting was paid to the Members of the Board: monthly remuneration fee for the Chairman EUR 9,000 per month: monthly remuneration fee for the Deputy Chairman and chairman of the Committee for Auditing EUR 6,000 per month, monthly remuneration fee for the Members EUR 5,000 per month, and meeting remuneration fee EUR 500/meeting/participant. The monthly remuneration fees (deducted by tax) are used to purchase Elisa shares every quarter end. The shares are subject to a transfer restriction of 4 years during the term of Board service. The restriction is lifted when Board membership ends.

5. Depreciation and amortisation

EUR million	2013	2012
Amortisation of intangible assets	59.8	59.1
Depreciation of tangible assets	131.0	135.1
	190.8	194.2

Specification of depreciation by balance sheet items is included in Note 11.

6. Auditor fees

EUR million	2013	2012
Auditing	0.2	0.1
Tax advisory services	0.1	0.1
Education services	0.1	0.1
Other services	0.2	0.2
	0.5	0.5

7. Financial income and expenses

EUR million	2013	2012
Interest income and other financial income		
Dividends received		
from Group companies	1.1	0.9
from others	0.5	0.9
	1.6	1.8
Other interest and financial income		
from Group companies	0.5	0.3
from others	8.6	8.0
	9.1	8.3
	10.7	10.1
Interest costs and other financial expenses		
to Group companies	-2.5	-2.3
to others	-32.7	-33.1
Impairment	-1.2	-3.3
	-36.4	-38.7
	-25.7	-28.5

8. Extraordinary items

EUR million	2013	2012
Extraordinary income		
Group contributions received	22.4	
Merger profit [1]		9.7
Extraordinary expenses		
Group contributions given	-4.2	-0.6
	18.2	9.1

1) The merger of Elisa Links at 31 December 2012.

9. Appropriations

EUR million	2013	2012
Change in depreciation difference	-11.2	0.2

10. Income taxes

EUR million	2013	2012
Regular business	-63.5	-56.3
Extraordinary items	4.5	-0.2
Previous period taxes	-0.1	0.2
	-59.2	-56.2

11. Intangible and tangible assets

2013 EUR million	Intangible Assets: Development costs	Intangible rights	Goodwill	Other intangible assets	Under construction	Total
Acquisition cost at 1 Jan. 2013	16.2	27.2	769.1	303.4	7.5	1,123.4
Transferred in merger		0.7	0.7	0.9		2.3
Additions	2.6	3.9	26.6	17.6	38.2	88.9
Disposals	-0.3	-0.1		-0.1	0.0	-0.6
Reclassifications	1.1	0.1		3.4	-2.8	1.8
Acquisition cost at 31 Dec. 2013	19.6	31.7	796.4	325.2	42.9	1,215.9
Accumulated amortisation at 1 Jan. 2013	7.0	19.4	402.6	246.7		675.5
Transferred in merger		0.5	0.7	0.7		1.9
Amortisation for the period	5.1	3.1	28.2	23.3		59.6
Accumulated amortisation at 31 Dec. 2013	12.0	23.0	431.4	270.6		737.0
Book value at 31 Dec. 2013	7.6	8.8	365.0	54.6	42.9	478.8

2013 EUR million	Tangible assets: Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Under construction	Total
Acquisition cost at 1 Jan. 2013	4.8	73.9	2,300.1	34.7	21.7	2,435.2
Transferred in merger	1.0	15.6	153.7	0.1	1.0	171.4
Additions	0.0	1.8	122.8		13.8	138.3
Disposals	0.0	-0.5	-26.7			-27.3
Reclassifications		0.9	14.8		-17.5	-1.8
Acquisition cost at 31 Dec. 2013	5.8	91.6	2,564.8	34.7	19.0	2,715.8
Accumulated depreciation at 1 Jan. 2013		38.8	1,872.5	33.3		1,944.6
Transferred in merger		7.8	100.8	0.0		108.6
Accumulated depreciation of disposals and reclassifications		-0.4	-26.6			-27.0
Depreciation for the period		4.0	126.5	0.5		131.0
Accumulated depreciation at 31 Dec. 2013		50.2	2,073.1	33.8		2,157.1
Book value at 31 Dec. 2013	5.8	41.4	491.7	0.9	19.0	558.7

2012	Intangible Assets					
EUR million	Development costs	Intangible rights	Goodwill	Other intangible assets	Under construction	Total
Acquisition cost at 1 Jan. 2012	6.0	22.9	769.1	283.7	14.0	1,095.5
Transferred in merger	2.0	0.5		0.1		2.6
Additions	5.3	3.8		11.8	4.3	25.2
Disposals					-10.7	-10.7
Reclassifications	3.0	0.0		7.8		10.8
Acquisition cost at 31 Dec. 2012	16.2	27.2	769.1	303.4	7.5	1,123.4
Accumulated amortisation at 1 Jan. 2012	2.2	16.4	374.4	221.9		614.8
Transferred in merger	1.3	0.3		0.0		1.6
Amortisation for the period	3.5	2.7	28.2	24.8		59.1
Accumulated amortisation at 31 Dec. 2012	7.0	19.4	402.6	246.7		675.5
Book value at 31 Dec. 2012	9.3	7.8	366.5	56.7	7.5	447.8

2012	Tangible assets					
EUR million	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Under construction	Total
Acquisition cost at 1 Jan. 2012	4.8	71.7	2,178.0	34.7	26.9	2,316.0
Transferred in merger			10.0			10.0
Additions	0.0	1.8	130.0	0.0	5.9	137.6
Disposals	-0.1	-0.6	-27.7		-11.0	-39.4
Reclassifications	0.0	1.0	9.9			11.0
Acquisition cost at 31 Dec. 2012	4.8	73.9	2,300.1	34.7	21.7	2,435.2
Accumulated depreciation at 1 Jan. 2012		35.4	1,763.6	32.4		1,831.3
Transferred in merger			6.3			6.3
Accumulated depreciation of disposals and reclassifications		-0.5	-27.7			-28.2
Depreciation for the period		3.9	130.3	0.8		135.1
Accumulated depreciation at 31 Dec. 2012		38.8	1,872.5	33.3		1,944.6
Book value at 31 Dec. 2012	4.8	35.1	427.6	1.4	21.7	490.6

12. Investments

2013	**Shares**			**Receivables**	
EUR million	Group companies	Associated companies	Other companies	Group companies	**Total**
Acquisition cost at 1 Jan. 2013	255.1	10.5	22.8	2.2	290.6
Transferred in merger	67.7	2.5	3.8	0.9	74.9
Additions	123.3			8.2	131.4
Disposals	-146.7		0.0	-0.6	-147.3
Reclassifications	6.4	-6.4	0.0		
Acquisition cost at 31 Dec. 2013	305.9	6.5	26.6	10.7	349.7
Impairment at 1 Jan. 2013	-3.6		-3.3		-6.8
Additions			-1.2		-1.2
Impairment at 31 Dec. 2013	-3.6		-4.5		-8.1
Book value at 31 Dec. 2013	302.3	6.5	22.0	10.7	341.6

A list of the subsidiaries is available under Note 35 in the consolidated financial statements.

2012	**Shares**			**Receivables**	
EUR million	Group companies	Associated companies	Other companies	Group companies	Total
Acquisition cost at 1 Jan. 2012	261.0	4.1	29.1	2.3	296.6
Additions	6.1			0.0	6.1
Disposals	-11.9		0.0	-0.2	-12.1
Reclassifications		6.4	-6.4		
Acquisition cost at 31 Dec. 2012	255.1	10.5	22.8	2.2	290.6
Impairment at 1 Jan. 2012	-3.6				-3.6
Additions			-3.3		-3.3
Impairment at 31 Dec. 2012	-3.6		-3.3		-6.8
Book value at 31 Dec. 2012	251.6	10.5	19.5	2.2	283.8

13. Inventories

EUR million	**2013**	2012
Materials and supplies	13.4	15.3
Work in progress	0.0	0.1
Finished goods	28.1	32.1
Other inventories	0.5	0.0
Advance payment		0.9
	42.0	48.4

14. Non-current receivables

EUR million	**2013**	2012
Receivables from Group companies		
Loan receivables	32.5	18.1
Receivables from associates		
Loan receivables	0.1	
Receivables from others		
Loan receivables	0.1	0.1
Trade receivables	42.8	24.6
Prepayments and accrued income (1	17.6	18.1
Other receivables		0.1
	60.5	43.0
	93.1	61.0

1) Breakdown of prepayment and accrued income		
Rent advances	7.5	7.7
Transaction costs and losses related to loan issuance	10.1	10.5
	17.6	18.1

15. Current receivables

EUR million	**2013**	2012
Receivables from Group companies		
Loan receivables	6.5	2.9
Trade receivables	1.4	2.1
Prepayments and accrued income	2.5	2.2
Other receivables	26.7	0.1
	37.1	7.3
Receivables from associates		
Loan receivables	0.0	0.9
Receivables from others		
Trade receivables	240.7	246.8
Prepayments and accrued income (1	18.7	19.4
Other receivables	5.3	1.8
	264.7	267.9
	301.9	276.2

1) Breakdown of prepayment and accrued income		
Interest	6.0	6.1
Rent advances	1.6	0.8
Transaction costs and losses related to loan issuance	2.1	2.0
Taxes	0.8	0.3
Other business expense advances	8.1	10.2
	18.7	19.4

16. Shareholders' equity

EUR million	2013	2012
Share capital at 1 Jan.	83.0	83.0
Share capital at 31 Dec.	83.0	83.0
Treasury shares at 1 Jan.	-194.0	-196.9
Share-based payment	45.9	2.9
Treasury shares at 31 Dec.	-148.1	-194.0
Contingency reserve at 1 Jan.	3.4	3.4
Contingency reserve at 31 Dec.	3.4	3.4
Reserve for invested non-restricted equity at 1 Jan.	50.8	46.4
Share subscription on the grounds of stock options	2.9	4.4
Directed issue	24.1	
Reserve for invested non-restricted equity at 31 Dec.	77.8	50.8
Retained earnings at 1 Jan.	532.1	573.6
Dividend distribution	-204.0	-203.4
Withdrawal of dividend liabilities	0.7	
Disposal of treasury shares	-1.4	-2.9
Cancellation of treasury shares	-39.9	
Retained earnings at 31 Dec.	287.6	367.2
Profit for the period	144.7	164.8
	448.5	475.4
Distributable earnings		
Retained earnings	287.6	367.2
Treasury shares	-148.1	-194.0
Reserve for invested non-restricted equity	77.8	50.8
Profit for the period	144.7	164.8
	362.1	389.0

17. Provisions

EUR million	2013	2012
Provision for unemployment pensions	2.2	2.2
Other provisions for liabilities and charges (1	12.0	1.0
	14.2	3.1

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

Provisions of EUR 4.7 (0.6) million were used in 2013.

18. Non-current liabilities

EUR million	2013	2012
Interest-bearing		
Liabilities to Group companies		
Other liabilities	78.0	
Liabilities to others		
Bonds	600.0	461.7
Loans from financial institutions	209.4	220.0
Loans from pension funds	1.0	
	810.4	681.7
	888.4	681.7
Non-interest bearing		
Liabilities to others		
Accruals and deferred income	20.0	
Other liabilities (1	9.4	7.6
	29.4	7.6
	917.7	689.3
Liabilities maturing after five years		
Bonds	600.00	300.00
Loans from financial institutions		54.5

1) Breakdown of accruals and deferred income		
Rent advances	9.4	7.6

19. Current liabilities

EUR million	2013	2012
Interest-bearing		
Liabilities to Group companies		
Group account	29.8	79.6
Other liabilities	0.1	0.1
	29.8	79.6
Liabilities to others		
Bonds	161.7	75.0
Loans from financial institutions	11.4	
Loans from pension funds	0.1	
Commercial paper	101.0	95.5
	274.2	170.5
	304.0	250.1
Non-interest bearing		
Liabilities to Group companies		
Trade payables	8.8	9.6
Accruals and deferred income	0.1	0.0
Other liabilities	4.4	0.6
	13.2	10.2
Liabilities to others		
Advances received	3.8	3.9
Trade payables	118.6	109.1
Accruals and deferred income [1]	53.5	53.2
Other liabilities	40.8	42.5
	216.7	208.7
	229.9	219.0
	533.9	469.1

[1] Breakdown of accruals and deferred income		
Holiday pay, performance-based bonuses and related statutory employee costs	33.4	32.7
Interest	16.3	15.9
Direct taxes	0.2	0.7
Rent advances	1.4	1.3
Advance income	1.7	2.6
Others	0.5	0.0
	53.5	53.2

20. Collateral, commitments and other liabilities

Collateral

EUR million	2013	2012
On behalf of own commitments		
Bank deposits	0.6	0.7
Guarantees	1.1	
Business mortgages	6.1	
Real estate mortgages	1.2	
Pledged securities	0.1	
On behalf of others		
Guarantees	0.6	0.5
	9.7	1.2

Leasing and rental liabilities

EUR million	2013	2012
Leasing liabilities on telecom networks [1]		
Due within one year	0.4	0.5
Due later than one year and up to five years	1.0	1.2
Due later than five years	0.3	0.5
	1.7	2.2
Other leasing liabilities [2]		
Due within one year	6.7	5.0
Due later than one year and up to five years	12.3	6.1
Due later than five years	3.7	
	22.7	11.1
Letter of credit	0.1	
Real estate leases [3]		
Due within one year	28.3	25.9
Due later than one year and up to five years	38.1	51.3
Due later than five years	86.3	97.9
	152.6	175.0
	177.1	188.3

1) Consists of certain individualised mobile network equipment and access fees for backbone connections.

2) Leasing liabilities consist mainly of leases of cars, office and IT equipment.

3) Real estate leases comprise rental agreements relating to business, office and telecom premises. Real estate leases are presented at nominal amounts.

Derivative instruments

EUR million	2013	2012
Interest rate and currency swaps		
Nominal value	154.5	150.0
Fair value recognised in the balance sheet	0.0	0.4

Real estate investments

VAT refund liability of real estate investments is EUR 31.6 (27.7) million at 31 December 2013.

Environmental costs

Environmental costs did not have any material impact on the result for the period or financial position during the financial period.

Shares and shareholders

1. Share capital and shares

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

According to the Articles of Association, the minimum number of shares is 50,000,000 and the maximum is 1,000,000,000. 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 18 March 2010 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 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 2014 and it annuls the authorisation given by the Annual General Meeting to the Board of Directors on 18 March 2009.

The Annual General Meeting on 25 March 2013 authorized 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 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 2014 and it annuls the authorisation given by the Annual General Meeting to the Board of Directors on 4 April 2012.

3. Treasury shares, share issues and cancellations

At the beginning of the financial period, Elisa held 10,288,116 treasury shares.

The Annual General Meeting held on 25 March 2013 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 treasury shares.

As part of the PPO acquisition Elisa carried out a share issue based on Elisa's Board's decision where Co-operative PPO described 303,599 Elisa shares held by Elisa. The shares were transferred on 30 April 2013. On 17 October 2013, Elisa's Board of Directors decided to cancel 2,000,000 treasury shares. The corresponding cancellation in the number of shares has been entered into the Finnish Trade register on 7 November 2013.In accordance with the terms and conditions of the share-based incentive plan, 1,526 shares returned to Elisa as the result of the termination of employment during 2013.

In connection to Kymen Puhelin Oy and Telekarelia Oy mergers on 31 December 2013 Elisa gave as merger consideration 1,830,413 new Elisa shares.

At the end of the financial period, Elisa held 7,986,043 treasury shares.

The Elisa shares held by Elisa do not have any substantial impact on the distribution of holdings and votes in the company. They represent 4.77 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 2013 was 109,192 shares and votes, which represented 0.07 per cent of all shares and votes.

5. Share performance

The Elisa share closed at EUR 19.26 on 31 December 2013. The highest quotation of the year was EUR 19.49 and the lowest EUR 13.37. The average price was EUR 16.15.

At the end of the financial year, the market capitalisation of Elisa's outstanding shares was EUR 3,069 million.

6. Quotation and trading

The Elisa share is quoted on the Main List of the NASDAQ OMX Helsinki with the ticker ELI1V. The aggregate volume of trading on the NASDAQ OMX Helsinki between 1 January and 31 December 2013 was 128,099,876 shares for an aggregate price of EUR 2,068 million. The trading volume represented 76,6 per cent of the outstanding number of shares at the closing of the financial year.

7. Distribution of holding by shareholder groups at 31 December 2013

	Number of shares	Proportion of all shares %
1. Private companies	26,698,900	15.96
2. Financial and insurance institutions	4,999,760	2.99
3. Public corporations	16,344,562	9.77
4. Non-profit organisations	7,042,187	4.21
5. Households	53,370,177	31.89
6. Foreign	1,960,331	1.17
7. Nominee registered	48,933,113	29.24
Elisa Group	7,986,043	4.77
	167,335,073	100.00

8. Distribution of holding by amount at 31 December 2013

Size of holding	Number of shareholders	%	Number of shares	%
1–100	36,003	15.94	1,900,279	1.14
101–1,000	183,057	81.05	39,747,455	23.75
1,001–10,000	6,388	2.83	15,420,482	9.22
10,001–100,000	358	0.16	9,078,251	5.43
100,001–1,000,000	40	0.02	9,248,860	5.53
1,000,001–	8	0.00	34,126,666	20.39
Nominee registered			48,933,113	29.24
	225 854	100.00	158,455,106	94.69
In special accounts, Elisa Common Clearing account (1			392,697	0.23
Shares to be registered 2)			501,227	0.30
Elisa Group			7,986,043	4.77
Issued amount			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.

2) Shares issued with the merger of Telekarelia Oy and Kymen Puhelin Oy that has not been transferred to owners book-entry accounts.

9. Largest shareholders at 31 December 2013

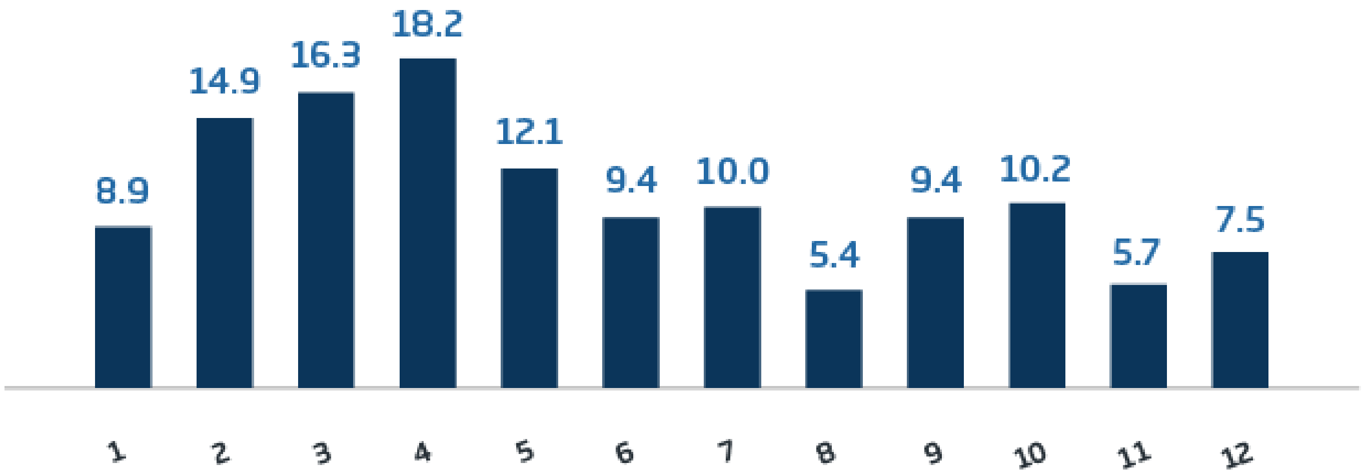
Name	Number of shares	%
1. Solidium Oy	16,801,000	10.04
2. Varma Mutual Pension Insurance Company	9,231,976	5.52
3. Ilmarinen Mutual Pension Insurance Company	2,649,335	1.58
4. Swiss National Bank	1,677,502	1.00
5. The State Pension Fund	1,565,000	0.94
6. City of Helsinki	1,124,690	0.67
7. KPY Sijoitus LLC	1,077,163	0.64
8. Nordea Finnish Equity Fund	900,000	0.54
9. The Society of Swedish Literature in Finland	775,342	0.46
10. Pension Fennia Mutual Insurance Company	493,000	0.29
11. Nordea Nordic Small Cap Fund	491,000	0.29
12. Nordea Bank Finland PLC	440,850	0.26
13. Nordea Pro Suomi Fund	400,000	0.24
14. Sigrid Juselius Foundation	352,000	0.21
15. Danske Invest Finnish Institutional Equity Fund	331,290	0.20
16. Mandatum Life Unit-linked	329,112	0.20
17. Folkhälsan Samfundet	315,113	0.19
18. Co-operative PPO	303,599	0.18
19. Danske Invest Finnish Equity Fund	297,978	0.18
20. City of Vantaa	258,738	0.15
	39,814,688	23.79
Elisa Group	7,986,043	4.77
Elisa Personnel Fund	147,459	0.09
Kotkan Puhelinyhdistys Pension Fund	6,336	0.00
Elisa Common Clearing account (1	392,697	0.23
Shares to be registered (2	501,227	0.30
Nominee registered	48,933,113	29.24
Shareholders not specified here	69,553,510	41.57
	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.

2) Shares issued with the merger of Telekarelia Oy and Kymen Puhelin Oy that has not been transferred to owners book-entry accounts.

Daily price development, closing price in EUR

Trading volume, shares per month (millions)



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

Board's proposal concerning the disposal of profits

According to the consolidated balance sheet of 31 December 2013, the parent company's shareholders' equity is EUR 448,512,161.42 of which distributable funds account for EUR 362,097,217.15.

The parent company's profit for the period 1 January to 31 December 2013 was EUR 144,746,182.03.

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

• a dividend of EUR 1.30 per share shall be paid for a total of EUR 207,153,739.00
• no dividend shall be paid on shares in the parent company's possession
• EUR 154,943,478.15 shall be retained in shareholders' equity.

Signatures to the Board of Directors' report and financial statements

Helsinki, 6 February 2014

Raimo Lind
Chairman of the Board of Directors

Ari Lehtoranta

Leena Niemistö

Eira Palin-Lehtinen

Mika Salmi

Jaakko Uotila

Mika Vehviläinen

Veli-Matti Mattila
President and CEO

Auditor's report

To the Annual General Meeting of Elisa Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Elisa Corporation for the year ended 31 December 2013. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO 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, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statement and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the President and CEO be discharged from liability for the financial period audited by us.

Helsinki, February 6, 2014

KPMG OY AB

Esa Kailiala
Authorized Public Accountant