

Second Quarter Results 2014

16 July 2014



ELISA'S INTERIM REPORT JANUARY - JUNE 2014

Second quarter 2014

- Revenue amounted to EUR 384 million (390)
- EBITDA was EUR 127 million (122) and EBIT was EUR 73 million (69)
- Profit before tax was EUR 67 million (63)
- Earnings per share were EUR 0.35 (0.30)
- Cash flow after investments was EUR 64 million (-30, excluding PPO acquisition 54)
- Mobile ARPU was EUR 16.2 (15.8 in previous quarter)
- Mobile churn decreased to 15.7 per cent (17.2 in previous quarter)
- The number of Elisa's mobile subscriptions decreased by 4,800 during the quarter mainly due to discontinuation of a service provider's operations in Elisa's network
- The number of fixed broadband subscriptions remained at the previous quarter's level
- Net debt / EBITDA was 2.1 (2.0 end 2013) and gearing 141 per cent (113 end 2013)

January - June 2014

- Revenue was EUR 766 million (751)
- EBITDA was EUR 253 million (231), EBIT EUR 145 million (128)
- Earnings per share grew to EUR 0.67 (0.56)
- Cash flow after investments was EUR 103 million (7, excluding acquisitions 95)

Key indicators:

EUR million	2nd Quarter		Year-to-date	
	2014	2013	2014	2013
Revenue	384	390	766	751
EBITDA	127	122	253	231
EBIT	73	69	145	128
Profit before tax	67	63	131	117
Earnings per share, EUR	0.35	0.30	0.67	0.56
Capital expenditures	52	47	101	94

Financial position and cash flow:

EUR million	30.6.2014	30.6.2013	End 2013
Net debt	1,075	1,042	971
Net debt / EBITDA ¹⁾	2.1	2.1	2.0
Gearing ratio, %	140.7	136.6	112.6
Equity ratio, %	34.4	35.5	37.3

EUR million	2nd Quarter		Year-to-date	
	2014	2013	2014	2013
Cash flow after investments ²⁾	64	-30	103	7

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

²⁾ 2013 Cash flow after investments excluding acquisitions: Q2 EUR 54m and year-to-date EUR 95m

Additional information regarding the Key Performance Indicators is available at:

www.elisa.com/investors (Elisa Operational Data.xls)

CEO Veli-Matti Mattila:

The widest 4G LTE coverage in Finland boosted Elisa's earnings

The uncertainty of the general economic situation continued without any significant changes. Our earnings increased year-on-year during the second quarter, whereas revenue fell slightly. The improvement of Elisa's earnings and competitiveness continued successfully. As an example, Elisa's 4G LTE network has the widest coverage in Finland according to an independent study conducted during the second quarter.

The use of mobile data services has increased by 78 per cent since last year among both consumers and corporate customers. The interest in fast 4G data connections has grown significantly, which has, in turn, had a positive impact on subscription-specific revenue. 4G already accounts for half of new sales of mobile broadband subscriptions. The mobile subscription base fell by 4,800 subscriptions during the second quarter. The dip was affected by the discontinuation of the operations of a service provider that operated in Elisa's network. The number of fixed broadband subscriptions remained at the previous quarter's level.

We introduced new services and content to consumers. The Elisa Perhe online service allows families to follow the movements of their children and to supervise the use of phones by children. For example, this smart phone application can tell you if the battery of a child's phone is charged. In Elisa Viihde, we engaged for the first time in content cooperation with regard to the sketch series Molton Klubi. A large amount of new Finnish content has been published on the Elisa Kirja service, further strengthening Elisa Kirja's position as the leading publisher of Finnish e-books.

We launched the Elisa Pilvi Cloud service application store for small and medium-sized enterprises. It is hosted on a centralised location where you can safely experiment with, purchase and manage both applications and cloud services. The application store offers an excellent sales and marketing channel for smaller-scale application developers. We continued our cooperation with public administration across a range of projects that were designed to improve the productivity of the sector. Over the course of our joint studies, savings opportunities of almost EUR 1 billion were identified in the transaction services of municipalities and cities through the implementation of multi-channel customer service.

According to the independent research company European Communications Engineering Oy, Elisa's 4G LTE network has the widest coverage in Finland. With 4G LTE connections, data transfer is smoother and even faster than on fixed broadband connections. According to a study conducted in the spring of 2014, the coverage of Elisa's LTE network is 30 - 50 per cent wider than that of other operators. We make an annual investment of approximately EUR 200 million in Finland. The largest single investment has been the rapid construction of the 4G LTE network that employs the new 800 MHz frequency across even sparsely populated areas. In addition, we are preparing for increasing amounts of data through the renewal of its core network.

We will continue our determined work to improve customer satisfaction and the productivity of our operations. 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.

INTERIM REPORT JANUARY - JUNE 2014

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

Market situation

The competitive environment has been intense during the first half of the year. However, it was slightly easier than a year ago due to the exceptionally hard first quarter 2013. The mobile smartphone market grew rapidly and the usage of data services continued to evolve favourably. Almost 90 per cent of the mobile handsets sold are smartphones. Another factor contributing to the mobile market growth has been the increased network coverage of new 4G speeds. The number and usage of traditional fixed network subscriptions is decreasing.

The market 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	2nd Quarter		Year-to-date	
	2014	2013	2014	2013 ¹⁾
Revenue	384	390	766	751
EBITDA	127	122	253	231
EBITDA-%	33.1	31.2	33.1	30,7
EBIT	73	69	145	128
EBIT-%	19.0	17.7	18.9	17.1
Return on equity, % ²⁾	28.0	26.4	28.0	26.4

¹⁾ Excluding non-recurring items: H1 2013 EBITDA EUR 232m, EBITDA-% 30.9, EBIT EUR 130m and EBIT-% 17.3

²⁾ Rolling 12-months profit preceding the reporting date

Second quarter 2014

Revenue decreased by 2 per cent on the previous year. Divestments of some non-core businesses, lower interconnection revenue both in Finland and Estonia, Corporate Customers ICT services, as well as a decrease in usage and subscriptions of traditional fixed telecom services in both segments affected revenue negatively. Growth in domestic mobile services, equipment sales and Estonian business affected revenue positively.

EBITDA increased by 4 per cent mainly due to PPO acquisition, efficiency improvements and growth in mobile services.

Financial income and expenses totalled EUR -6 million (-6). Income taxes in the income statement decreased to EUR -13 million (-16) due to a lower corporate tax rate. Elisa's net profit was EUR 54 million (48). Earnings per share (EPS) were EUR 0.35 (0.30).

January - June 2014

Revenue increased by 2 per cent on the previous year. Growth in mobile and Corporate Customers ICT services, as well as consolidation of acquired companies affected revenue positively. Divestments of some non-core businesses, lower interconnection revenue both in Finland and Estonia, as well as a decrease in usage and subscriptions of traditional fixed telecom services in both segments affected revenue negatively.

EBITDA increased by 10 per cent mainly due to PPO acquisition, efficiency improvements and growth in mobile services.

Financial income and expenses increased to EUR -14 million (-12) mainly due to higher net debt. Financial expenses include a EUR 1 million write down of BCC Finland Oy divestment. Income taxes in the income statement decreased to EUR -25 million (-29) due to a lower corporate tax rate. Elisa's net profit was EUR 105 million (88). Earnings per share (EPS) amounted to EUR 0.67 (0.56).

Financial position

EUR million	30.6.2014	30.6.2013	End 2013
Net debt	1,075	1,042	971
Net debt / EBITDA ¹⁾	2.1	2.1	2.0
Gearing ratio, %	140.7	136.6	112.6
Equity ratio, %	34.4	35.5	37.3

EUR million	2nd Quarter		Year-to-date	
	2014	2013	2014	2013
Cash flow after investments	64	-30	103	7

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

²⁾ 2013 Cash flow after investments excluding acquisitions: Q2 EUR 54m and year-to-date EUR 95m

Second quarter

Cash flow after investments was EUR 64 million (-30, excluding acquisitions 54).

January - June

Cash flow after investments was EUR 103 million (7, excluding acquisitions 95).

The financial position and liquidity are good. Net debt increased to EUR 1,075 million mainly as a result of the dividend payment of EUR 207 million. Cash and undrawn committed credit lines totalled EUR 281 million at the end of the quarter.

Changes in corporate structure

There were no material changes in the corporate structure during the second quarter.

Consumer Customers

EUR million	2nd Quarter		Year-to-date	
	2014	2013	2014	2013 ¹⁾
Revenue	239	239	473	459
EBITDA	80	74	156	137
EBITDA-%	33.2	31.0	33.0	29.9
EBIT	49	44	94	79
CAPEX	28	25	53	52

¹⁾ Excluding non-recurring items: H1 2013 EBITDA EUR 138m, EBITDA-% 30.0 and EBIT EUR 79m

Second quarter 2014

Revenue was at the previous year's level. PPO acquisition, growth in mobile services and equipment sales affected revenue positively. The decrease in traditional fixed network usage and subscriptions, divestments of some non-core businesses, as well as lower interconnection revenue both in Finland and Estonia affected revenue negatively. EBITDA increased by 7 per cent mainly due to the PPO acquisition, productivity improvements and growth in mobile services.

January - June 2014

Revenue increased by 3 per cent mainly due to the PPO acquisition and growth in mobile services. The decrease in traditional fixed network usage and subscriptions, divestments of some non-core businesses, as well as lower interconnection revenue both in Finland and Estonia affected revenue negatively. EBITDA increased by 14 per cent mainly due to the PPO acquisition, growth in mobile services and productivity improvements.

Corporate Customers

EUR million	2nd Quarter		Year-to-date	
	2014	2013	2014	2013 ¹⁾
Revenue	144	151	293	293
EBITDA	47	48	97	94
EBITDA-%	32.9	31.6	33.2	32.0
EBIT	24	25	51	50
CAPEX	24	22	47	42

¹⁾ Excluding non-recurring items: H1 2013 EBITDA EUR 95m, EBITDA-% 32.4 and EBIT EUR 51m

Second quarter 2014

Revenue decreased by 5 per cent. The decline in usage and subscriptions in traditional fixed telecom services and divestments of some non-core businesses, ICT services, lower interconnection and roaming revenue both in Finland and Estonia affected revenue negatively. The PPO acquisition affected revenue positively. EBITDA was at the previous year's level.

January - June 2014

Revenue was at the previous year's level. The PPO acquisition and growth in ICT services affected revenue positively. The decline in usage and subscriptions of traditional fixed telecom services and lower interconnection and roaming revenue both in Finland and Estonia affected revenue negatively. EBITDA increased by 4 per cent mainly due to the PPO acquisition and productivity improvements.

Personnel

In January - June, the average number of personnel at Elisa was 4,154 (4,255). Personnel by segment at the end of the period numbered as follows:

	30.6.2014	30.6.2013	End 2013
Consumer Customers	2,351	2,622	2,424
Corporate Customers	1,742	1,884	1,793
Total	4,093	4,506	4,217

Total personnel decreased by 413 compared to the previous year's second quarter mainly due to outsourcings, divestments and personnel reductions. Growth in corporate ICT service increased the number of personnel.

Pasi Mäenpää has been appointed as Executive Vice President, Business Development, responsible for Corporate Customers new business, and as CEO of Elisa's subsidiary Videra. Previously he worked as head of the Corporate Customers business segment. Pasi Mäenpää continues as a member of Elisa's Executive Board and reports to CEO Veli-Matti Mattila.

Timo Katajisto has been appointed as Executive Vice President, Corporate Customers. He has worked as head of Production at Elisa since 2008. Timo Katajisto is a member of Elisa's Executive Board and reports to Veli-Matti Mattila.

Vesa-Pekka Nikula has been appointed to Executive Vice President, Production. Vesa-Pekka Nikula has been responsible for Consumer Customers customer services. He will be a member of Elisa's Executive Board and reports to Veli-Matti Mattila.

Investments

EUR million	2nd Quarter		Year-to-date	
	2014	2013	2014	2013
Capital expenditures, of which	52	47	101	94
- Consumer Customers	28	25	53	52
- Corporate Customers	24	22	47	42
Shares	0	103	0	109
Total	52	149	101	202

Total is calculated using exact figures prior to rounding

The main capital expenditures relate to the capacity and coverage increase of the 3G and 4G networks, as well as to other network and IT investments. 2013 share investments relate to the PPO and Sulake acquisitions.

Financing arrangements and ratings

Valid financing arrangements

EUR million	Maximum amount	In use on 30.6.2014
Committed credit limits	300	70
Commercial paper programme ¹⁾	250	217
EMTN programme ²⁾	1,000	600

¹⁾ The programme is not committed

²⁾ European Medium Term Note programme, not committed

On 11 June 2014 Elisa signed a EUR 130 million five-year Revolving Credit Facility, which replaces the facility with the same size that was signed in 2007 and maturing in November 2014.

The average interest rate of an outstanding debt was approximately 2.1 per cent (2.2) at the end of quarter.

Long-term credit ratings

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

Standard & Poor's affirmed Elisa's 'BBB' rating and revised the outlook to Positive on 17 March 2014.

Share

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

Trading of shares	2nd Quarter		Year-to-date	
	2014	2013	2014	2013
Shares traded, millions	26.5	39.7	59.1	79.9
Volume, EUR million	567.0	575.4	1,216.7	1,231.6
% of shares	16	24	35	48

Shares and market values	30.6.2014	30.6.2013	31.12.2013
Total number of shares	167,335,073	167,504,660	167,335,073
Treasury shares	7,986,043	9,985,475	7,986,043
Outstanding shares	159,349,030	157,519,185	159,349,030
Closing price, EUR	22.34	15.01	19.26
Market capitalisation, EUR million	3,560	2,364	3,069
Treasury shares, %	4.77	5.96	4.77

Elisa shares are also traded in alternative marketplaces. According to the Fidessa Fragmentation report, the trading volumes in these markets during the second quarter were approximately 126 (93) per cent of the NASDAQ OMX Helsinki. Total trading volume in all marketplaces represents approximately 36 (46) per cent of outstanding shares.

Significant legal and regulatory issues

In March, at the request of the Consumer Ombudsman, the Market Court prohibited Elisa from charging a separate fee of EUR 1.90 or more for mobile subscription paper invoices. The decision includes a conditional fine. The Market Court did not impose a prohibition on charging a separate fee for paper invoices in general. Elisa has applied to the Supreme Court for leave to appeal against the decision.

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 as strategic, operational, hazard and financial.

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 that have long pay-back 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 few years. These factors may limit opportunities for growth.

Hazard risks:

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

Financial risks:

In order to manage the interest-rate risk, the Group's loans and investments are diversified 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 in 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 the financial risk management can be found in Note 34 of the Annual Report 2013.

Annual General Meeting 2014 and Board of Directors' organising meeting

On 2 April 2014, Elisa's Annual General Meeting decided to pay a dividend of EUR 1.30 per share based on the adopted financial statements for 2013. The dividend was paid on 15 April 2014.

The Annual General Meeting adopted the financial statements for 2013. The members of the Board of Directors and the CEO were discharged from liability for 2013.

The number of the members of the Board of Directors was confirmed at seven (7). Raimo Lind, Leena Niemistö, Eira Palin-Lehtinen, Jaakko Uotila and Mika Vehviläinen were re-elected as members of the Board of Directors and Petteri Koponen and Seija Turunen were elected as new members of the Board of Directors. Mr Raimo Lind was elected as the Chairman of the Board and Mr Mika Vehviläinen as the Deputy Chairman. Mr Raimo Lind (Chairman), Ms Leena Niemistö and Mr Mika Vehviläinen were appointed to the Compensation & Nomination Committee. Ms Eira Palin-Lehtinen (Chair), Mr Petteri Koponen, Ms Seija Turunen and Mr 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 decided to authorise the Board of Directors to resolve to repurchase or accept as pledge the company's own shares. The repurchase may be directed. The amount of shares under this authorization is 5 million shares at maximum. The authorisation is effective until 30 June 2015.

The Annual General Meeting decided to authorise the Board of Directors to pass a resolution concerning the share issue, the right of assignment of treasury shares and/or the granting of special rights entitling to shares. A maximum aggregate of 15 million of the company's shares can be issued under the authorisation. The authorisation is effective until 30 June 2016.

Events after the financial period

There were no major events after the financial period.

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 a maximum of 12 per cent of revenue. Elisa's financial position and liquidity are good.

Elisa is continuing its cost efficiency measures, for example by streamlining product portfolio and IT systems and operations. Additionally, Elisa is continuing to increase customer service and sales efficiency, as well as to reduce general administration costs.

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

BOARD OF DIRECTORS

Consolidated Income Statement

EUR million	Note	4-6 2014	4-6 2013	1-6 2014	1-6 2013	1-12 2013
Revenue	1	383,5	390,1	765,8	751,4	1 547,4
Other operating income		4,2	0,7	5,2	1,0	4,0
Materials and services		-153,1	-155,5	-303,1	-301,0	-619,9
Employee expenses		-63,5	-65,7	-128,7	-130,2	-270,0
Other operating expenses		-44,2	-47,7	-86,1	-90,6	-170,8
EBITDA	1	127,0	121,8	253,1	230,6	490,7
Depreciation and amortisation		-54,1	-52,7	-108,2	-102,4	-210,1
EBIT	1	72,9	69,1	144,9	128,2	280,6
Financial income		1,2	2,5	3,2	5,1	10,3
Financial expense		-7,2	-8,4	-17,5	-16,9	-36,2
Share of associated companies' profit		0,2	0,0	0,2	0,0	0,0
Profit before tax		67,0	63,2	130,8	116,5	254,6
Income taxes		-12,9	-15,6	-25,5	-28,8	-58,2
Profit for the period		54,2	47,7	105,3	87,7	196,3
Attributable to:						
Equity holders of the parent		55,0	47,3	106,7	87,4	196,6
Non-controlling interests		-0,9	0,4	-1,4	0,3	-0,2
		54,2	47,7	105,3	87,7	196,3
Earnings per share (EUR)						
Basic		0,35	0,30	0,67	0,56	1,25
Diluted		0,35	0,30	0,67	0,56	1,25
Average number of outstanding shares (1000 shares)						
Basic		159 349	156 926	159 349	156 903	157 269
Diluted		159 349	156 927	159 349	156 904	157 269

Consolidated Statement of Comprehensive Income

Profit for the period		54,2	47,7	105,3	87,7	196,3
Other comprehensive income, net of tax						
Items which may be reclassified subsequently to profit or loss:						
Financial assets available-for-sale		1,3	0,7	2,0	0,7	1,1
Cash flow hedge		0,1		0,0		
Translation difference		0,1	-0,1	0,3	0,0	-0,2
		1,5	0,6	2,3	0,7	0,9
Items which are not reclassified subsequently to profit or loss:						
Remeasurements of the net defined benefit liability			0,0		-0,1	-6,3
Total comprehensive income		55,6	48,3	107,6	88,4	190,9
Total comprehensive income attributable to:						
Equity holders of the parent		56,5	47,9	109,0	88,1	191,2
Non-controlling interest		-0,9	0,4	-1,4	0,3	-0,2
		55,6	48,3	107,6	88,4	190,9

Consolidated Statement of Financial Position

EUR million	30.6. 2014	31.12. 2013
Non-current assets		
Property, plant and equipment	704,9	713,6
Goodwill	831,6	832,4
Other intangible assets	140,4	143,3
Investments in associated companies	2,6	2,4
Financial assets available-for-sale	25,2	22,5
Deferred tax assets	14,5	13,5
Other receivables	72,0	70,5
	1791,2	1 798,3
Current assets		
Inventories	50,4	55,5
Trade and other receivables	339,6	327,3
Tax receivables	4,0	5,4
Cash and cash equivalents	50,7	137,8
	444,6	526,0
Total assets	2 235,7	2 324,3
Equity attributable to equity holders of the parent	764,0	860,3
Non-controlling interests	0,3	1,9
Total shareholders' equity	764,3	862,2
Non-current liabilities		
Deferred tax liabilities	19,5	21,0
Pension obligations	13,4	13,8
Provisions	2,6	2,4
Financial liabilities	823,9	829,7
Other non-current liabilities	35,1	35,6
	894,5	902,5
Current liabilities		
Trade and other payables	264,5	267,4
Tax liabilities	2,6	0,3
Provisions	7,6	12,6
Financial liabilities	302,2	279,3
	577,0	559,6
Total equity and liabilities	2 235,7	2 324,3

Condensed Consolidated Statement of Cash Flows

EUR million	1-6 2014	1-6 2013	1-12 2013
Cash flow from operating activities			
Profit before tax	130,8	116,5	254,6
Adjustments			
Depreciation and amortisation	108,2	102,4	210,1
Other adjustments	5,0	7,4	17,8
	113,2	109,8	227,9
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables	-13,6	11,1	-13,5
Increase (-) / decrease (+) in inventories	2,0	4,5	6,4
Increase (+) / decrease (-) in trade and other payables	4,5	-6,7	2,1
	-7,0	8,9	-4,9
Financial items, net	-13,8	-13,1	-24,6
Taxes paid	-24,2	-31,8	-64,9
Net cash flow from operating activities	198,9	190,3	388,1
Cash flow from investing activities			
Capital expenditure	-101,2	-95,3	-212,5
Investments in shares	-2,0	-88,1	-93,1
Repayment of loan assets	0,3		
Proceeds from asset disposal	7,4	0,2	1,5
Net cash used in investing activities	-95,6	-183,2	-304,1
Cash flow before financing activities	103,4	7,0	84,0
Cash flow from financing activities			
Proceeds from long-term borrowings	0,1		300,1
Repayment of long-term borrowings	-167,0	-75,4	-82,1
Increase (+) / decrease (-) in short-term borrowings	185,0	275,1	1,5
Repayment of finance lease liabilities	-2,3	-2,6	-4,8
Proceeds from increase in reserve for invested non-restricted equity		2,9	2,9
Proceeds from the sale of treasury shares		4,6	4,6
Acquisition of non-controlling interest	0,0		-4,0
Dividends paid	-206,3	-203,5	-204,2
Net cash used in financing activities	-190,5	1,3	14,0
Change in cash and cash equivalents	-87,1	8,3	98,1
Cash and cash equivalents at the beginning of period	137,8	39,8	39,8
Cash and cash equivalents at the end of period	50,7	48,1	137,8

Statement of Changes in Equity

EUR million	Share capital	Treasury shares	Other reserves	Reserve for invested non-restricted equity	Retained earnings	Non-controlling interests	Total equity
Balance at 1 January 2013	83,0	-194,1	386,4	52,7	514,2	2,8	844,9
Profit for the period					87,4	0,3	87,7
Translation differences					0,0		0,0
Financial assets available-for-sale			0,7				0,7
Remeasurements of the net defined benefit liability			-0,1				-0,1
Total comprehensive income			0,6		87,4	0,3	88,4
Dividends					-204,0	-0,6	-204,6
Share-based compensation					1,6		1,6
Disposal of treasury shares		6,0			-1,4		4,6
Acquisition of subsidiary with non-controlling interest						25,6	25,6
Acquisition of non-controlling interests					0,6	-1,1	-0,4
Options exercised				2,9			2,9
Balance at 30 June 2013	83,0	-188,1	387,0	55,6	398,4	27,0	762,9

EUR million

Balance at 1 January 2014	83,0	-148,2	381,2	90,9	453,4	1,9	862,2
Profit for the period					106,7	-1,4	105,3
Translation differences					0,3		0,3
Financial assets available-for-sale			2,0				2,0
Cash flow hedge			0,0				0,0
Total comprehensive income			2,0		107,0	-1,4	107,6
Dividends					-207,2	-0,3	-207,5
Share-based compensation					1,9		1,9
Acquisition of non-controlling interests					-0,1	0,1	0,0
Balance at 30 June 2014	83,0	-148,2	383,3	90,9	355,1	0,3	764,3

Notes

ACCOUNTING PRINCIPLES

The Interim consolidated financial statements are in compliance with IAS 34 Interim Financial Reporting. The information has been prepared in accordance with International Financial Reporting Standards (IFRS) effective at the time of preparation and adopted for use by the European Union. Apart from the changes in accounting principles stated below, the accounting principles applied in the interim report are the same as in the financial statements at 31 December 2013.

Changes in the accounting principles

The Group adopted the following standards, amendments to standards and interpretations as from 1 January 2014 onward:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interest in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- Annual improvements of IFRS-standards

1. Segment Information

4-6/2014	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	Total
Revenue	239,4	144,2		383,5
EBITDA	79,5	47,5		127,0
Depreciation and amortisation	-30,7	-23,4		-54,1
EBIT	48,8	24,1		72,9
Financial income			1,2	1,2
Financial expense			-7,2	-7,2
Share of associated companies' profit			0,2	0,2
Profit before tax				67,0
Investments	27,9	24,5		52,4
4-6/2013	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	Total
Revenue	238,8	151,3		390,1
EBITDA	74,1	47,7		121,8
Depreciation and amortisation	-29,8	-22,9		-52,7
EBIT	44,3	24,8		69,1
Financial income			2,5	2,5
Financial expense			-8,4	-8,4
Share of associated companies' profit			0,0	0,0
Profit before tax				63,2
Investments	24,9	21,7		46,7

1-6/2014	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	Total
Revenue	472,7	293,1		765,8
EBITDA	155,8	97,3		253,1
Depreciation and amortisation	-61,6	-46,7		-108,2
EBIT	94,3	50,6		144,9
Financial income			3,2	3,2
Financial expense			-17,5	-17,5
Share of associated companies' profit			0,2	0,2
Profit before tax				130,8
Investments	53,4	47,4		100,8
1-6/2013	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	Total
Revenue	458,6	292,8		751,4
EBITDA	137,0	93,6		230,6
Depreciation and amortisation	-58,3	-44,1		-102,4
EBIT	78,7	49,5		128,2
Financial income			5,1	5,1
Financial expense			-16,9	-16,9
Share of associated companies' profit			0,0	0,0
Profit before tax				116,5
Investments	51,7	42,0		93,6
1-12/2013	Consumer	Corporate	Unallocated	Group
EUR million	Customers	Customers	Items	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
Total assets	1 211,9	835,6	276,8	2 324,3

2. Acquisitions and disposals

Disposal of BCC Finland Oy

Elisa divested the fully owned BCC Finland Oy on 8 April 2014. The sales price was EUR 0.0 million. The divestment resulted in a loss of EUR 1.2 million recorded within Financial expenses in the Consolidated income statement and it removed a total of EUR 0.8 million goodwill from the Group. The impact of the result incurred during the period of the ownership by the Group have been taken into account in the loss.

The Group has consolidated the result of BCC Finland Oy until 31 March 2014.

Net assets of the sold entity	Carrying amount
EUR million	
Tangible assets	0,1
Inventories	0,3
Trade and other current receivables	0,9
Cash and cash equivalents	0,1
Financial liabilities	-0,6
Trade payables and other current liabilities	-1,2
	-0,3

Effects of disposal on cash flow

EUR million	
Sales price received in cash	0,0
Cash and cash equivalents of the sold entity	-0,1
	-0,1

Acquisition of non-controlling interest

The Group acquired 33 per cent of Telcont Oy on 11 February 2014. After the acquisition the Group owns all shares of Telcont Oy. The purchase price was EUR 0.0 million.

The book value of net assets at the time of acquisition were EUR -0.3 million. Due to the acquisitions the non-controlling interest increased by EUR 0.1 million and the equity decreased by EUR 0.1 million.

3. Property, plant and equipment and intangible assets

	Property plant and equipment	Goodwill	Other intangible assets
30.6.2014			
EUR million			
Acquisition cost at 1 January 2014	3 125,4	832,4	558,4
Additions	81,3	0,0	19,4
Companies sold	-0,1	-0,8	0,0
Disposals	-13,7		0,0
Reclassifications	1,7		-0,5
Translation differences	0,1		
30 June 2014	3 194,7	831,6	577,3
Accumulated depreciation and impairment at 1 January 2014	2 411,8		415,1
Depreciation for the period	86,4		21,9
Accumulated depreciation on disposals and reclassifications	-8,4		0,0
30 June 2014	2 489,8		436,9
Book value:			
1 January 2014	713,6	832,4	143,3
30 June 2014	704,9	831,6	140,4
30.6.2013			
EUR million			
Acquisition cost at 1 January 2013	2 869,1	797,1	471,7
Additions	76,5		17,1
Companies acquired	97,0	24,7	14,0
Disposals	-1,5		-1,0
Reclassifications	0,6		0,2
30 June 2013	3 041,7	821,8	502,0
Accumulated depreciation and impairment at 1 January 2013	2 253,1		370,4
Depreciation for the period	80,7		21,8
Accumulated depreciation on disposals and reclassifications	-1,3		-0,4
30 June 2013	2 332,4		391,8
Book value:			
1 January 2013	616,0	797,1	101,3
30 June 2013	709,3	821,8	110,2

Commitments to purchase property, plant and equipment and intangible assets amounts to EUR 46.9 million at 30 June 2014.

4. Carrying amounts of financial assets and liabilities by category

	Financial assets available-for-sale	Financial assets /liabilities recognised at fair value through profit or loss ⁽¹⁾	Financial liabilities measured at amortised cost	Book values	Fair values
30 June 2014					
EUR million					
Non-current financial assets					
Financial assets available-for-sale	25,2			25,2	25,2
Receivables		72,0	0,0	72,0	72,0
Current financial assets					
Trade and other receivables		339,6		339,6	339,6
	25,2	411,6	0,0	436,8	436,8
Non-current financial liabilities					
Financial liabilities				823,9	865,0
Other liabilities ⁽²⁾			0,1	28,8	29,0
Current financial liabilities					
Financial liabilities				302,2	302,2
Trade and other payables ⁽²⁾				259,3	259,3
			0,1	1 414,3	1 455,5
				1 414,4	1 455,5
31 December 2013					
EUR million					
Non-current financial assets					
Financial assets available-for-sale	22,5			22,5	22,5
Receivables		70,4	0,0	70,5	70,5
Current financial assets					
Trade and other receivables		327,3		327,3	327,3
	22,5	397,7	0,0	420,3	420,3
Non-current financial liabilities					
Financial liabilities				829,7	837,2
Other liabilities ⁽²⁾				29,4	29,4
Current financial liabilities					
Financial liabilities				279,3	280,4
Trade and other payables ⁽²⁾				261,4	261,4
				1 399,7	1 408,3
				1 399,7	1 408,3

¹⁾ Assets classified as such at initial recognition

²⁾ Excluding advances received

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

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

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

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

The classification and measurement of each financial asset and liability item are presented in more detail under the financial statements accounting principles at 31 December 2013.

5. Financial assets and liabilities recognised at fair value

EUR million	30.6.2014	Level 1	Level 2	Level 3
Financial assets recognised at fair value ⁽¹⁾	-0,1		-0,1	
Financial assets available-for-sale ⁽²⁾	8,9	8,9		
Other liabilities ⁽³⁾	1,2			1,2
	9,9	8,9	-0,1	1,2

EUR million	31.12.2013	Level 1	Level 2	Level 3
Financial assets recognised at fair value ⁽¹⁾	0,0		0,0	
Financial assets available-for-sale ⁽²⁾	6,9	6,9		
Other liabilities ⁽³⁾	2,0			2,0
	8,8	6,9	0,0	2,0

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

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

²⁾ Publicly listed equity investments and funds. Fair values are measured by using quoted marked rates.

³⁾ Contingent considerations relating to business combinations.

6. Financial assets available-for-sale

EUR million	30.6.2014	31.12.2013
Publicly listed equity investments and funds	8,9	6,9
Unlisted equity investments and funds	16,3	15,7
	25,2	22,5
The most significant unlisted equity investments		
EUR million		
Anvia Oyj	9,8	8,6
Datawell Oy	2,1	2,1
	11,8	10,7

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

7. Inventories

Write-down of inventories of EUR 4.6 million was recorded during the accounting period.

8. Equity

	Number of shares pcs	Treasury shares pcs	Holding, % of shares and votes
Shares at 31 December 2013	167 335 073	7 986 043	
Shares at 30 June 2014	167 335 073	7 986 043	4,77 %

Dividend

On 2 April 2014 Elisa's Annual General Meeting decided of a dividend of 1.30 euros per share. The total dividend amounts to EUR 207.2 million and payment started on 15 April 2014.

9. Issuances and repayment of debt

On 11 June 2014 Elisa signed a EUR 130 million five-year Revolving Credit Facility, which replaces the facility with same size that was signed in 2007 and maturing in November 2014.

The group has not issued bonds during 1 January - 30 June 2014. The group repaid a 161 million bond matured in March.

The unused amount of EUR 1,000 million EMTN program is EUR 400 million as at 30 June 2014. The base prospectus has been updated on 2 June 2014.

EUR million	30.6.	31.12.
	2014	2013
Issued commercial papers	217,0	101,0
Withdrawn committed credit lines	70,0	0,0

10. Provisions

EUR million	Termination benefits	Other	Total
1 January 2014	12,8	2,3	15,1
Increases in provisions	1,4	0,8	2,2
Utilised provisions	-7,1		-7,1
30 June 2014	7,0	3,1	10,1

EUR million	Termination benefits	Other	Total
1 January 2013	1,2	2,4	3,6
Increases in provisions	2,8	3,2	6,0
Utilised provisions	-1,7	-0,1	-1,8
30 June 2013	2,2	5,5	7,8

11. Operating Lease Commitments

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

EUR million	30.6. 2014	31.12. 2013
Not later than one year	27,2	28,8
Later than one year not later than than five years	31,5	37,0
Later than five years	6,6	6,9
	65,4	72,7

12. Contingent Liabilities

EUR million	30.6. 2014	31.12. 2013
For our own commitments		
Mortgages	1,5	14,5
Pledged securities	0,1	2,9
Deposits	0,9	0,8
Guarantees	1,1	1,1
On behalf of associated companies		
Other	0,0	0,0
On behalf of others		
Guarantees	0,6	0,6
Other	0,0	0,0
	4,3	20,0
Other contractual obligations		
Repurchase obligations	0,1	0,1
Letter of credit	0,1	0,1

13. Derivative Instruments

EUR million	30.6. 2014	31.12. 2013
Nominal values of derivatives		
Interest rate swap ¹⁾	0,5	150,5
Currency swap	3,5	4,0
Electricity derivatives ²⁾	3,0	
	7,0	154,5
Fair values of derivatives		
Interest rate swap	0,0	0,1
Currency swap	-0,1	0,0
Electricity derivatives	0,0	
	-0,1	0,0

¹⁾ EUR 150.0 million interest rate swap matured at the same date as the bond on 3 March 2014.

²⁾ Elisa has started hedge electricity purchases by derivatives during 2014. Earlier the company bought electricity by advance contracts.

14. Related party transactions

Elisa Group's related parties include the parent company, subsidiaries, associates, joint ventures and key management. Key management consists of Elisa's Board of Directors, the CEO and the Executive Board.

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

Related party transactions with associated companies	1-6/2014	1-6/2013	1-12/2013
Sales	0,1		0,2
Purchases	1,5	0,6	2,2
Receivables	0,1	0,2	0,1

There were no related party transactions with key management.

Management remuneration will be announced in Annual financial statements.

Key Figures

EUR million	1-6 2014	1-6 2013	1-12 2013
Shareholders' equity per share, EUR	4,79	4,68	5,40
Interest bearing net debt	1 075,5	1 042,4	971,2
Gearing, %	140,7	136,6	112,6
Equity ratio, %	34,4	35,5	37,3
Return on investment (ROI), % *)	15,9	16,2	15,3
Gross investments in fixed assets	100,8	93,6	240,1
of which finance lease investments	0,2	0,3	2,9
Gross investments as % of revenue	13,2	12,5	15,5
Investments in shares	0,0	108,8	149,7
Average number of employees	4 154	4 255	4 320

*) rolling 12 months profit preceding the reporting date

Financial Calendar

Third quarter 2014
Annual results 2014

17 October 2014
30 January 2015

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