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ELISA'S FINANCIAL STATEMENT BULLETIN FOR 2007

Year 2007

- Revenue in 2007 increased by 3.3 per cent to EUR 1,568 million (1,518)
- EBITDA exclusive of non-recurring items improved by 10 per cent to EUR 491 million (445) and EBIT improved by 25 per cent to EUR 294 million (236)
- Profit before tax increased by 34 per cent to EUR 285 million (212)
- Earnings per share improved by 42 per cent to EUR 1.38 (0.97)
- The Board of Directors proposes a capital repayment to the shareholders amounting to EUR 1.80 per share for 2007

October to December 2007

- Revenue was EUR 402 million (401)
- EBITDA exclusive of non-recurring items improved by 8 per cent to EUR 128 million (119) and EBIT improved by 7 per cent to EUR 76 million (71)
- Profit before tax amounted to EUR 65 million (69)
- Earnings per share were EUR 0.32 (0.31)

- Revenue per subscription (ARPU) in the mobile network improved from the previous quarter's EUR 29.9 to EUR 30.1. Churn was 12.6 per cent (11.2).
- The number of mobile subscriptions continued to increase during the final quarter, due in particular to the new 3G customers.
- The number of broadband subscriptions increased on the previous quarter.

Key indicators:

Income statement EUR million	**10-12/2007**	**10-12/2006**	**1-12/2007**	**1-12/2006**
Revenue	402	401	1 568	1 518
EBITDA	126 [1]	118 [2]	499 [3]	434 [4]
EBIT	74	70	302	225
Profit before taxes	65	69	285	212
Earnings per share, EUR	0.32	0.31	1.38	0.97
Capital expenditures	69	70	206	207

EBITDA excluding non-recurring items: [1] EUR 128 million, [2] EUR 119 million, [3] EUR 491 million and [4] EUR 445 million.

Figures describing the financial position and cash flow:

Financial position	**31 Dec 2007**	**31 Dec 2006**
Net debt	738	377
Net debt / EBITDA [1]	1.5	0.9
Gearing ratio, %	71.3	28.7
Equity ratio, %	47.9	63.1
Cash flow statement	**1-12/2007**	**1-12/2006**
Cash flow after investments	114	118

[1] (interest-bearing debt – liquid assets) / (adjusted EBITDA)

The Board of Directors proposes to the General Meeting that capital be repaid to shareholders to the amount of EUR 1.80 per share on the basis of the balance sheet of 31 December 2007 approved by the General Meeting. EUR 0.80 per share is in accordance with the profit distribution policy, and EUR 1.00 constitutes additional distribution of funds to develop the capital structure. The Board of Directors proposes that the capital repayment be distributed out of the reserve for invested non-restricted equity. Furthermore, the Board of Directors proposes to the General Meeting that the Board of Directors be authorised to acquire 15 million treasury shares, which corresponds to 9 per cent of the entire stock. The Board of Directors also decided to propose to the General Meeting that the Board of Directors be authorised to distribute funds out of the retained earnings account or the reserve for invested non-restricted equity to a maximum of EUR 250 million.

CEO Veli-Matti Mattila:

“In terms of profitability and earnings 2007 was the best year in our history. Profit before tax amounted to EUR 285 million, which is a 35 per cent improvement on the previous year. Our revenue increased by more than 3 per cent, which outperforms the average of European operators.

Our mobile subscription base increased by almost 7 per cent or about 170,000 subscriptions on the previous year. Churn decreased by more than one percentage point on the previous year to approximately 12 per cent. Our market position has strengthened further, particularly with regard to 3G services and broadband. The expansion of mobile Internet was boosted by extending 3G network coverage and introducing consumer-friendly pricing and devices that enable a better Internet experience.

We also strengthened our market position in corporate customers and public sector. Mobile work solutions are increasing the efficiency, availability and flexibility of operations for an increasing number of our customers. Customers have adopted smartphones and mobile broadband to productive use both in the home market and internationally through the Vodafone partnership.

An important investment in 2007 has been the construction of the 3G network that enables faster mobile broadband. By the end of 2007, Elisa’s 3G network covered 75 per cent of Finland’s population and was the best network in terms of coverage and reception. Elisa has an approximate market share of 50 per cent of 3G users. The fact that we have exceeded the limit of one million 3G customers proves that allowing bundling has had a positive effect on overall market development.

We have made significant investments in customer care and billing systems. Billing will return to the normal rhythm by the end of March. The accuracy of billing has been good from the start. However, the change of system has increased the number of customer contacts, which in turn has unfortunately lengthened our telephone service queuing times. As customer service is very important to us, we have increased the number of customer service staff.

We believe that 2008 will be an even better year. Growth is boosted by increases in the number of subscriptions and new services. We still see substantial opportunities to develop productivity and will continue determinedly our efforts to improve profitability. We are also investing increasingly in new services, in accordance with the third step of our strategy. New services, communities and earnings logic emerging on the Internet will create interesting business opportunities also for Elisa, both in the home market and in new market areas.”

ELISA

Vesa Sahivirta
Director, IR and Financial Communications

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Financial report 1 January to 31 December 2007

The financial report has been prepared in accordance with the IFRS recognition and measurement principles but not all of the IAS 34 requirements have been observed.

Market situation

The base of mobile communications subscriptions and the use of data services have evolved favourably in Finland with 3G subscriptions comprising a significant proportion of new subscriptions. The use of new services made available through 3G subscriptions has also increased. Another factor contributing to the increase has been the use of multiple terminal devices for different purposes. Churn has been at a normal level in relation to the market situation, and competition has been more focused on services.

The fixed network business continued its earlier trend: the number of broadband subscriptions continued to grow, while the number and usage of traditional subscriptions decreased. The broadband market has continued to grow slightly.

Development of revenue, earnings and financial position

EUR million	2007	2006	2005
Revenue	1,568	1,518	1,337
EBITDA*	499	434	446
EBITDA, %*	31.8	28.6	33.4
EBIT*	302	225	233
EBIT, %*	19.3	14.8	17.4
Return on equity, %	18.8	12.1	15.9
Equity ratio, %	47.9	63.1	61.7

* Figures excluding non-recurring items: EBITDA 2007 EUR 491 million, 2006 EUR 445 million and 2005 EUR 346 million, EBITDA percentage 2007 31.3%, 2006 29.3% and 2005 25.9%, EBIT 2007 EUR 294 million, 2006 EUR 236 million and 2005 EUR 133 million, and EBIT percentage 2007 18.8%, 2006 15.5% and 2005 9.9%

Revenue development by segments:

EUR million	1-12/2007	1-12/2006
Mobile communications	980	930
Fixed network	642	665
Inter-segment sales	-54	-77
Total	1,568	1,518

Elisa’s revenue increased by 3 per cent in 2007. Reasons contributing to the growth included an increased number of broadband and mobile subscriptions and increased use of mobile communications services. Revenue was hampered by lower interconnection and roaming fees and declined equipment sales, as well as decreases in the number of traditional fixed network subscriptions and the volume of traffic.

Earnings development by segment:

	Financial statements		Excluding non-recurring items	
EUR million	1-12/2007	1-12/2006	1-12/2007*	1-12/2006**
Mobile communications				
EBITDA	299	259	300	263
EBITDA, %	30.5	28	30.7	28
EBIT	195	162	196	166
Fixed network				
EBITDA	206	181	197	187
EBITDA, %	32.1	27	30.7	28
EBIT	113	71	104	77
Corporate functions				
EBITDA	-6	-6	-6	-6
EBIT	-6	-7	-6	-7
Total				
EBITDA	499	434	491	445
EBITDA, %	31.8	29	31.3	29
EBIT	302	225	294	236

* Capital gains on real estate EUR 11 million and provision for reorganising operations EUR -3 million.
** Provision for reorganising operations EUR -10 million

Elisa's EBITDA excluding non-recurring items improved by 10 per cent on the previous year. The EBITDA improvement was attributable to factors such as new services in the mobile communication business, as well as efficiency measures. The improved profitability of the fixed network was affected by changes in broadband subscription prices, the increased number of subscriptions, and improved cost efficiency.

Financial income and expenses totalled EUR -17 million (-14). The financial items include a EUR 13 million gain on the sale of Comptel shares, as well as an unrealised change in the fair values of derivatives amounting to approximately EUR -2 million that does not affect cash flow. Comparable financial income and expenses thus totalled EUR -28 million (-14). The increase on the previous year was mainly attributable to increased net debt.

Income taxes in the income statement amounted to EUR -65 million (-50).

Elisa's January-December earnings after taxes were EUR 220 million (161). The Group's earnings per share (EPS) amounted to EUR 1.38 (0.97). At the end of 2007, the Group's equity per share was EUR 6.53 (8.07 at the end of 2006).

Changes in corporate structure

In February, Elisa acquired the entire stock of the contact centre system supplier First Orange Contact Oy from its executive management and Aura Capital Oy for a price of EUR 4.3 million. The company merged with Elisa on 31 August 2007.

On 24 May 2007, a merger plan was signed by the Boards of Directors of Elisa and Lounet Oy, according to which Lounet will be merged with Elisa. On 5 July 2007, Lounet's Extraordinary General Meeting of Shareholders and Elisa's Board of Directors approved the merger, and it was registered on 30 September 2007.

Elisa Corporation and Oy L M Ericsson Ab have signed an agreement on outsourcing the remote management of telephone systems and PBX installations for Elisa's corporate customers, as well as the partial outsourcing of field activities related to PBX installations, to Ericsson. The operations were transferred on 28 September 2007.

The personnel of Elisa's subsidiary Saunalahti Plc became Elisa's employees in a transfer of business as of 1 October 2007. In the transfer of business, approximately 170 Saunalahti employees were transferred to Elisa and joined Elisa's Consumer Customers and Small Enterprise Customers unit staff of approximately 900.

Mobile communication business

	31 Dec 2007	31 Dec 2006
Total number of subscriptions	2,657,400	2,488,900
- Network operator in Finland	2,334,600	2,194,400
- Subscriptions in Estonia	322,800	294,500

User-specific indicators [1]	10-12/2007	10-12/2006	1-12/2007	1-12/2006
Average revenue/subscription, €/month	30.1	30.8	30.0	30.2
Annual churn, %	12.6	14.0	12.2	13.8
Outgoing calls, min/subscription/month	217	213	218	203
SMS, msg/subscription/month	57	54	53	50
Value-added services/ revenue, %	19	17	19	17

Indicators on network use [2]	10-12/2007	10-12/2006	1-12/2007	1-12/2006
Outgoing calls, million minutes	1,447	1,330	5,661	4,888
SMS, million msg	407	336	1,550	1,193

[1] Elisa's service operators in Finland (excluding prepaid subscriptions)
[2] Elisa's network operator in Finland

Elisa's network operator in Finland increased the number of its subscriptions by some 140,000 in 2007. The increase was markedly due to the success of 3G service bundles, mobile broadband and prepaid subscriptions. The number of subscriptions at the end of the year was approximately 2,334,600. The fourth-quarter increase was approximately 25,000 subscriptions.

In 2007, the call minutes per subscription of Elisa's own service operators rose by approximately 7 per cent and the number of SMS messages increased by approximately 6 per cent on the previous year. Due to the increase in the number of subscriptions of Elisa's service operators, the total call minutes in the network grew by 16 per cent and the number of SMS messages increased by 30 per cent.

Mobile communication revenues increased by 5 per cent in spite of declined interconnection fees and equipment sales. Revenue per subscription declined by slightly less than one per cent on the previous year due to lower interconnection fees as of the beginning of the year and lower roaming fees as of September.

The pricing model for mobile calls from Elisa's private customer subscriptions changed in 2007 with the introduction of a start-up fee of EUR 0.049 for mobile calls placed in Finland. The minute rates for subscriptions remained unchanged.

Elisa and other mobile operators have agreed on new interconnection fees for 2007–2008. The operators have also agreed on the calculation principles for the fees for 2009–2010. The interconnection fees levied by operators on each other will go down and the differences will even out. Equal fees will be effective as of 1 December 2009. From 1 January 2007, Elisa's new interconnection fee was 7.0 cents per minute and in 2008, it is 5.1 cents per minute.

Saunalahti was the first company in Finland to start selling Mobile VoIP subscriptions. Saunalahti's service is based on standardised UMA technology. UMA (Unlicensed Mobile Access) combines the GSM network and WLAN networks into a seamless whole, enabling subscription users to even make calls free of charge.

Elisa adjusted its Mobile Broadband prices as of 1 August and its roaming fees in European Union countries as of 30 August.

Studies have proven that the coverage and quality of Elisa's 3G network are the best in the industry. At the end of 2007, Elisa's 3G services covered approximately 75 per cent of the Finnish population in more than 120 municipalities. Elisa was the first in the world to introduce UMTS900 technology into commercial operation. It allows the construction of a 3G network in rural areas and brings 3G services to all of Finland within a few years. The speed of Elisa's 3G network will be substantially increased during 2008, which makes mobile broadband comparable to a very fast fixed broadband subscription. Mobile broadband will enable remote working almost everywhere in Finland.

In December, Elisa introduced the multiSIM service to its customers, enabling the use of the same telephone number in two separate mobile phones or, with a Saunalahti subscription, as many as five separate mobile phones. The service involves a parallel card linked to the mobile subscription's SIM card with the same telephone number.

The mobile communication business of Elisa's Estonian subsidiary continued to grow in terms of revenue as well as in the number of subscriptions. Revenue increased to EUR 113.1 million (102.9), EBITDA to EUR 36.2 million (32.6) and EBIT to EUR 25.2 million (22.5). The number of subscriptions stood at 322,800 (294,500) at the end of 2007.

Fixed network business

Number of subscriptions	31 Dec 2007	31 Dec 2006	Change, %
Broadband subscriptions	521,844	496,300	5
ISDN channels	70,815	76,200	-7
Cable TV subscriptions	237,109	226,000	5
Analogue and other subscriptions	471,542	521,100	-10
Subscriptions, total	1,301,310	1,319,600	-1

The growth of Elisa's broadband subscriptions continued throughout 2007, representing an increase of approximately 25,600 subscriptions or 5 per cent on the previous year. The fourth-quarter increase in broadband was approximately 3,400 subscriptions. Elisa continued as the Finnish broadband market leader.

The number of traditional subscriptions continued to decrease as voice calls shifted to the mobile communication network and data transfers to broadband subscriptions.

At the beginning of July, Elisa reformed the fixed call pricing model for private and corporate customers nationwide. The pricing structure was harmonised so that local calls made from landline subscriptions and the local network fee will have the same price in all of Elisa's areas. In addition, the start-up fee and the minute rate for local calls changed.

Elisa and Microsoft launched a partnership under which Elisa offered Microsoft's corporate products to its corporate customers as a service, providing a real-time opportunity to work in a networked corporate environment independent of time and place. The joint solutions are aimed particularly at small and medium-sized enterprises.

Cisco granted Elisa the highly esteemed Cisco Gold Certified Partner certificate as proof of Elisa's know-how and devotion to the development of innovative communication solutions and customer satisfaction. A Gold Partner masters the design, management and support services of networks, even in demanding environments.

Saunalahti introduced a new type of digital TV set-top box. During normal television viewing, the SaunaVisio set-top box operates as any digital TV set in the antenna network, but when programmes are recorded, they are not recorded in the set-top box's own memory but rather on a virtual disc in the network. Users may record up to five terabytes (5,000 GB) worth of programmes.

Elisa introduced HDTV (High Definition Television) broadcasts to its cable TV network on 3 September 2007. There are initially two HDTV channels but the offering will be substantially increased in the future. Elisa's nationwide cable TV network covers approximately 237,000 households.

The Broadband Super service was introduced in September. It provides households with a data rate as high as 100 Mbps and thus enables the use of services that require increasingly fast connections, such as TV and video on demand. Broadband Super is available apartment-specifically in buildings covered by Elisa's broadband optical fibre network.

In November, Elisa introduced an automatic fault reporting service for broadband customers based on voice recognition. The solution provides customers with an easy and quick way of making fault reports without the need to queue, and the service is available around the clock.

The World Wide Wippies community established by the Finnish online community Wippies in the spring of 2007 expanded at a high rate. At the end of the year, Wippies had approximately 9,000 World Wide Wippies networks in Finland and Sweden. Wippies also operates in Estonia and will expand to other countries.

In December, Elisa launched the new Traxmeet sports service, which is an Internet-based service accessible through a sports computer for training, coaching, virtual competition and internal contacts within sports communities.

Personnel

Elisa employed 3,299 people on average in 2007 (2006 average 4,086 people and 2005 average 4,989 people). Wages and salaries in 2007 totalled EUR 148 million (2006 EUR 173 million, 2005 EUR 194 million). At the end of 2007 the number of personnel was 3,015 (3,592).

Personnel by segments:

	31 Dec 2007	31 Dec 2006	31 Dec 2005
Mobile communications	1,252	1,329	1,629
Fixed network	1,727	2,224	3,001
Other business operations	-	-	-
Corporate functions	36	38	51
Total	3,015	3,592	4,681

Reorganisation of operations within Elisa continued in 2007. Elisa and Barona Solutions Oy agreed upon the outsourcing of Elisa's operations related to order management and invoicing of corporate customers to Barona as of 1 February 2007. In connection with the transfer, 187 employees transferred from Elisa to Barona as established employees. The 16 employees of First Orange Contact Oy acquired by Elisa in February are included in the above figures.

Elisa outsourced the planning and operations of fixed network exchanges to Nokia Siemens Networks on 1 May 2007. Due to the outsourcing, 46 Elisa employees transferred to Nokia Siemens Networks.

In connection with the transfer of PBX remote management from Elisa's Corporate Customers unit, a total of 56 employees transferred to Ericsson.

At the beginning of December, Elisa outsourced its Contact Centre functions related to customer service in Tampere and Jyväskylä to Teleperformance Finland Oy. The outsourcing involved the transfer of 61 Elisa employees.

The statutory negotiations concerning integration and rationalisation measures in Elisa's Consumer Customers and Small Enterprise Customers unit concluded on 4 December 2007. The negotiations resulted in a reduction of 52 employees in the unit. The estimated preliminary need for redundancies was 80 employees. The redundancies were not targeted at employees who are in direct customer service tasks.

EUR 4.3 million of the year's earnings will be transferred to the personnel fund.

In December, Elisa's Board of Directors decided to grant stock options to key employees of Elisa and its subsidiaries, as well as to a fully-owned subsidiary. The stock option scheme is targeted at approximately 150 to 200 key employees who are not included in the share-based incentive plan for senior management decided in 2006. No employee may belong to both the stock option scheme and the share-based incentive plan.

Investments

EUR million	1-12/2007	1-12/2006	1-12/2005
Capital expenditures, of which	206	207	204
- mobile communication business	91	78	86
- GSM leasing liability buy-backs	2	2	4
- fixed network business	113	127	112
- others			2
Shares	12	10	415
- of which achieved through an exchange of shares	5		361
Total	218	218	619

The primary investment targets were the expansion of the 3G network and increases in the speed and capacity of the broadband network, as well as the new invoicing and customer management system, the first phase of which has been introduced into use.

Financial position

The capital structure has been developed in accordance with the established targets by distributing EUR 401 million in dividends and acquiring treasury shares for EUR 86 million. These measures have brought the capital structure to the target level. Elisa's financial position and liquidity remained good. Cash flow after investments amounted to EUR 114 million (118).

On 15 February 2007 Elisa agreed upon the issuance of two bonds totalling EUR 350 million. A three-year floating-rate bond amounts to EUR 50 million while a seven-year bond amounts to EUR 300 million. The bonds were issued under the European Medium Term Note programme. At the same time, Elisa signed a seven-year interest rate swap under which EUR 150 million was converted from fixed rate to floating rate.

In March, Elisa made an arrangement for hedging the financial institution risk associated with a QTE arrangement made in 1999. The risk was hedged using a CDS debt derivative. The hedge was covered by a CDO debt derivative portfolio from approximately 100 issuers with credit ratings corresponding to the original. The arrangement is not expected to have any essential cash or earnings effects.

In September, Elisa sold 7 million Comptel Corporation shares, reducing Elisa's holding in Comptel from 19.9 per cent to 13.4 per cent. The sales price for the shares was EUR 13.2 million, EUR 13.1 million of which was tax-free sales gain. The sales gain was booked as a non-recurring financial income item.

On 23 November 2007 Elisa entered into a seven-year EUR 130 million revolving credit facility. The credit facility is a committed credit limit intended for the enterprise's general financing needs.

Financial key indicators:

EUR million	31 Dec 2007	31 Dec 2006
Net debt	738	377
Gearing, %	71.3	28.7
Equity ratio, %	47.9	63.1
	1-12/2007	1-12/2006
Cash flow after investments	114	118

Valid financing arrangements:

EUR million	Maximum amount	In use on 31 Dec 2007
Committed credit limits	300	0
Commercial paper programme 1)	250	92
EMTN programme 2)	1,000	666

1) The programme is not committed.
2) European Medium Term Note programme, not committed.

Long-term credit ratings:

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

Share

At the end of the year Elisa's total number of shares was 166,307,586 (166,066,016), all within one share series. The closing price was EUR 21.00 (20.75), representing an increase of 1.2 per cent. The market value of Elisa's outstanding shares at the end of the year was EUR 3,323 million (3,360).

Elisa distributed total dividends of EUR 401 million or EUR 2.50 per share in 2007. The company acquired 4 million treasury shares during the period.

As Lounet's merger consideration, 241,570 new Elisa shares were issued and became objects of trading on 1 October 2007.

In 2007, a total of 316 million Elisa shares (247) were traded on the Helsinki Stock Exchange for an aggregate of EUR 6,737 million (4,218). The trading volume was 199.7 per cent of the number of shares on the market (153). Nominee-registered holdings decreased from 47 per cent to 38 per cent. Elisa's shares are also traded on other regulated marketplaces.

At the end of 2007, Elisa had valid stock options corresponding to a maximum of 2,550,000 shares. The options consisted of A, B and C options, 850,000 in each series. The share subscription prices for each option are determined on the basis of the trading-weighted price in November. The price for A options was set at EUR 20.84 in 2007. The prices for B and C options are to be calculated correspondingly in 2008 and 2009. The share subscription period is from 1 December 2009 to 31 May 2013. There is a compelling financial reason to grant the stock options because they are intended to be a part of the incentive and commitment scheme for the Group's key employees. The stock options are granted without consideration.

The General Meeting on 19 March 2007 authorised the Board of Directors to acquire treasury shares to a maximum number of 16,000,000. At the end of the year, Elisa held 8,049,976 shares (4,125,000 held by the company and its subsidiaries at the end of 2006), having a counter value of EUR 4.02 million and representing 4.84 per cent of the share capital and votes.

At the closing of the accounts, the members of the Board of Directors and the CEO held 52,870 Elisa shares, representing 0.03 per cent of the share capital and votes.

On 13 December 2007, Elisa received a notification pursuant to Chapter 2, Section 9 of the Securities Markets Act from Ilmarinen Mutual Pension Insurance Company, Varma Mutual Pension Insurance Company, the State Pension Fund, Etera Mutual Pension Insurance Company and Mutual Insurance Company Pension-Fennia. According to the notification, the parties jointly held more than one-twentieth (5 per cent) of Elisa's shares and votes. The notification indicated that the parties would vote in unison and collect proxies for Elisa's Extraordinary General Meeting on 21 January 2008. Elisa received a notification on 22 January 2008 that the grounds for notification specified in the notice of 13 December 2007 ceased after the conclusion of the Extraordinary General Meeting on 21 January 2008.

The distribution of shareholdings by type of shareholder and size of holding, as well as major shareholders, are presented in section "Shares and shareholders" within the financial statements.

Distributable funds

Elisa's General Meeting on 28 June 2007 decided to transfer the share premium fund of EUR 530 million to the reserve for invested non-restricted equity. The transfer was executed on 5 November 2007.

Elisa's distributable funds at the end of the year were approximately EUR 657 million.

Research and development

The Group invested EUR 8 million in research and development in 2007 (EUR 6 million in 2006 and EUR 8 million in 2005), corresponding to 0.5 per cent of revenue (0.4 per cent in 2006 and 0.6 per cent in 2005). Due to changes in the corporate structure, the figures are not fully comparable with previous years.

Elisa's General Meeting of Shareholders

In accordance with the proposal of the Board of Directors, Elisa's Annual General Meeting on 19 March 2007 decided that a dividend of EUR 0.50 per share for 2006 and an additional dividend of EUR 1.00 per share be distributed, totalling EUR 1.50 per share. The number of members of the Board of Directors was confirmed at six, and the following members were re-elected for the ensuing term, ending at the close of the next Annual General Meeting: Mika Ihamuotila, Pekka

Ketonen, Lasse Kurkilahti, Matti Manner and Ossi Virolainen, while Risto Siilasmaa was elected as a new member.

KPMG Oy Ab, authorised public accountants, with APA Pekka Pajamo as the responsible auditor, was appointed the company's auditor.

The Board of Directors' authorisations

The Annual General Meeting approved the proposal of the Board of Directors to authorise the Board of Directors to decide on increasing the company's share capital and granting special rights. The authorisation is valid until 31 March 2009, and the maximum number of shares to be issued by virtue of it is 30 million. Out of the authorisation, 2,550,000 shares have been used for the stock option scheme and 241,570 shares for the Lounet merger, totalling 2,797,500 shares.

The Annual General Meeting decided on an authorisation to acquire treasury shares. The authorisation otherwise corresponds to the original proposal by the Board of Directors but the number of shares was increased to a maximum of 16,000,000. The authorisation has been used for up to 4 million shares and is valid until 31 August 2008.

Elisa's Extraordinary General Meeting of Shareholders

In accordance with the proposal of the Board of Directors, Elisa's Extraordinary General Meeting on 28 June 2007 resolved to decrease the share premium fund recorded in the balance sheet on 31 December 2006 by EUR 530,412,283.69 by moving all funds in the share premium fund recorded in the balance sheet on 31 December 2006 to the reserve for invested non-restricted equity.

In addition, the Extraordinary General Meeting authorised the Board of Directors to pass a resolution concerning the payment of additional dividends to a maximum amount of EUR 165,000,000 in addition to the resolution to pay dividends made by the Annual General Meeting of Shareholders on 19 March 2007. The dividend may be paid in one or several instalments. The Board of Directors has the right to decide on other matters related to the payment of dividends. The authorisation is valid until the beginning of the following Annual General Meeting of Shareholders.

In accordance with the authorisation granted by the General Meeting, the Board of Directors decided on 31 July 2007 to pay an additional dividend of EUR 1.00 per share. The dividends were paid on 25 October 2007 and totalled EUR 158 million.

Significant legal issues

On 31 October 2007, the Helsinki District Court rendered its verdict in the proceedings concerning the stock exchange disclosures of Jippii Group in 2001. The prosecutor had requested that a corporate fine of EUR 800,000 and a forfeiture of approximately EUR 215,000 be imposed on Elisa's subsidiary Saunalahti Group Plc. In its judgment, the District Court did not impose any corporate fine or forfeiture on the company. The prosecutor has appealed against the decision.

The Estonian communications authority has issued a decision on the level of interconnection fees. Elisa has appealed against the decision, and proceedings are pending. Elion Ettevõtted AS has presented a claim for refunding excess interconnection fees of approximately EUR 1.8 million based on a pricing difference in interconnection fees and also claimed other damages. Elisa has denied the claim.

The Finnish Competition Authority is investigating Elisa's broadband pricing.

Substantial risks associated with Elisa’s operations

Risk management is part of Elisa’s internal auditing system. It aims at ensuring that risks affecting the company’s business are identified, influenced and monitored. The company classifies risks into strategic, operational, insurable 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 business are monitored and regulated by several public authorities. This regulation also affects the price level of some products and services offered by Elisa.

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, which means that growth in subscriptions is limited. Furthermore, the volume of phone traffic in Elisa’s fixed network has decreased in the past few years. These factors may limit the opportunities for growth.

Accident risks:

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

Financial risks:

There were no substantial changes in Elisa’s risk management policy in 2007. Financial risks are described in more detail in the company’s financial statements.

In order to manage interest rate risk, the Group’s borrowing and investments are diversified in fixed- and variable-rate instruments. Interest rate derivatives were used to manage interest rate risk.

Most of Elisa Group’s cash flows are denominated in euro, which means that the exchange rate risk is minor.

The objective of liquidity risk management is to ensure the Group’s financing in all circumstances. The Group’s liquid assets, committed credit limits and investments totalled EUR 317 million at the end of 2007 (EUR 192 million).

Liquid assets are invested within confirmed limits to investment targets with a good credit rating. The business units are liable for credit risk associated with accounts receivable. Credit risk concentrations in accounts receivable are minor as the customer base is wide.

The company used credit derivatives to manage counterparty risks.

Environmental issues

Elisa carries out high-quality and environmentally friendly telecommunications services. The utilisation of these services reduces the need to move people and goods around, which leads to a reduction in traffic.

Elisa monitors the environmental impact of its operations and continuously strives to improve their environmental friendliness. Elisa evaluates suppliers and subcontractors according to their environmental criteria, and improves the awareness of environmental issues among the personnel by openly and regularly providing information on their effects.

Elisa's environment group collected data on the environmental load (energy, water and fuel consumption, waste), followed the development in environmental legislation as well as other areas, and increased environmental awareness among the personnel by directing the operations that contribute to the environmental load.

The principal projects in 2007 included: continuing the design of a standardised environmental management system, further development of the environmental load data reporting system, improving waste sorting and developing the production waste processes.

Diverse cooperation with environmental management companies has continued. Elisa is collaborating with Vodafone, the Association for Environmental Management (www.yjy.fi) and the Ekokumppanit Klubi association (based in Pirkanmaa) on environmental issues.

Events after the financial period

Elisa's Extraordinary General Meeting of Shareholders on 21 January 2008

Elisa's Extraordinary General Meeting was concluded on 22 November 2007 on the request of Novator Finland Oy and held on 21 January 2008. The General Meeting turned down Novator's proposal of releasing the members of Elisa's present Board of Directors from office.

Other events after the financial period

Wholesale prices levied by telecommunications companies on each other declined by approximately one-third of the previous level on 1 February 2008. This was evident as a reduction in the retail prices of calls placed to corporate numbers, for example.

Outlook for 2008

Competition in the Finnish telecommunications market remains challenging, while the focus is increasingly on services. The use of mobile communications and broadband products is continuing to rise. Elisa's aim is to further reinforce its position as the service leader.

Elisa's revenue is expected to increase on the previous year. Elisa expects to see an improvement in full-year EBITDA and EBIT excluding non-recurring items. The contributory factors include the growth in the 3G market and the efficiency measures.

Full-year capital expenditures are expected to be 10 to 12 per cent of revenue, and cash flow will substantially improve on the previous year due to factors such as change in net working capital.

Capital repayment

In accordance with Elisa's profit distribution policy, profit distribution is 40–60 per cent of the profit for the financial period. Distribution of profit includes dividend payment, capital repayment and purchase of treasury shares.

The Board of Directors proposes to the General Meeting that capital be repaid to shareholders to the amount of EUR 1.80 per share on the basis of the balance sheet of 31 December 2007 approved by the General Meeting. EUR 0.80 per share is in accordance with the profit distribution policy, and EUR 1.00 constitutes additional distribution of funds to develop the capital structure.

The capital repayment corresponds to 130 per cent of the period’s earnings. The Board of Directors proposes that the funds be distributed out of the reserve for invested non-restricted equity. Shareholders who are listed in the company’s register of shareholders maintained by the Finnish Central Securities Depository Ltd on 25 March 2008 are entitled to funds distributed by the General Meeting. The Board of Directors proposes that the payment date be 1 April 2008. The profit for the period shall be added to accrued earnings.

Furthermore, the Board of Directors decided to propose to the General Meeting that the Board of Directors be authorised to acquire 15 million treasury shares, which corresponds to 9 per cent of the entire stock.

The Board of Directors also decided to propose to the General Meeting that the Board of Directors be authorised to distribute funds out of the retained earnings account or the reserve for invested non-restricted equity to a maximum of EUR 250 million.

The parent company’s distributable proceeds at year-end amounted to EUR 657 million.

BOARD OF DIRECTORS

Elisa Corporation

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CONSOLIDATED INCOME STATEMENT

EUR million	Note	**10-12 2007**	10-12 2006	**1-12 2007**	1-12 2006
Revenue	1	**402,1**	400,7	**1 568,4**	1 518,4
Other operating income		**1,3**	2,0	**21,0**	8,7
Materials and services		**-177,3**	-182,4	**-707,0**	-689,3
Employee benefit expenses		**-50,7**	-53,7	**-181,2**	-213,9
Other operating expenses		**-49,3**	-48,4	**-201,8**	-189,4
EBITDA	1	**126,0**	118,2	**499,4**	434,5
Depreciation		**-51,9**	-47,8	**-197,4**	-209,1
EBIT	1	**74,2**	70,4	**302,0**	225,4
Financial income		**3,8**	4,2	**27,9**	9,8
Financial expense		**-12,6**	-5,6	**-44,7**	-23,5
Share of associated companies' profit		**0,0**	0,1	**0,0**	0,1
Profit before tax		**65,4**	69,1	**285,2**	211,8
Income taxes		**-15,2**	-18,1	**-64,9**	-50,4
Profit for the period		**50,2**	51,0	**220,3**	161,4
Attributable to:					
Equity holders of the parent		**50,1**	50,7	**219,8**	160,3
Minority interest		**0,1**	0,3	**0,5**	1,1
		50,2	51,0	**220,3**	161,4
Earnings per share (EUR)					
Basic		**0,32**	0,31	**1,38**	0,97
Diluted		**0,32**	0,31	**1,38**	0,97
Average number of outstanding shares (1000 shares)					
Basic		158 258	163 885	159 417	165 417
Diluted		158 258	163 885	159 417	165 417

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CONSOLIDATED BALANCE SHEET

EUR million	**31.12. 2007**	31.12. 2006
Non-current assets		
Property, plant and equipment	**637,3**	645,5
Goodwill	**773,6**	772,3
Other intangible assets	**194,5**	190,4
Investments in associated companies	**0,1**	0,4
Available-for-sale investments	**30,9**	48,4
Other receivables	**7,3**	4,8
Deferred tax receivable	**31,7**	33,7
	1 675,4	1 695,5
Current assets		
Inventories	**28,5**	38,4
Trade and other receivables	**454,8**	334,8
Cash and cash equivalents	**16,9**	22,2
	500,2	395,4
Total assets	**2 175,6**	2 090,9
Equity attributable to equity holders of the parent	**1 033,4**	1 307,6
Minority interest	**2,0**	4,7
Total equity	**1 035,4**	1 312,3
Non-current liabilities		
Deferred tax liabilities	**34,9**	36,3
Provisions	**7,3**	8,2
Interest-bearing debt	**627,3**	321,1
Other non-current liabilities	**24,6**	16,1
	694,1	381,7
Current liabilities		
Trade and other payables	**303,2**	287,5
Tax liabilities	**10,8**	28,7
Provisions	**4,1**	2,7
Interest-bearing debt	**128,0**	78,0
	446,1	396,9
Total equity and liabilities	**2 175,6**	2 090,9

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STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Share issue premium	Treasury shares	Other reserves	Reserve for invested non-restricted equity	Retained earnings	Minority interest	Total equity
Total equity at 1.1.2006	83,0	530,4	-2,5	418,9		307,5	12,4	**1 349,7**
Available for sale investments				3,4				**3,4**
Other changes				-0,2		-0,5		**-0,7**
Items recognised directly in equity				3,2		-0,5		**2,7**
Profit for the period						160,3	1,1	**161,4**
Total recognised income and expense for the period				3,2		159,8	1,1	**164,1**
Acquisitions of subsidiaries			-0,2				-5,8	**-6,0**
Dividends						-116,2	-3,0	**-119,2**
Purchase of treasury shares			-79,4					**-79,4**
Sales of treasury shares			0,8			0,1		**0,9**
Share based compensation						2,2		**2,2**
Total equity at 31.12.2006	83,0	530,4	-81,3	422,1		353,4	4,7	**1 312,3**
Total equity at 1.1.2007	83,0	530,4	-81,3	422,1		353,4	4,7	**1 312,3**
Share premium reduction and transfer		-530,4			530,4			
Available for sale investments				-18,2				**-18,2**
Other changes						1,6		**1,6**
Items recognised directly in equity		-530,4		-18,2	530,4	1,6		**-16,6**
Profit for the period						219,8	0,5	**220,3**
Total recognised income and expense for the period		-530,4		-18,2	530,4	221,4	0,5	**203,7**
Acquisitions of subsidiaries					5,3	-0,8	-2,8	**1,7**
Dividends						-401,7	-0,4	**-402,1**
Purchase of treasury shares			-85,6					**-85,6**
Sales of treasury shares			1,1			0,4		**1,5**
Share based compensation						3,9		**3,9**
Total equity at 31.12.2007	83,0		-165,8	403,9	535,7	176,6	2,0	**1 035,4**

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CONSOLIDATED CASH FLOW STATEMENT

EUR million	1-12 2007	1-12 2006
Cash flow from operating activities		
Profit before tax	**285,2**	211,8
Adjustments		
Depreciation	**197,4**	209,1
Financial income and expenses	**16,8**	13,7
Gains and losses on disposal of fixed assets	**-14,7**	-3,2
Gains and losses on disposal of shares	**-0,1**	-0,9
Change in provisions in the income statement	**0,5**	-1,9
Other adjustments	**1,1**	0,6
	201,0	217,4
Change in working capital		
Change in trade and other receivables	**-116,0**	-95,4
Change in inventories	**10,0**	-18,1
Change in trade and other payables	**6,5**	36,7
	-99,5	-76,8
Dividends received	**1,2**	1,0
Interest received	**6,8**	7,3
Interest paid	**-26,9**	-25,8
Taxes paid	**-82,2**	-0,3
Net cash flow from operating activities	**285,6**	334,6
Cash flow from investments		
Acquisition of subsidiaries net of cash acquired	**-4,2**	-25,3
Capital expenditure	**-203,7**	-205,7
Purchase of available-for-sale investments	**-2,0**	-0,1
Proceeds from sale of subsidiaries		4,5
Proceeds from sale of associated companies	**0,3**	
Proceeds from asset disposal	**23,8**	5,1
Proceeds from sale of available-for-sale investments	**14,1**	1,1
Non-current receivables		4,2
Net cash flow from investments	**-171,7**	-216,2
Cash flow from financing activities		
Purchase of treasury shares	**-85,6**	-79,4
Proceeds from treasury shares	**1,7**	1,0
Proceeds from long-term borrowings	**350,0**	
Repayment of long-term borrowings	**-44,2**	-122,4
Change in short-term borrowings	**67,0**	25,0
Repayment of finance lease liabilities	**-6,7**	-9,5
Dividends paid	**-401,4**	-123,6
Net cash from/used in financing activities	**-119,2**	-308,9
Change in cash and cash equivalents	**-5,3**	-190,5
Cash and cash equivalents at beginning of period	**22,2**	212,7
Cash and cash equivalents at end of period	**16,9**	22,2

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NOTES

BASIS OF PREPARATION

Consolidated Financial Statements have been prepared in accordance with the IFRS recognition and measurement priciples, although all requirements of IAS 34 standard have not been followed.
The consolidated financial statements have been prepared in accordiance with International Financial Reporting Standards (IFRS) effective at the time of preparing and adopted for use by European Union.
The accounting principles applied in the Consolidated Financial Statements are the same as those applied in the Consolidated financial statements at 31 December 2006.

The Group adopted the following standards, amendments to standards and interpretations as from 1 January 2007 onward:
IFRS 7 Financial Instruments; Disclosure
IAS 1 Presentation of Financial statements; Capital Disclosures
IFRIC 8 Scope of IFRS 2
IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 10 Interim Financial Reporting and Impairment

These newly adopted standards and interpretations have not had any effect on Consolidated Financial Statements.

1. BUSINESS SEGMENT INFORMATION

10-12/2007		**Fixed**	**Other**	**Unallocated**		**Group**
EUR million	**Mobile**	**Network**	**business**	**items**	**Eliminations**	**Total**
External sales	247,7	154,4				402,1
Inter-segment sales	5,1	7,3			-12,4	0,0
Revenue	252,8	161,7			-12,4	402,1
EBITDA	79,6	46,7		-0,3		126,0
EBIT	51,7	22,8		-0,3		74,2
Financial income and expense				-8,8		-8,8
Share of associated companies' profit						0,0
Profit before tax						65,4

10-12/2006		**Fixed**	**Other**	**Unallocated**		**Group**
EUR million	**Mobile**	**Network**	**business**	**items**	**Eliminations**	**Total**
External sales	247,7	153,0				400,7
Inter-segment sales	5,1	9,3			-14,4	0,0
Revenue	252,8	162,3			-14,4	400,7
EBITDA	76,4	43,4		-1,6		118,2
EBIT	53,8	18,8		-2,2		70,4
Financial income and expense				-1,4		-1,4
Share of associated companies' profit				0,1		0,1
Profit before tax						69,1

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1-12/2007 EUR million	**Mobile**	**Fixed Network**	**Other business**	**Unallocated items**	**Eliminations**	**Group Total**
External sales	959,7	608,7				1 568,4
Inter-segment sales	20,2	33,5			-53,7	0,0
Revenue	979,9	642,2			-53,7	1 568,4
EBITDA	299,5	206,0		-6,1		499,4
EBIT	194,8	113,4		-6,2		302,0
Financial income and expense				-16,8		-16,8
Share of associated companies' profit						0,0
Profit before tax						285,2
Investments in associated companies				0,1		0,1
Total assets	1 516,6	571,9		87,1		2 175,6
Total liabilities	174,9	162,3		803,0		1 140,2
Investments	92,8	113,6				206,4

1-12/2006 EUR million	**Mobile**	**Fixed Network**	**Other business**	**Unallocated items**	**Eliminations**	**Group Total**
External sales	905,5	612,8	0,1			1 518,4
Inter-segment sales	24,4	52,2			-76,6	0,0
Revenue	929,9	665,0	0,1		-76,6	1 518,4
EBITDA	259,0	181,1		-5,6		434,5
EBIT	161,7	70,6		-6,9		225,4
Financial income and expense				-13,7		-13,7
Share of associated companies' profit				0,1		0,1
Profit before tax						211,8
Investments in associated companies				0,4		0,4
Total assets	1 384,2	597,0		109,7		2 090,9
Total liabilities	181,2	170,8		426,6		778,6
Investments	80,0	127,4				207,4

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2. OPERATING LEASE COMMITMENTS

EUR million	**31.12. 2007**	31.12. 2006
Due within 1 year	**16,3**	21,5
Due after 1 year but within 5 years	**35,3**	37,8
Due after 5 years	**21,1**	21,4
Total	**72,7**	80,7

3. CONTINGENT LIABILITIES

EUR million	**31.12. 2007**	31.12. 2006
Mortgages, pledges and guarantees		
Pledges given		
Pledges given as surety	**1,3**	0,7
Guarantees given		
For others (*	**42,3**	0,5
Mortgages, pledges and guarantees total	**43,6**	1,2
Other commitments		
Repurchase commitments	**0,2**	0,4
Contingent liabilities in QTE-arrangement		
Lease-leaseback agreement (QTE facility)		
Total value of the arrangement	**137,9**	154,1
Termination risk	**14,5**	18,6

**) 40,8 milj. euros is related to hedging of the guarantor bank in the QTE-arrangement*

4. DERIVATIVE INSTRUMENTS

EUR million	**31.12. 2007**	31.12. 2006
Interest rate swaps		
Nominal value	**150,0**	
Fair value recognised in the balance sheet	**-3,0**	
Credit default swaps (*		
Nominal value	**45,6**	
Fair value recognised in the balance sheet	**1,0**	

**) CDS is related to hedging of the guarantor bank in the QTE-arrangement*

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KEY FIGURES

EUR million	**1-12 2007**	1-12 2006
Shareholders' equity/share, EUR	**6,53**	8,07
Interest bearing net debt	**738,4**	376,9
Gearing	**71,3 %**	28,7 %
Equity ratio	**47,9 %**	63,1 %
Return on investment (ROI) *)	**18,8 %**	13,2 %
Gross investments in fixed assets	**206,4**	207,4
of which finance lease investments	**2,7**	1,7
Gross investments as % of revenue	**13,2 %**	13,7 %
Investments in shares,	**12,4**	10,3
Average number of personnel	**3 299**	4 086

*) rolling 12 months profit preceding the reporting date

Formulae for financial indicators

Gearing %

$$\frac{\text{Interest-bearing debt - cash and cash equivalents}}{\text{Total equity}} \times 100$$

Equity ratio %

$$\frac{\text{Total equity}}{\text{Balance sheet total - advances received}} \times 100$$

Return on investment % (ROI)

$$\frac{\text{Profit before taxes + interest costs and other financial expenses}}{\text{Balance sheet total - non-interest bearing liabilities (average)}} \times 100$$

Net debt: Interest-bearing debt - cash and cash equivalents

Shareholders' equity/share

$$\frac{\text{Equity attributable to equity holders of the parent}}{\text{Number of shares outstanding at end of period}}$$

Earnings/share

$$\frac{\text{Profit for the period attributable to equity holders of parent}}{\text{Average number of outstanding shares}}$$