Annual Report 2011

elisa

Content

Shareholder information

Annual General Meeting

Elisa's Annual General Meeting 2012 will be held at the Helsinki Fair Center, Congress entrance, Messuaukio 1, Helsinki, at 2:00 pm on Wednesday, 4 April 2012.

Shareholders registered in the company's shareholder register maintained by Euroclear Finland Ltd by Friday, 23 March 2012, are eligible to attend the Annual General Meeting.

A shareholder, who is registered in the shareholders' register of the company and who wants to participate in the Annual General Meeting, shall register for the Meeting no later than Friday, 28 March 2012 at 6:00 p.m. by giving a prior notice of participation. Such notice can be given:

a) through Elisa's website www.elisa.fi/annualgeneralmeeting (available only for directly registered shareholders);
b) by e-mail elisa.yhtiokokous@yhteyspalvelut.elisa.fi;
c) by telephone +358 800 0 6242 from Monday to Friday at 8:00 a.m.–6:00 p.m.;
d) by telefax +358 10 262 2727; or
e) by regular mail to Elisa Corporation, Yhtiökokousilmoittautumiset, PO Box 138, FI-33101 Tampere.

Shareholders are entitled to make proposals at the Annual General Meeting and to address the meeting. Shareholders will exercise their voting rights based on the number of shares they hold. Each share carries one vote, and final decisions are made by voting.

Profit distribution policy

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

The Board of Directors proposes to the Annual General Meeting that the profit for the period 2011 shall be added to accrued earnings and that a dividend of EUR 1.30 per share be paid based on the adopted financial statements 2011. The dividend will be paid to the shareholders registered in the Register of Shareholders held by Euroclear Finland Ltd on the record date Wednesday, 11 April 2012. The Board of Directors proposes that the dividend be paid on Wednesday, 18 April 2012.

Financial information

In addition to an annual report in electronic format, Elisa will publish interim reports on 27 April 2012, 13 July 2012 and 19 October 2012 in Finnish and in English. The annual report will be available in electronic format at www.elisa.fi.

The annual report, interim reports, information about the Annual General Meeting, stock exchange releases and other investor information are also posted on Elisa's website at www.elisa.com under the heading Investors.

The contact person for Elisa's Investor Relations:

Vesa Sahivirta
Director, IR and Financial Communications
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Elisa in brief

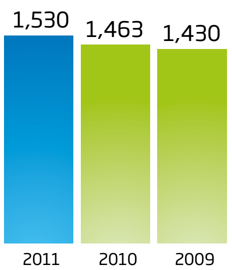
Elisa's position as an efficient network service provider is strong. In addition to this role, company offers and develops interesting new services, tailor-made for our customers. ICT services aimed at corporate customers and online services aimed at consumer customers are on the increase.

Elisa is a telecom and ICT service company and it is listed on NASDAQ OMX Helsinki's Large Cap list. Elisa serves about 2.2 million consumer customers, corporate customers and public administration organizations regionally by delivering superior user experiences to Finns and increasing the productivity of business with online and ICT services. As the market leader of mobile subscriptions, Elisa provides its customers with the fastest and most extensive networks in Finland. Our services are offered worldwide in cooperation with Vodafone and Telenor. Our business operations comprise consumer customers business and corporate customers business. We operate under two brands: Elisa and Saunalahti.

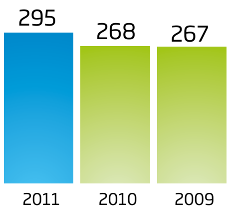
The competitive environment in Finland was intense but stable in 2011. The favorable development in the number of mobile subscriptions and the use of data services continued. The smartphone market grew very fast. When a wider range of phones became available, smartphones accounted for about two-thirds of all mobile phones sold. This further increased the use of mobile data services. Furthermore, the growth was promoted by mobile broadband services and the use of several terminal devices for different purposes. The number and use of traditional fixed network subscriptions decreased further. However, the number of fixed broadband subscriptions increased primarily due to the growth in new services.

Elisa's profit distribution in 2011 included a EUR 0.90 per share dividend, which was paid in April. Shareholders also received an extra dividend of EUR 0.40 per share in November.

Revenue
EUR million



EBIT
EUR million



Key indicators:

EUR million	2011	2010	2009
Revenue	1,530	1,463	1,430
EBITDA	506	485	484
EBIT	295	268	267
Profit before tax	265	197	235
Net result	201	151	177
Earnings per share, EUR	1.29	0.96	1.13
Research and product development	5	10	10
Investments in shares	0	35	6
Capital expenditures	197	184	171
Equity ratio, %	42	43	46
Gearing, %	94	93	80
Employees on 31 Dec	3,772	3,665	3,331

Report of the CEO

Elisa succeeds well in 2011

In 2011, economic uncertainty in Europe and Finland was a major theme. Despite this uncertainty, however, the demand for ICT services remained strong. This strength is, to a large extent, a reflection of how important ICT is in modern society. Simply put, our services are an integral part of making the daily life of Finnish and Estonian people easier. However, this stable demand is based on the services being affordable. Studies show that the prices of telecommunication services in Finland are below the average prices in the EU. Telecommunications is the only product group in Finland that is less expensive than the EU average.

Consumers and companies showed an increasing interest in new services. On the consumer side, a growing number of customers want entertainment services that provide superior user experiences. On the company side, customers are looking to improve their productivity with quickly deployable video-based communication solutions. Some of this demand can be seen in the continually growing popularity of smart phones and tablets. In 2010, the share of smart phones in the total sales volume of telephones was 2 per cent. In 2011, that figure increased to 74 per cent.

Overall, Elisa's revenue and earnings developed well, and in line with the outlook given at the beginning of the year. Our market position and competitiveness developed strongly, despite the highly competitive environment. Our number of subscriptions increased in both fixed broadband and mobile services, where we exceeded the level of 4 million users. Likewise, the use of new consumer services and work-enhancing ICT solutions increased clearly during the year.

Strategy showing results

Throughout the year, we continued to implement our strategy. All the key elements have progressed as planned: the development of one Elisa, the strengthening of our market position and the provision of new services to our customers. Strong investments in our invoicing and delivery capabilities have produced improvements. Our operating methods are developing the benefits of which we can clearly see in our good results for customer satisfaction in the Extended Performance Satisfaction Index (EPSI).We are number one in the sector in mobile services and mobile broadband services. In customer service, the processing of customer feedback has developed, for which we were rewarded in the Best of the Year 2011 customer service competition. These are steps forward, but we still have considerable potential to improve. The goal is to serve our customers with continuously enhanced services. To this end, we will enthusiastically continue this work.

Our basic telecommunications services also improved strongly. Significantly, we introduced 4G speeds to Finland's most comprehensive 3G network. These even faster mobile data connections have now been available in more than one hundred localities.

The demand for new services has grown considerably. The Elisa Viihde service once again showed strong development, with the number of customers exceeding 100,000. We added many new features and a lot of exciting new content, including a tablet application that expanded our customers' access to the service. In 2011, we launched Finland's most extensive range of electronic books. Elisa Kirja offers e-books and audio books from all the major Finnish publishers, readable on a range of devices. The demand for the Elisa Vahti home security service also developed well during the year.

For our corporate customers, we introduced a number of new services to improve productivity. Elisa has been in the vanguard of global development of work-enhancing ICT services. We were the first in the world to introduce a scalable high-definition video conference service for mobile terminal equipment. Our customers were the first to enjoy packaged daily traveller prices in the EU and outside it. The service makes managing the costs of data use abroad easier. We were also the first in Finland to grant mobile certificates.

Elisa has been a pioneer in environmental areas as well. We were the first telecommunication and ICT service company to publish the emissions savings of our services. For example, through the cloud services produced in Elisa's server centers, our customers can reduce their energy consumption by more than 90 per cent. Solutions that improve energy efficiency and reduce traveling, cloud services and technological development all play a key role in emissions saving.

For all our success, we can thank our loyal customers and the excellent Elisa employees.

Elisa's revenue developed well and increased by 4.6 per cent in 2011. Among European operators, our rate of growth was at the top level. Our earnings also grew, and our financial position stayed strong in 2011. On the basis of the good earnings trend, strong cash flow and good equity ratio, the Board of Directors is also proposing a distribution of profits at the Annual General Meeting in the spring. The distribution will, once again, be at the top level among Finnish listed companies.

Elisa also believes strongly in its responsibility as a corporate citizen. In addition to the significant payment of taxes, Elisa invested heavily in network and service systems that benefit all. In 2011, we were the most significant investor in the sector. Our investments in the development of the Finnish ICT infrastructure were EUR 190 million. People's increasing need for wireless data transmission and the high popularity of smart phones have boosted Elisa's investments in its 3G network in particular, which has been determined to be the most comprehensive in Finland in an independent study. This enables Elisa and Saunalahti to guarantee their customers trouble-free mobile services throughout the country. We continuously develop the network based on the information we receive from customers and studies.

Of course, it's to our customers that we owe a huge debt of gratitude. They use our services and place their trust in Elisa. When our customers are active and demanding, it helps us to develop our operations and create even better value in the daily lives of our customers. We also wish to thank our shareholders for their trust in Elisa's strategy and its execution.

In addition, I would like to thank all Elisa employees for their professional and committed work, which contributed so much to our success in 2011. Our investments in coping at work and the coaching of supervisors, in particular, have produced results and the satisfaction of our personnel has improved. During the year, we focused on building an inspiring workplace that promotes commitment and encourages excellent achievements.

In the coming year, we will continue to focus on improving customer satisfaction and productivity. Expect more innovations and an ever more diverse service range. With such a strong foundation, I am confident in saying that our business operations will develop positively in 2012 as well.

Veli-Matti Mattila
CEO

Consumer Customers unit

The Elisa Consumer Customers unit offers services to Finnish consumers. Our mission is to offer our customers subscriptions that are unrivaled in their price/quality ratio with world-class performance and online services that deliver superior user experiences.

The business of the Elisa Consumer Customers unit continued to develop positively in 2011. We exceeded a significant limit in the service business during the year: the milestone of the 100,000-user mark was exceeded in the Elisa Viihde service. A total of about 3.6 mobile and fixed network subscriptions are available to the consumer customers. Of the total, mobile subscriptions account for 2.8 million, fixed network subscriptions 178,000 and fixed broadband subscriptions 389,000. The number of customers using cable TV services is 253,000.

Customer service investments paid off

We developed our customer service with the feedback obtained from our customers and modernized our customer service site. As a result, the site is now easier to use and offers more information than before. The services most often needed by the customers have been grouped in distinct packages. We added a feature in the Saunalahti online customer service to enable customers to follow in real time the progress and delivery time of their subscription order. Our investment in the use of customer feedback for operational development was also recognized: in the Best of the Year 2011 customer service competition, our customer service was awarded the Best Practices honorable mention for making full use of customer feedback and providing support for customer service personnel. The investment is also visible in customer satisfaction: churn has remained at a low level and studies show that Saunalahti subscription users are the most satisfied customers in Finland (EPSI Rating survey 2011).

4G speeds for over a hundred locations and investments in optic fiber network connections

In the subscription business, the sale of mobile broadband connections in particular has greatly increased throughout the year. Studies show that the Elisa 3G network is the fastest and most extensive in Finland, and Elisa's position as the market leader in mobile broadband connections is strong. We made further investments in the mobile broadband service in 2011 and upgraded wireless networks to a new level by providing over a hundred locations with 4G speeds by the end of the year. The popularity of the fixed broadband remained stable while the number of subscriptions continued to increase. The availability of superfast fixed broadband connections was significantly expanded through increased investments in the optic fiber network construction.

" We made investments in the mobile broadband service in 2011 and upgraded wireless networks to a new level by providing over a hundred locations with 4G speeds by the end of the year.




Offering online experiences – as the first provider in Finland

The Elisa Viihde service exceeded the expectations set for it and surpassed the 100,000-user mark. We developed the service further with new smart features and put new contents on the market during the year. An exclusive contract with the Nordic film distributor Nordisk Film provided the Elisa Viihde video rental service with a wide range of domestic films, in addition to abundant foreign offerings. We made history in the fall of 2011 by arranging a film premiere for the first time in Finland simultaneously both in the Elisa Viihde video rental service and movie theatres.

The versatility of the Elisa Viihde entertainment content was also increased in the field of music by launching a karaoke feature for the service. In the fall of 2011, Elisa Studio broadcasted Lauri Tähkä's album release gig exclusively to Elisa Viihde customers through a live stream function.

At the end of the year, we enabled the use of tablet applications together with the Elisa Viihde service to help customers watch their recordings also with an iPad or Android tablet.

In the Elisa Kirja service, we launched the most extensive Finnish language e-book selection, including electronic and audio books from all of the most significant Finnish publishers. Moreover, the cooperation with publishers enabled us to offer our customers literature that is only available to Elisa Kirja customers. Among other achievements, we published the first books exclusively through the Elisa Kirja service in cooperation with CrimeTime and WSOY publishing houses. Elisa also had a significant presence at book fairs in the fall of 2011.

The Elisa Vahti service has increased its popularity as a real-time video service favored by consumers.

Elisa Shopit outlets of the new era

Elisa opened two modern Elisa Shopit outlets in 2011, one in Jyväskylä and the other in Tampere. In the modern outlet, customers can either alone or with the support of the personnel familiarize themselves with the most sophisticated equipment and services through interactive presentations. The target is to facilitate the selection and use of Elisa services, Saunalahti subscriptions and different devices.

In the Oma Guru service, some personnel at outlets provide customers with guidance related to equipment installations, use and possible problem situations.

Superior user experiences and strong subscription business next year as well

We will continue to determinedly implement our strategy in 2012. Our objective is to retain and strengthen our position as the market leader for mobile subscriptions by offering our customers the best value for money. We will continue to develop our service business and deliver unforgettable user experiences to our customers. Our key objective is to invest in customer service quality both in self-service channels and telephone services by making even better use of customer feedback than before.

Success continues in Estonia

In 2011, the Consumer Customers unit performed well in Estonia: the number of subscriptions increased by 14 per cent to 411,000, and the growth in mobile data subscriptions was very strong. The rapidly increasing popularity of smartphones in Estonia as well helped increase sales. Almost all phones sold to customers were provided with a data package. Elisa clearly benefitted most from the transfer of phone numbers from one operator to another. Elisa's Zen prepaid subscription continued to be the most popular choice among young people.

Corporate Customers unit

The Elisa Corporate Customers unit offers complete ICT services that help organizations develop their competitiveness and operations, as well as improve their productivity. We want to understand challenges related to our customers' business and communications needs, and develop our services continuously to meet customer requirements.

The Corporate Customers unit supports the business of about 150,000 organizations in Finland and internationally. The popularity of smartphones and tablet computers has greatly increased and their use diversified. In 2011, unit operations focused on providing online cloud services and video solutions, and witnessed an exponential growth of data traffic. The number of mobile subscriptions rose to 888,400 during the year.

To better meet customer needs, we divided Corporate Customers unit operations into four business units at the beginning of 2011. As a result, we have been able to develop our services into a more customer-driven direction. With innovative services and the support of professional employees, the Customer Interaction Service Business unit helps our customers provide their own customers with first-rate and efficient services in optional channels.

The Visual Communications business unit offers video solutions to enable more versatile interaction than ever, and digital signage solutions to improve sales and marketing. The IT business unit focuses on IT outsourcing solutions and equipment-independent IT cloud services. The Connectivity business unit provides our customers with seamless voice and data communications services, versatile terminal devices and secure data network solutions that enable them to continue with their business operations efficiently.

Videra and Appelsiini Finland, the subsidiaries acquired by Elisa in 2010, expanded our service range further.

Video solutions to revolutionize corporate communications

The popularity of video solutions has increased rapidly. Together with Videra, Elisa was the first in the world to implement the possibility for HD video conferencing in mobile terminal devices. New video conference services enable participants to engage in video conferences with a mobile phone, tablet computer or a laptop, or by being present in the video conference room. This makes working more flexible.

The increasing popularity of online services and the success of an increasing number of organizations depend on the functionality of electronic service solutions. Elisa was the first in the world to offer a video conferencing connection as part of our customer service. Organizations can now use their resources more flexibly as unoccupied customer service clerks are available online in a manner chosen by consumers anywhere and at any time.

We have improved our operations and reduced our carbon footprint by using our own services and modernizing our operating methods. We started to use Elisa Media Table and Elisa Virtual Conferencing solutions at our corporate service points and in the recently opened Elisa Shopit outlets. The virtual conferencing solution makes it possible, for instance, to contact a technical expert easily for discussion, no matter what the distance is.

"In 2011, operations focused on providing online cloud services and video solutions, and witnessed an exponential growth of data traffic.

Cloud solutions enable flexible working

In 2011, we strengthened our foothold as the provider of IT services. Combining Elisa's and Appelsiini's expertise and service offerings brought domestic, high-rate IT outsourcing and cloud computing services within reach for Elisa's customers. For example, the use of cloud-based application and data center services will release customer resources, save money and increase flexibility in the constantly changing business environment.

Savings will be achieved not only with technology, but also with the new operating methods enabled by the technology. The cloud computing service provides customers with office applications for mobile working as the applications can be used anywhere and at anytime. We strengthened our position as the provider of cloud computing services and introduced Elisa Office 365, which combines online email, office and instant messaging.

Multi-channel electronic service

Elisa provided the most extensive 3G network in Finland with 4G speeds, which facilitates mobile working. Together with Telenor and the leading mobile operator in the world, Vodafone, Elisa can guarantee flexible online working opportunities for the customers in foreign locations as well. We were the first in Finland to bundle day-specific data transfer prices into the Daily Traveller service, which makes pricing and cost management easier.

The growing popularity of mobile terminal devices and electronic services increases the significance of secure identification. The Elisa Mobile Certificate service provides consumers with an electronic identity card for electronic business. Elisa was the first provider to award this certificate to consumers. Together with our corporate customers, we launched the first services that require mobile certification. We facilitated mobile payment solutions by launching the My Invoice service, which enables the use of the corporate subscription for personal online services.

Virtual working to develop further next year

Data traffic continues to grow strongly, which increases the demand for cloud computing services. The significance of personal interaction in organizations will increase and the use of video solutions will gain more popularity. The popularity of video-based virtual customer service and interactive video displays will increase. Interactive services can be used in new ways in different sectors, such as for health care and home care services.

Successful business in Estonia

The past year was good for the Corporate Customers unit in Estonia: the number of subscriptions increased by 13 per cent to 88,300, and the number of mobile data subscriptions grew significantly. Elisa launched a flexible and easy-to-use Ring system for its corporate customers to replace the traditional Private Branch Exchange (PBX). Smartphones and tablet computers were offered to them in a package comprising not only the device, but also voice and data services. Elisa arranged an event called "Smartwork with Elisa" that gathered over 400 corporate decision-makers to discuss the outlook for the ICT sector.

Personnel

In 2011, Elisa continued to strengthen the results and goal oriented work culture where people strive for excellence and continuous improvement. The focus areas for development were to promote inspiring and assertive leadership and the well-being of personnel at work.

Elisa's personnel, supervisors and management work together to develop Elisa into a first-class workplace that operates with excellence for the best of its customers. Elisa intends to attract flexible and change-capable team players, innovative and committed experts, with a passion to develop services that deliver superior user experiences and overall solutions that improve productivity for Elisa's customers. These experts must also ensure Elisa's technical performance and operational efficiency.

Work community development and well-being

Possibilities to coordinate work and leisure time are important drivers with regard to personnel's work satisfaction, well-being at work and high performance. If applicable, teleworking was considered to be an efficient and productive working method. Benefits at Elisa consist of flexibility at work and flexible working hours, the possibility to get a day off when necessary, clear objectives and their monitoring, supervisory work, strong team spirit and the promotion of equality.

A personnel survey conducted in September 2011 showed that employee work satisfaction, management satisfaction and employer satisfaction had further improved. Efficiency of appraisals, equal opportunities for men and women to develop in their work, receipt of feedback and regular monitoring related to achievement of objectives improved significantly in 2011. Survey results were discussed under the leadership of supervisors. A Resource Index will be conducted quarterly in 2012 to monitor the results of the development actions that were co-decided by the personnel and the supervisors.

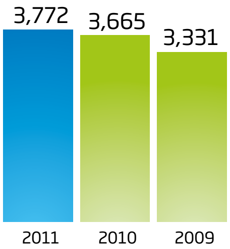
Intensive cooperation with the occupational health care organization is very important to the personnel's well-being. In 2011, the focus in collaboration was in proactive intervention, personnel well-being and providing a smooth return to work after long sick leaves.

> "Work environment operations aim to support Elisa's business and promote Elisa's appeal as an employer through developing a safe and healthy work environment.

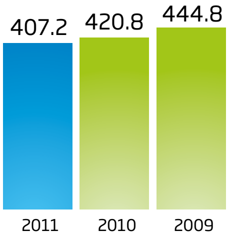
Regional recreational activities enable Elisa's employees working in different locations to exercise and take advantage of cultural activities together. Team sports, going to the gym, employees' exercise breaks and instructed walking and exercise classes continued to be very popular activities among employees. Several Elisa employees took part in half and full marathons in 2011. Long-term coaching programs designed for improving well-being were continued and the employees engaged in those programs focused on getting physically fitter, improving their vitality and adopting a healthier lifestyle.

One of the key drivers of well-being for employees is the opportunity to influence their work and work environment. Elisa intends to launch a Change Planning process every time when the business must undergo changes that affect the number of employees and/or their job descriptions, or other factors central to work content. This process calls for active personnel participation. Elisa has paid special attention to this on the basis of the feedback obtained from employees in 2011. The objective set for 2012 is to enable every change project to strengthen the opportunities of the employees to influence, and improve personnel work satisfaction and coping.

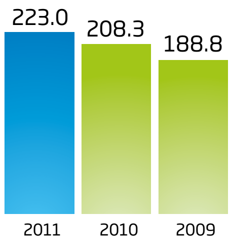
Number of employees
Person



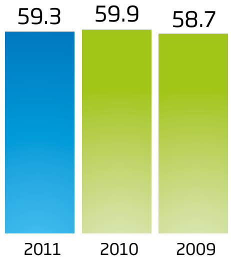
Revenue per employee
EUR 1,000



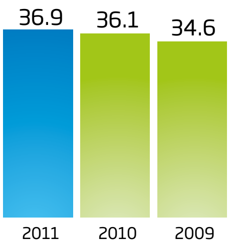
Personnel costs
EUR million



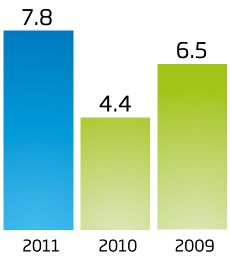
Personnel costs per employee
EUR 1,000



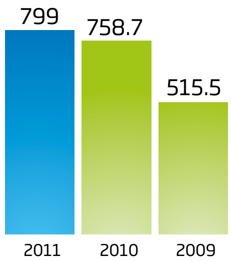
Average age structure
Years



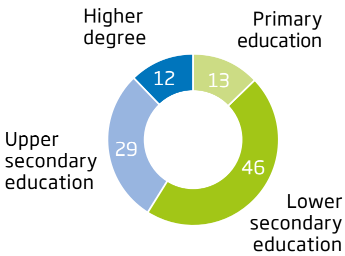
Staff turn over rate
%



Training expenditure per employee
EUR



Educational structure
%



Social responsibility

Elisa has implemented the present relocation program since 2010. Even before 2010, Elisa had agreed with personnel's representatives not to dismiss employees but to aim to redeploy those without work to new tasks. From the beginning of 2010, persons left without work due to operational reasons have participated in an active redeployment program that aims to find new work for them either in Elisa or outside Elisa. The program was developed and boosted in close cooperation with employees throughout the year. The persons get necessary coaching in all matters important to know when applying for a job.

When new positions become vacant at Elisa, they are primarily offered to those engaged in the relocation program, if their expertise sufficiently meets the requirements set for the positions. Persons in the relocation program have been favorable candidates for temporary projects positions as well due to their expertise. In 2010 and 2011, a little over two thirds of those engaged in the relocation program found a satisfactory solution, a position in Elisa or outside Elisa, or a student place in their chosen field.

The relocation program has received a positive response from personnel and improved personnel satisfaction.

Work environment operations, including industrial safety

Work environment operations aim to support Elisa's business and promote Elisa's appeal as an employer through developing a safe and healthy work environment and promoting the well-being at work of Elisa employees. Essential to the development of well-being at work is to improve processes, operational methods and management methods. Moreover, we take care of the personnel as a whole, individual health and coping at work, as well as work environment.

The focus areas in 2011 for work environment operations and industrial safety:

- activate people to exercise and adopt a healthier lifestyle
- develop office work ergonomics
- develop space planning cooperation
- promote cooperation between personnel, supervisors, as well as occupational health care and industrial safety organizations to identify the threats for disability and focus on proactive intervention.

Promoting equality

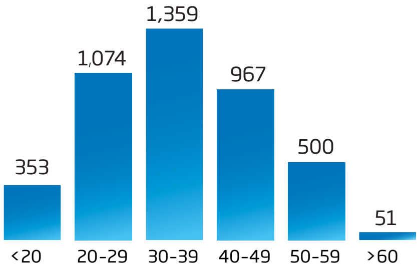
Elisa has prepared an equality plan annually since 2006. The equality plan for 2011 addressed remuneration, career development for women, increasing the number of female applicants in external recruitment, and general awareness of equality. One of the key objectives in promoting equality is how to increase diversity at Elisa. In 2011, female representation in management groups of units and profit centers continued to increase.

Personnel development

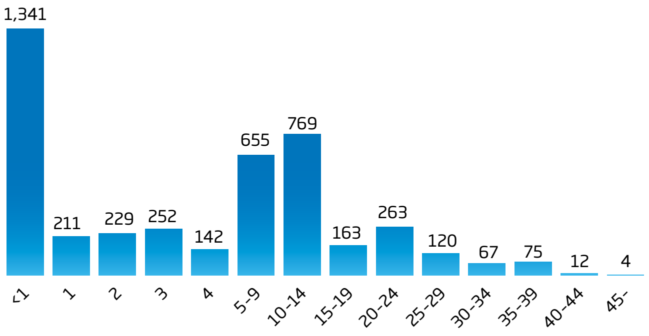
Elisa's personnel development efforts consist of on-the-job learning, support to supervisors and coaches, and different training and coaching programs. Elisa HR organized corporate-specific management and supervisor training, project and financial training, language training, and work community development training. The units arranged product, service, sales, process and induction training events.

In-house mobility (i.e. active job rotation and relocation) enhances also the expertise of people. About 10 per cent of Elisa's personnel changed jobs temporarily or permanently in 2011.

Personnel age structure



Distribution according to length of employment



Number of employees, gross capasity ang gender distribution

	2011	2010	2009
Total number of the employees	**3,772**	3,665	3,331
Gross capasity	**4,347**	4,303	3,986
Male	**2,661**	2,577	2,394
Female	**1,686**	1,726	1,592

One of Elisa's focus areas is the proactive intervention model that was launched to support the management. In other words, supervisors should help and support employees if their performance levels start to deteriorate, the number of absences from work increases, or other problems emerge in the workplace.

Elisa's traditional long-term coaching programs included programs for new supervisors and separate programs for experienced supervisors. Moreover, Elisa implemented a management coaching program with the duration of about five months. It started in the fall of 2010 and ended in the spring of 2011.

ElisaPro, designed for distinguished salespersons and customer service personnel at the customer interface, continued in 2011. The Specialist Qualification in Management (JET), the Specialist Qualification in Product Development, customer oriented process management (further vocational qualification in technology) and the Further Qualification in Sale were popular coaching programs in 2011. Several dozen employees at Elisa took part in these long-term coaching programs.

More than 200 shorter training events with the duration of 0.5 to 2 days were arranged in 2011. The personnel training that strengthens Elisa's work culture and aims at high performance and excellence was organized once again in the online learning environment in 2011. All supervisors were trained to use the tools related to continuous improvement in 2011. Elisa subsidized its personnel's independent studies in training programs chosen by the people themselves.

Cooperation with educational institutions

In 2011, Elisa cooperated extensively with several educational institutions, providing students and representatives for these institutions with different kinds of opportunities for becoming familiar with today's working life. As a rule, this consisted of different cooperation projects, visits of lecturers, research cooperation, company visits and presentations, as well as practical work and final projects carried out at Elisa. The cooperation enabled Elisa to offer students contact with the modern business world. Closer cooperation was primarily conducted with educational institutions in the field of technology and business, universities, and universities of applied sciences.

Employer-employee cooperation

In 2011, employer-employee cooperation was as successful as usual. In the fall of 2011, the labor market field witnessed a situation where the collective labor contracts in the ICT sector were re-negotiated, paying attention to the so-called national framework solution. The contracts in the ICT sector would have been valid until the fall of 2012 (salaried employees) and until 2013 (professional and managerial staff). Providing the ICT sector with contracts in accordance with the framework contract extended the validity periods of its collective labor contracts.

Environment

For Elisa environmental responsibility means, above all, long-term and transparent operations to prevent climate change.

Elisa focuses on climate change prevention in its environmental responsibility

Taking care of the environment reflects one of Elisa's key values – responsibility. For us, environmental responsibility means, above all, long-term and transparent operations to prevent climate change. Elisa aims to show the way and encourage people to act responsibly.

A climate crisis is threatening our planet, but there is still time to influence it: our own choices make a difference. Services of the ICT sector have the opportunity to indirectly reduce the amount of all greenhouse gas emissions by as much as 15 per cent by 2020. According to the Climate Group, this amount is about five-fold, compared to the ICT sector's own estimated carbon footprint.

Elisa wants to participate in creating a society with low carbon emissions. To execute this goal in 2011, we created ICT and online services that reduced our customers' carbon footprint by a total of 15,232 tonnes of carbon dioxide (tCO_2). Success is ensured through continuous measurement and assessment. Reducing our customers' carbon footprint has firmly integrated Elisa's environmental responsibility with operations in the business units, and sustainable services constitute a significant part of our business potential.

Elisa's services, ranging from virtual solutions to smartphones, provide our customers with an opportunity to implement their own environmental responsibility while acting in a cost-effective manner. In our own day-to-day operations, we reduced our carbon footprint by improving energy efficiency, making the most of our own services, and changing our operating methods. For instance, Elisa employees have teleworked, on average, for 3.4 days per month and widely used the video conferencing possibility in their own operations since 2008. In our operations, we want to be trailblazers, and our solutions have gained recognition worldwide.

Emission reductions of 15,232 tCO_2

In the spring of 2011, Elisa was the first operator to report on emission reductions achieved with the services offered by it. In the fall of 2011, Elisa published another similar report with a review of the results for the spring of 2011. The calculation results were checked by independent limited assurance engagement. With reliable calculation methods, we are able to present concrete figures for reduced carbon dioxide emission levels in our reports. They enable companies and corporations to plan their own actions so that they can realize emission savings and execute their goals.

> **"The results show that customers are able to reduce their own carbon dioxide emissions by using the services offered by Elisa.**

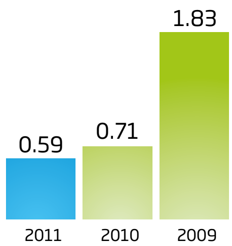
In 2011, Elisa's services made it possible to reduce emissions by over 9,900 tCO_2. Moreover, Elisa's services were generated in a more eco-friendly way. As a result of more efficient operation and the introduction of more eco-friendly technology, emissions were reduced by more than 5,300 tCO_2. These emission savings are equal to emissions caused by driving over 80 million kilometers with an average Finnish passenger car.

Emission savings for 2011 were double as compared with last year, and nine-fold as compared with our baseline in 2009. The very marked growth in emission savings is partly due to the widened scope of calculations, which now cover new subareas, but it is also a clear reflection of the growth in our business operations that promote sustainable development.

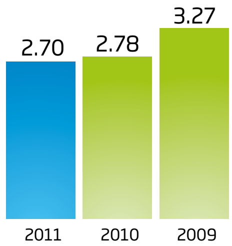
The results show that customers are able to reduce their own carbon dioxide emissions by using the services offered by Elisa. There is every reason to estimate that actual savings are remarkably larger than the amount shown by the calculation implemented.

In Finland, the emissions of Elisa's radio network per subscription decreased by 18 per cent, and in relation to transferred mobile data volume by more than 68 per cent, as compared with the baseline period (the fall of 2009). The main reason for reduced emissions is the increased number of subscriptions and the increased amount of transferred mobile data volume. Therefore Elisa's radio network offered in 2011 higher usage capacity with improved energy efficiency than during the baseline period. Moreover, Elisa's radio network has enabled a large-scale introduction of smart services (smart buildings, smart transport, smart grid). As a result, the more effective use of the radio network has also allowed for larger emission savings in other sectors.

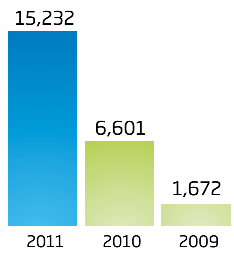
Energy efficiency of the radio network, $kgCO_2/GB$



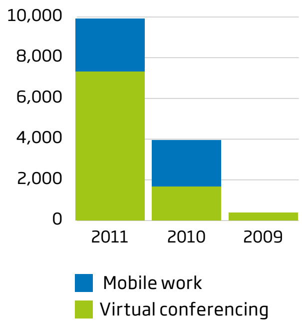
Emissions of the radio network per subscription, $kgCO_2$/subscription



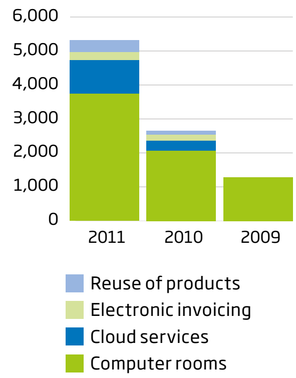
Emission reductions, tCO_2



Reduced customer's emissions, tCO_2



Emission reductions in services, tCO_2



Elisa's services reduced customer emissions

In Elisa's services, the most significant factors that reduce emissions by customers are the increasing popularity of mobile working solutions and the enormously increasing demand for video conferencing solutions in particular (emission savings of 7,306 tCO_2 in 2011). These services allow customers to reduce different subareas affecting their carbon footprint by 16–40 per cent, depending on the service.

Mobile working solutions reduce the emissions by organizations as they enable the availability of people, services and information anywhere and at any time. This reduces emissions as it makes, for instance, teleworking, multi-space office solutions and virtual conferencing possible.

The possibility to use video conferencing solutions was the most significant individual service that reduced customer emissions in 2011. This change clearly indicates not only the increasing popularity of solutions adopted by companies, but also the significance of individual choices. It is essential to be able to change the approach and operating method comprehensively. If companies start to use mobile working solutions but fail to pay attention to space efficiency of their premises, a substantial part of savings potential remains unutilized. Thanks to mobile working solutions, for instance Elisa used as much as 40 per cent less office space per employee than Finnish companies on average, and achieved emission savings of 2,604 tCO_2.

Elisa's services were generated in a more eco-friendly manner

Emissions caused by our services were reduced in 2011 by making processes more efficient and starting to use new, more eco-friendly technologies. The improved energy efficiency of data centers resulted in the most significant emission savings.

> **The virtual data centers provided by Elisa via cloud services reduce energy consumption by as much as 94 per cent.**

Our data centers reduce emissions

Elisa's data centers gained a total of 3,738 tCO_2 greenhouse gas emission savings in 2011. A typical feature in the sector is that the cooling system of data centers takes up almost the same amount of electricity as servers, and the heat generated by the servers evaporated into the outdoor air. In June 2011, Elisa started to use an innovative solution that makes full use of the heat loss energy generated by its data center in Espoo. The solution makes it possible to fully utilize the heat energy generated by data center servers for district heating in Espoo. The annual heat generation capacity of Elisa's data center is about 20,000 MWh, which is equal to the annual heat energy consumption of over 1,000 average Finnish one-family houses. Full use of the heat generated by servers throughout the year makes it possible to improve the energy efficiency of the data center substantially.

In the traditional solution, the carbon dioxide emissions of the data center, when in full use, would be about 2,000 tCO_2. In the innovative solution, the data center emission balance will be negative and in full use, the data center will reduce carbon dioxide emissions by as much as 7,500 tCO_2 in the Espoo region.

Cloud computing services increase energy efficiency

The virtual data centers provided by Elisa via cloud services reduce energy consumption by as much as 94 per cent. Our cloud services offer customers a virtual server (server capacity from Elisa's computer hardware), instead of the traditional server solution. The advantage of virtual servers is that the same server device can be used by several customers. This will make server use more effective, while less energy is needed to maintain capacity than in the traditional solution. This operational improvement reduced emissions by a total of 994 tCO_2 in 2011.

Reuse of products reduces the need of raw materials

In 2011, Elisa improved the reuse of returned products. Some of the devices sent by Elisa to consumer customers are returned after a short trial period. Improved checking and packaging methods enable a more efficient recovery of the products that are still working, and their further delivery to new customers.

In November 2011, we launched a new recycling service for our corporate customers, enabling the buyers of computer packages to recycle their old laptops. Since 2010, a similar recycling service for mobile phones has been available for our consumer customers. Used phones are sold for re-use, while parts, or at least raw materials, are re-used from phones that cannot be repaired. The purpose of the refund obtained from a used device is to encourage customers to return their old electronic devices, instead of just leaving them without use. In 2011, the re-use of products resulted in emission savings of 367 tCO_2.

Other environmentally responsible operation

Elisa promoted the transfer of its customers from paper to electronic invoicing (emission savings of 223 tCO_2). Moreover, in July 2011 Elisa became the first operator in Finland to start to use new, eco-friendly micro trenching technology in network construction. The fast method, which reduces environmental impacts and enables construction in winter, will promote the development of information society broadband services in densely populated areas in particular.

In 2011, Elisa reported all carbon dioxide emissions caused by the whole Group (93,459 tCO_2) In 2010 on Elisa's website and provided the Carbon Disclosure Project (CDP) organization with the same report. Elisa qualified to the OMX GES Sustainability Finland index.

Additional information on Elisa's environmental responsibility is available on our website at: www.elisa.com. Two separate documents are available: Corporate Responsibility Indicators (GRI) and Emission Savings Report 2011.

The report of the Board of Directors and financial statements

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

Market situation

The competitive environment has been intense but stable in Finland. The mobile subscription base and the use of data services continued to evolve favourably. The mobile smartphone market is growing rapidly. With a broader assortment now available, over two thirds 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 use of multiple terminal devices for different purposes. The number and usage of traditional fixed network subscriptions decreased at the same pace as in the previous year.

The market for new visual communications (video conference) services continues to develop favourably. The demand for non-linear TV services is also growing.

Revenue, earnings and financial position

Revenue and earnings

EUR million	2011	2010	2009
Revenue	1,530	1,463	1,430
EBITDA	506	485	484
EBITDA-%	33.1	33.1	33.8
EBITDA excluding non-recurring items	506	485	484
EBITDA-% excluding non-recurring items	33.1	33.1	33.8
EBIT	295	268	267
EBIT-%	19.3	18.3	18.7
Return on equity, %	24.1	17.4	19.9
Equity ratio, %	42.3	42.5	46.1

Revenue increased by 5 per cent on the previous year. Revenue growth was driven by increased equipment sales, growth in Corporate Customers' ICT services and Elisa's Estonian business. Consumer Customers' online services, e.g. Elisa Viihde IPTV service also contributed positively to revenue growth. The decrease in usage and subscriptions of traditional fixed telecom services in both segments affected revenue negatively, as did the decrease in mobile termination rates.

EBITDA increased by 4 per cent on the previous year. EBITDA growth was mainly due to higher revenue and cost efficiency measures. The EBITDA margin was negatively affected by the increase in low margin equipment sales and growth in lower margin ICT and online services.

Financial income and expenses totalled EUR -30 million (-71; excluding non-recurring CDO guarantee expense of EUR 40 million, -31). Income taxes in the income statement amounted to EUR -64 million (-47). Elisa's earnings after taxes were EUR 201 million (151). The Group's earnings per share amounted to EUR 1.29 (0.96).

Financial position

EUR million	End 2011	End 2010	End 2009
Net debt	788	776	719
Net debt / EBITDA [1]	1.6	1.6	1.5
Gearing ratio, %	93.8	93.2	79.8
Equity ratio, %	42.3	42.5	46.1

EUR million	2011	2010	2009
Cash flow after investments	207	172	252

[1] (interest-bearing debt – financial assets) / (4 previous quarters' EBITDA exclusive of non-recurring items)

Elisa's cash flow after investments was EUR 207 million (172; excluding non-recurring CDO guarantee expense, 212). The change in net working capital and increased capital expenditure affected cash flow negatively, while the increase in EBITDA, lower tax payments and share investments had a positive cash flow effect.

Changes in corporate structure

Elisa divested its 51 per cent stake in Excenta Oy in May. This has no material impact on Elisa's consolidated income statement or balance sheet.

On December 16, Elisa transferred the ownership of Elisa Eesti AS to Saunalahti Group Oyj from the parent company. On 31 December 2011, Elisa's wholly-owned subsidiary Saunalahti Group Oyj merged into Elisa Corporation. These changes have no impact on the consolidated income statement or balance sheet. These transactions increased the parent company's result and equity, but there was no tax effect. See parent company's Note 2 and 8.

Consumer Customers business

EUR million	2011	2010
Revenue	930	885
EBITDA	301	290
EBITDA-%	32.4	32.7
EBIT	181	165
CAPEX	119	108

The Consumer Customers business' revenue increased by 5 per cent. Revenue growth was driven by increased equipment sales, growth in the Estonian business and mobile services as a result of an increased number of subscriptions. The growth trend in online services continued. The decrease in fixed network usage and subscriptions, and lower mobile termination rates negatively affected revenue. EBITDA increased by 4 per cent mainly due to revenue growth and cost efficiency measures. The EBITDA margin was negatively impacted by growth in low margin equipment sales and growth in online services.

Corporate Customers business

EUR million	2011	2010
Revenue	600	578
EBITDA	205	195
EBITDA-%	34.1	33.8
EBIT	114	103
CAPEX	78	76

The Corporate Customers business' revenue increased 4 per cent. Revenue increased as a result of the growth in ICT services due in part to the previous year's acquisitions, and equipment sales. The decline in usage and subscriptions in traditional fixed telecom services and lower mobile termination rates decreased revenue. EBITDA increased by 5 per cent. The increase in EBITDA was attributable to the revenue growth and cost efficiency measures. The EBITDA margin was negatively impacted by growth in low margin equipment sales and growth in ICT services.

The report of the Board of Directors for the year 2011

Personnel

In 2011, the average number of personnel at Elisa was 3,757 (3,477). Employee expenses totalled EUR 223 million (208). Personnel at the end of 2011 amounted to 3,772 (3,665). Personnel by segment at the end of the period:

	End 2011	End 2010
Consumer Customers	**2,153**	2,084
Corporate Customers	**1,619**	1,581
Total	**3,772**	3,665

Compared to the corresponding period last year, the number of personnel grew mainly as a result of the growth in both new services and Estonian businesses.

On 19 December 2011, Elisa's Board of Directors approved two new share-based incentive plans for key personnel.

The first plan, called the Performance Share Plan, includes three performance periods based on the calendar years 2012–2014, 2013–2015 and 2014–2016. The rewards will correspond to the value of maximum approximately 3.3 million Elisa shares. 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 from the performance period 2012–2014 will be based on the increase of the Consumer Customer and Corporate Customer segments' new business revenue and on Elisa's earnings per share. The Plan's rewards will correspond to the value of maximum approximately 1 million Elisa shares including the proportion to be paid in cash.

The second incentive plan is called the Restricted Stock Plan and covers the calendar years 2012–2018. The potential rewards of this Plan are based on approximately three year retention periods. The rewards to be paid on the basis of this stock plan correspond to the value of maximum 0.5 million Elisa shares including also the proportion to be paid in cash. So far, no decisions have been made regarding this Plan.

Investments

EUR million	**2011**	2010
Capital expenditures, of which	**197**	184
- Consumer Customers	**119**	108
- Corporate Customers	**78**	76
Shares	**0**	35
Total	**197**	218

In 2011, the main capital expenditures relate to the capacity and coverage increase of the 3G network, as well as to other network and IT investments.

Financing arrangements and ratings

Valid financing arrangements

EUR million	Maximum amount	**In use on 31.12.2011**
Committed credit lines	300	**25**
Commercial paper program [1]	250	**189**
EMTN program [2]	1,000	**375**

[1] The program is not committed
[2] European Medium Term Note program, not committed

Long-term credit ratings:

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

The Group's cash and undrawn committed credit lines totalled EUR 334 million at 31 December 2011 (EUR 300 million at 31 December 2010).

On 3 June 2011, Elisa signed a EUR 170 million five-year Syndicated Revolving Credit Facility with an option to be extended by two years. This new facility replaces the previous facility of the same amount that was signed in June 2005.

On 29 July 2011, Elisa signed a EUR 120 million long-term loan agreement with The European Investment Bank and it was drawn on 15 September 2011.

On 22 September 2011, Elisa paid back in full a maturing bond of EUR 226 million.

On 21 December 2011, Elisa signed a EUR 50 million seven year loan agreement with the Nordic Investment Bank and it was drawn on 27 December 2011.

Share

Share trading volumes and closing prices are based on trading in NASDAQ OMX Helsinki and do not include trading in alternative market places.

Trading of shares	**2011**	2010
Shares traded, millions	**121.9**	144.7
Volume, EUR million	**1,880.9**	2,226.7
% of shares	**73.1**	87.0

Shares and market values	**End 2011**	End 2010
Total number of shares	**166,662,763**	166,307,586
Treasury shares	**10,435,275**	10,534,606
Outstanding shares	**156,227,488**	155,773,080
Closing price, EUR	**16.13**	16.27
Market capitalisation, EUR million	**2,520**	2,534
Treasury shares, %	**6.26**	6.33

Number of shares	Total number of shares	Treasury shares	Outstanding shares	Change in equity, €
Shares as 31.12.2010	166,307,586	10,534,506	155,773,080	
Share incentive plan 1.3.2011[1)]		-99,483	99,483	
Returned shares, incentive plan		252	-252	
Option subscription 22.3.2011[2)]	16,839		16,839	159,465
Option subscription 27.6.2011[3)]	13,975		13,975	208,247
Option subscription 24.10.2011[4)]	1,350		1,350	11,570
Option subscription 29.12.2011[5)]	323,013		323,013	2,639,016
Shares at 31.12.2011	166,662,763	10,435,275	156,227,488	3,018,298

[1)] Stock exchange bulletin 11.2.2011, [2)] Stock exchange bulletin 22.3.2011, [3)] Stock exchange bulletin 26.6.2011, [4)] Stock exchange bulletin 24.10.2011, [5)] Stock exchange bulletin 29.12.2011

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	268,000	245,000	513,000
Used in share subscription	12,375	342,802	0	355,177
Used in subscription, not registered		1,000		1,000
Terminated	837,625	0	0	837,625
Outstanding	0	238,198	605,000	843,198
Current subscription price, €	-	8,17	11,27	
Subscription period	1.12.2009–31.5.2011	1.12.2010–31.5.2012	1.12.2011–31.5.2013	

At the end of the year, Elisa's total number of the shares was 166,662,763 (166,307,586), all within one share series.

On 1 March 2011, Elisa transferred 99,483 treasury shares to persons involved in the 2009–2011 share based incentive plan. In December 2011, 252 of the transferred shares were returned to company.

In April, Elisa distributed a dividend of EUR 0.90 per share, totalling EUR 140 million, in accordance with the decision of the shareholders at the Annual General Meeting. In November, Elisa distributed an extraordinary dividend of EUR 0.40 per share, totalling EUR 62 million, based on the Annual General Meeting's authorisation to distribute funds from the unrestricted equity to a maximum amount of EUR 70 million.

On 22 March 2011, a total of 16,839 new Elisa shares have been subscribed with 2007B option rights. A subscription price of EUR 159,000 has been booked into Elisa's reserve as invested non-restricted equity. The subscription period for the Elisa 2007B option rights began on 1 December 2010 and shall expire on 31 May 2012.

From 11 March 2011 to 31 May 2011, a total of 13,975 new Elisa shares have been subscribed with 2007A and 2007B option rights (12,375 with 2007A and 1,600 with 2007B). A subscription price of EUR 208,000 has been booked into Elisa's reserve for invested non-restricted equity.

From 1 June 2011 to 13 October 2011, a total of 1,350 new Elisa shares have been subscribed with 2007B option rights. A subscription price of EUR 11,600 has been booked into Elisa's reserve for invested non-restricted equity.

From 24 October 2011 to 12 December 2011, a total of 323,013 new Elisa shares have been subscribed 2007B option rights. Subscription price, EUR 2,639,000 has been booked into Elisa's reserve for invested non-restricted equity.

For more information, see Note 27 of the consolidated financial statements and the Stock exchange release of 18 December 2007.

Research and development

Elisa invested EUR 5 million in research and development, of which EUR 2 million has been capitalised in 2011 (EUR 10 million in 2010 and EUR 10 million in 2009), corresponding to 0.3 per cent of revenue (0.7 per cent in 2010 and 0.7 per cent in 2009). The majority of the service development occurs during the ordinary course of business and is accounted for as a normal operating expense.

The Annual General Meeting

In accordance with the proposal of the Board of Directors, Elisa's Annual General Meeting decided on a dividend of EUR 0.90 per share based on the adopted financial statements of 2010. The dividend affected the Elisa 2007 stock options by reducing the strike price of the series 2007A stock options to EUR 15.72, series 2007B stock options to EUR 8.57 and series 2007C stock options to EUR 11.67.

The Annual General Meeting adopted the financial statements for 2010, and the Board of Directors and the CEO were discharged from liability.

The number of members of the Board of Directors was confirmed at five. Ari Lehtoranta, Raimo Lind, Leena Niemistö, Eira Palin-Lehtinen and Risto Siilasmaa were re-elected as members of the Board of Directors. The Board of Directors elected Risto Siilasmaa as the Chairman of the Board and Raimo Lind as the Deputy Chairman. Risto Siilasmaa (Chairman), Ari Lehtoranta and Eira Palin-Lehtinen were appointed to the Nomination and Compensation Committee. Raimo Lind (Deputy Chairman), Leena Niemistö and Eira Palin-Lehtinen 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 accepted the proposal of the Board of Directors to resolve to distribute funds from the unrestricted equity to a maximum amount of EUR 70 million. The authorisation is effective until the beginning of the following Annual General Meeting.

The Annual General Meeting decided on the authorisation to repurchase or accept as pledge the company's own shares. The repurchase may be directed. The number of shares under this authorisation is 5 million at maximum. The authorisation is effective until 30 June 2012.

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 of 15 million of the company's shares can be issued under the authorisation.

Significant legal issues

The verdict on 28 May 2009 regarding Jippii Group stock exchange disclosures in 2001 became final upon the Supreme Court decision on 10 March 2010 to dismiss the appeal. The Supreme Court, however, cancelled the decision and returned it to the Court of Appeals on 10 January 2011.

On 15 June 2011, The Supreme Court of Finland issued a verdict that confirms the right of Elisa and Saunalahti to advertise Elisa's 3G network as having the largest area coverage in Finland.

In May 2010, the Finnish Communications Regulatory Authority (Ficora) issued a decision on pricing local loop access, according to which Elisa must reduce its pricing to a level based on Ficora's decision. Proceedings on Elisa's appeal continue in the Supreme Administrative Court.

Regulatory issues

Changes to the Finnish Communications Market Act regarding number portability rules came into force on 25 May 2011. According to the new act, customers can transfer their telephone number to another operator in the middle of a fixed-term subscription agreement.

On 23 June 2011, Elisa and other mobile operators agreed on interconnection fees for 2011–2014. All Finnish mobile operators have the same interconnection fee, which is currently 3.82 cents per minute. The interconnection fee will be reduced to 2.8 cents per minute effective from 1 December 2012 until 30 November 2014.

The government proposal regarding restrictions in telemarketing of mobile subscriptions was issued last year. The act is expected to come into force after the parliament reading during the first half of 2012.

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, accidental 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 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 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:

In order to manage 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 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 investment targets with a good credit rating. 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 consolidated financial statements.

Environmental issues

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

Elisa is involved in the building of a low-carbon society and in the promotion of sustainable development. Elisa contributes to these goals by decreasing both its own and its customers' carbon footprint with the help of Elisa's services. These objectives are achieved through continuous measurement and assessment.

Reduction of our customers' carbon footprint guides Elisa's environmental responsibility. In 2011, Elisa's ICT and online services reduced this footprint by a total of 15,232 tonnes of carbon dioxide (tCO_2).

In Finland, the emissions of Elisa's radio network per subscription decreased by 18 per cent and in relation to transferred mobile data volume by more than 68 per cent, as compared with the baseline year 2009.

Corporate Governance Statement

Elisa will publish a separate Corporate Governance Statement during week 10 (beginning 5 March 2012) on its website at www.elisa.com.

Events after the financial period

There are no major events after the financial period.

Outlook for 2012

The budget deficits and solvency issues in several European countries have impacted the Finnish economy to some extent. The macro economic outlook for Finland has weakened from the previous year. The risk of an even less favourable general economic development creates uncertainty. Competition in the Finnish telecommunications market also remains challenging.

Full year revenue is estimated to be at the same level as in the previous year. The use of mobile communications, especially mobile broadband services and equipment sales, is continuing to rise. In addition, Elisa continues to invest in ICT and new online services, which are expected to boost revenue. Full year EBITDA, excluding non-recurring items, is anticipated to be at the same level, and EBIT is expected to improve on last year given the lower level of depreciation. Full-year capital expenditure is expected to be maximum 12 per cent of revenue.

In addition to its strong position as a network service provider, Elisa is transforming itself to be able to provide customers with exciting and relevant new services. Among the factors contributing to long-term growth and profitability improvement is mobile data market growth, as well as new online and ICT services. Elisa continues determinedly to employ its efficiency measures. Elisa's financial position and liquidity are good.

Profit distribution

The Board of Directors proposes to the Annual General Meeting a dividend of EUR 1.30 per share. The payment corresponds to 101 per cent of the financial period's net result.

Shareholders who are listed in the company's register of shareholders maintained by Euroclear Finland Ltd on 11 April 2012 are entitled to funds distributed by the General Meeting. The Board of Directors proposes that the payment date be 18 April 2012. 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	2011	2010
Revenue	1,4	**1,530.0**	1,463.2
Other operating income	5	**5.8**	5.1
Materials and services	6,35	**-643.5**	-600.2
Employee expenses	7,27	**-223.0**	-208.3
Other operating expenses	8	**-163.1**	-175.1
EBITDA	1	**506.2**	484.7
Depreciation and amortisation	1,10	**-211.4**	-216.7
EBIT	1	**294.8**	268.0
Financial income	11	**11.6**	9.5
Financial expense	11	**-41.2**	-80.4
Share of associated companies' profit		**0.1**	0.0
Profit before tax		**265.3**	197.1
Income taxes	12	**-63.9**	-46.6
Net profit		**201.4**	150.5
Attributable to:			
Equity holders of the parent		**201.5**	149.7
Non-controlling interests		**-0.1**	0.8
		201.4	150.5
Earnings per share (EUR/share) calculated from the profit attributable to equity holders of the parent:			
Basic and diluted	13	**1.29**	0.96
Diluted	13	**1.29**	0.96
Average number of outstanding shares (1,000 shares):			
Basic	13	**155,878**	155,748
Diluted	13	**156,179**	156,129

Consolidated statement of comprehensive income

Profit for the period		**201.4**	150.5
Other comprehensive income, net of tax:			
Translation differences		**0.2**	-0.2
Financial assets available-for-sale	19	**-1.2**	-1.2
Total comprehensive income		**200.4**	149.1
Total comprehensive income attributable to:			
Equity holders of the parent		**200.5**	148.3
Non-controlling interests		**-0.1**	0.8
		200.4	149.1

Consolidated statement of financial position

EUR million	Note	31 Dec. 2011	31 Dec. 2010
ASSETS			
Non-current assets			
Property, plant and equipment	14	**617.7**	611.3
Goodwill	15	**797.1**	798.0
Other intangible assets	15	**109.2**	129.3
Investments in associated companies	16	**0.1**	0.1
Financial assets available-for-sale	17-19	**30.8**	33.2
Receivables	17-18, 20, 25	**30.3**	22.5
Deferred tax assets	21	**11.9**	19.6
		1,597.2	1,614.0
Current assets			
Inventories	22	**40.2**	38.7
Trade and other receivables	23	**302.7**	283.1
Tax receivables		**0.3**	4.1
Cash and cash equivalents	24	**59.0**	31.8
		402.2	357.7
TOTAL ASSETS	1	**1,999.4**	1,971.7
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		**83.0**	83.0
Treasury shares		**-197.0**	-199.0
Contingency reserve		**3.4**	3.4
Fair value reserve		**7.8**	9.1
Other funds		**381.0**	381.0
Reserve for invested non-restricted equity		**48.3**	45.3
Retained earnings		**510.3**	507.0
Equity attributable to equity holders of the parent	26, 27	**836.8**	829.8
Non-controlling interest		**3.5**	3.1
TOTAL SHAREHOLDERS' EQUITY		**840.3**	832.9
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	21	**19.4**	26.9
Pension obligations	28	**1.2**	1.2
Provisions	29	**3.5**	3.6
Financial liabilities	30	**625.9**	445.8
Other liabilities	31	**15.6**	15.7
		665.7	493.2
Current liabilities			
Trade and other payables	31	**260.4**	280.6
Tax liabilities		**11.0**	0.6
Provisions	29	**0.8**	2.1
Financial liabilities	30	**221.2**	362.3
		493.4	645.6
TOTAL LIABILITIES		**1,159.1**	1,138.8
TOTAL EQUITY AND LIABILITIES		**1,999.4**	1,971.7

Consolidated statement of cash flows

EUR million	Note	2011	2010
Cash flow from operating activities			
Net profit		265.3	197.1
Adjustments			
Depreciation and amortisation	10	211.4	216.7
Financial income (-) and expense (+)		29.9	70.9
Gains (-) and losses (+) on the disposal of fixed assets		-2.7	-1.7
Increase (+) / decrease (-) in provisions in the income statement		-1.3	1.4
Other adjustments		1.4	1.1
		238.7	288.4
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables		-18.7	2.1
Increase (-) / decrease (+) in inventories		-1.5	-6.4
Increase (+) / decrease (-) in trade and other payables		-10.5	11.2
		-30.7	6.9
Dividends received		3.0	1.1
Interest received		9.7	8.6
Interest paid		-43.9	-77.6
Taxes paid		-50.7	-53.4
Net cash flow from operations		391.3	371.1
Cash flow from investing activities			
Acquisition of subsidiaries net of cash acquired			-14.9
Additional purchase price of subsidiaries		-5.1	-0.6
Capital expenditure		-188.2	-181.6
Acquisition of financial assets available-for-sale		-0.1	-3.8
Proceeds from sale of subsidiaries		2.0	
Proceeds from sale of associated companies		0.8	
Proceeds from sale of financial assets available-for-sale		0.7	
Proceeds from sale of property, plant and equipment		6.0	1.9
Net cash flow used in investing activities		-183.9	-199.0
Cash flow from financing activities			
Proceeds from long-term borrowings		170.0	75.0
Repayment of long-term borrowings		-226.2	-80.2
Increase (+) / decrease (-) in short-term borrowings		80.7	59.3
Repayment of finance lease liabilities		-4.9	-4.1
Additions to reserve for invested non-restricted equity from stock option excercises		3.0	
Dividends paid		-202.8	-221.3
Net cash used in financing activities		-180.2	-171.3
Change in cash and cash equivalents		27.2	0.8
Cash and cash equivalents at beginning of period		31.8	31.0
Cash and cash equivalents at end of period	24	59.0	31.8

Consolidated statement of changes in shareholders' equity

FINANCIAL STATEMENTS 2011

	Equity attributable to equity holders of the parent							
EUR million	Share capital	Treasury shares	Other reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interests	Total share-holders' equity
Shareholders' equity at 1 Jan. 2010	83.0	-202.0	394.7	188.6	434.9	899.2	0.8	900.0
Profit for the period					149.7	149.7	0.8	150.5
Translation differences					-0.2	-0.2		-0.2
Financial assets available-for-sale			-1.2			-1.2		-1.2
Total comprehensive income			-1.2		149.5	148.3	0.8	149.1
Capital repayment				-143.3		-143.3		-143.3
Dividends					-77.9	-77.9	-0.6	-78.5
Share-based compensation		3.0			0.6	3.6		3.6
Other changes					-0.1	-0.1	2.1	2.0
Shareholders' equity at 31 Dec. 2010	83.0	-199.0	393.5	45.3	507.0	829.8	3.1	832.9
Shareholders' equity at 1 Jan. 2011	83.0	-199.0	393.5	45.3	507.0	829.8	3.1	832.9
Profit for the period					201.5	201.5	-0.1	201.4
Translation differences					0.2	0.2		0.2
Financial assets available-for-sale			-1.2			-1.2		-1.2
Total comprehensive income			-1.2		201.7	200.5	-0.1	200.4
Dividends					-202.7	-202.7	-0.7	-203.4
Share-based compensation		2.0			2.3	4.3		4.3
Options exercised				3.0		3.0		3.0
Other changes					2.1	2.1	1.2	3.3
Shareholders' equity at 31 Dec. 2011	83.0	-197.0	392.3	48.3	510.3	836.8	3.5	840.3

Notes to the consolidated financial statements

Basic information on the company

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.

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.

Accounting principles

Basis of presentation

Elisa's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards including adherence with IAS and IFRS standards and the SIC and IFRIC interpretations valid as at 31 December 2011. 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 Group adopted the IFRS standards for its reporting in 2005.

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. 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. The financial statements are presented in EUR million and the figures are rounded to one decimal place.

The following new or revised standards and new interpretations to existing standards adopted as of 1 January 2011 did not have an impact on the consolidated financial statements:

- Amended IAS 24 Related Party Disclosures. Amendments to definitions and discosure requirements.
- Revised IAS 32 Financial instruments: Presentation. The amendments address the accounting of issues of shares, options or subscription rights denominated in a currency other than the issuer's functional currency. A derivative associated with an entity's equity is classified as an equity instrument if it entitles to receive a fixed number of shares in the entity for a fixed amount of currency or other financial receivable. Previously, such subscription rights were classified as derivative liabilities.
- Revised IFRIC 14 IAS 19 - The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. After the amendments, advance contributions to a defined benefit plan can, under certain circumstances, be recognised as assets on the statement of financial position.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. A debtor and creditor may renegotiate the terms of a financial liability with the result that the liability is fully or partially extinguished by the debtor issuing equity instruments to the creditor; the debt is swapped for equity. Such equity instruments are "consideration paid," and the difference between the financial liability (or part thereof) and the original valuation price of the granted equity instruments is recognised through profit or loss.
- Annual Improvements of IFRS standards

The preparation of consolidated financial statements in conformity with IFRS requires the application of judgment by 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 "Use of Estimates".

Subsidiaries

The consolidated financial statements include the parent company, Elisa Corporation, and those subsidiaries where 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 as 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 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, and 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 are translated into functional currency at the rates of exchange prevailing at the dates of transactions. Monetary items have been translated into 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 income statements of foreign Group companies are translated into euro using the weighted average rate of exchange of the financial year and the statement 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 per centage of completion when the final outcome of the project can be estimated reliably. The per centage 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.

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.

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.

Notes to the consolidated financial statements

Income 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 any 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 full.

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. The Consumer Customers CGU comprises mobile and fixed-network voice and data communications services offered to the Group's consumer customers. The Corporate Customers CGU comprises mobile and fixed-network voice and data communications services as well as other ICT solutions and contact center services offered to the Group's corporate customers. Goodwill is carried at its cost less any accumulated impairment losses.

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 net)	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 has classified its financial assets as financial assets at fair value through profit or loss, loans and receivables, or 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 expire 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 recognised 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 categorised 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 swap is 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 Group does not have financial instruments categorised at level 3 as at 31 December 2011. 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 three 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 lower of cost and net realisable value. Cost is determined using a weighted average price.

Notes to the consolidated financial statements

Treasury shares

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

Provisions

A provision is recognised when the company has a present (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 and assets

Contingent liabilities and assets are not recognised in the statement of financial position. They are possible obligations or contingent assets 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.

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.

Actuarial gains and losses exceeding the greater of 10 per cent of the total present value of defined benefit obligations or the fair value of plan assets are recorded in the income statement over the employees' excepted average remaining working lives. The liability recognised in the statement of financial position is the defined benefit obligation at the closing date less the fair value of plan assets, the share of unrecognised actuarial gains and losses, and past service costs.

Performance-based bonus scheme and personnel fund

All employees are included in a performance 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 is 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 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.

Stock options

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

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 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 acts as a lessor in two different types of lease arrangements that are accounted for as 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.

Since 2010 the Group has acted 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.

Use of estimates

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 797.1 million at 31 December 2011. See Note 15 Impairment testing of goodwill.

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, the development of Elisa share price as well as the share option grant date fair value calculation. The estimate may deviate from the actual total return for the period. Share-based compensation expenses were EUR 6.9 million in 2011 and the liability relating to share-based incentive plans as at 31 December 2011 was EUR 1.9 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 2011, the Group has EUR 11.9 million deferred tax receivables.

New accounting pronouncements under IFRS

On 1 January 2012, the Group will adopt the following new or revised standards and new interpretations, providing they are approved by the EU by the planned date of adoption. These changes are not expected to have a significant impact on the Group's financial statements.

- Annual Improvements of IFRS standards

On 1 January 2013, the Group will adopt the following new or revised standards, providing they are approved by the EU by the planned date of adoption.

- New and revised consolidation standards: 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 requires the consolidation of joint ventures under the equity method and the proportional consolidation of joint ventures is no longer allowed.
- IFRS 13 Fair Value Measurement provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.
- Amended IAS 19 Employee Benefits amends the accounting for actuarial gains and losses by eliminating the corridor approach and requiring the recording of such gains and losses immediately in other comprehensive income. All pension assets and liabilities are required to be recorded on the statement of financial position.
- Amended IAS 1 Presentation of 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 divided into two measurement categories: those measured at amortised cost and those measured at fair value. The mixed measurement model is also simplified.

Notes to the consolidated financial statements

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

2011 EUR million	Consumer Customers	Corporate Customers	Unallocated items	**Group total**
Revenue	930.1	599.9		**1,530.0**
EBITDA	301.5	204.7		**506.2**
Depreciation and amortisation	-120.2	-91.2		**-211.4**
EBIT	181.3	113.5		**294.8**
Financial income			11.6	**11.6**
Financial expense			-41.2	**-41.2**
Share of associated companies' profit			0.1	**0.1**
Profit before tax				**265.3**
Investments	119.0	78.4		**197.4**
Assets	1,084.1	773.8	141.5	**1,999.4**

2010 EUR million	Consumer Customers	Corporate Customers	Unallocated items	Group total
Revenue	885.0	578.2		1,463.2
EBITDA	289.6	195.1		484.7
Depreciation and amortisation	-125.0	-91.7		-216.7
EBIT	164.6	103.4		268.0
Financial income			9.5	9.5
Financial expense			-80.4	-80.4
Share of associated companies' profit			0.0	0.0
Profit before tax				197.1
Investments	107.7	76.1		183.8
Assets	1,062.0	801.0	108.7	1,971.7

Product and service information

2011 EUR million	Mobile Communications	Fixed Network	**Group total**
Revenue	930.1	599.9	**1,530.0**

2010 EUR million	Mobile Communications	Fixed Network	Group total
Revenue	923.2	540.0	1,463.2

Geographical information

2011 EUR million	Finland	Rest of Europe	Other countries	Eliminations	**Group total**
Revenue	1,414.6	127.0	4.3	-15.9	**1,530.0**
Assets	1,876.1	123.3			**1,999.4**

2010 EUR million	Finland	Rest of Europe	Other countries	Eliminations	Group total
Revenue	1,351.9	118.1	3.7	-10.5	1,463.2
Assets	1,864.0	107.7			1,971.7

2. Acquisitions

Acquisitions in 2011

The Group did not complete any acquisitions in 2011.

Acquisitions for the previous periods

On 13 April 2010, Elisa acquired a total of 68.8 per cent Videra Oy's share capital. The purchase price allocation has been adjusted during 2011 by allocating an additional sum of EUR 1.7 million to customer contracts, EUR 1.3 million to non-controlling interests and EUR 0.4 million to deferred tax liabilities.The adjustment had no impact on goodwill.

The following narrative presents both original and adjusted purchase price allocations. The table presents only final values.

Acquisitions in 2010

Acquisition of Videra Oy and Arediv Oy

Elisa executed its strategy of strengthening its position in the ICT services by buying a majority shareholding in a leading Nordic videoconference operator Videra. Combining the two strong players creates opportunities for taking advantage of interactive communication solutions, such as customer service in both the private and public sectors in new ways.

On 13 April 2010, Elisa acquired a total of 68.8 per cent Videra Oy's share capital through a directed share issue, purchase of shares and by acquiring 62 per cent of Arediv Oy's share capital. The cost of acquisition paid in cash was EUR 11.0 million. Expenses related to the acquisition totalled EUR 0.1 million and are presented within Other operating expenses in the consolidated statement of comprehensive income.

The acquisition generated initially a non-controlling interest of EUR 2.1 million, which is included within Non-controlling interests in the statement of financial position. Non-controlling interests are measured as a proportionate share of the acquiree's identifiable net assets. In 2011, Non-controlling interests were adjusted by EUR 1.3 million to EUR 3.3 million.

The companies' results have been consolidated with the Group starting 1 June 2010. Revenue after acquisition was EUR 10.3 million and earnings EUR 0.3 million. Had the acquisitions been made as of the beginning of the financial period 2010, they would not have had any major impact on Group's revenue or Net profit for the period.

There were no transactions 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.

Components of acquisition cost and goodwill

Initially EUR 3.7 million of the acquisition costs was allocated to customer contracts, which is amortised in four years. The business combinations resulted in goodwill of EUR 3.8 million. In 2011, the purchase price allocation to customer contracts was adjusted by EUR 1.7 million to EUR 5.4 million. The additional allocation is amortised in line with the initial allocation. The acquired goodwill is not deductible for income tax purposes.

The acquisition of Videra provided Elisa with a solid market share in the rapidly growing video conferencing market and competence in product and service development.

EUR million	
Cash paid	11.0
Non-controlling interests as a proportionate share of the acquiree's identifiable net assets	3.3
Identifiable net assets acquired	-10.5
Goodwill	3.8

Analysis of net assets acquired	Recognised fair values
Tangible assets	2.0
Customer contracts (Intangible assets)	5.4
Other intangible assets	0.1
Inventories	1.1
Finance lease receivables	1.7
Trade and other receivables	4.6
Cash and cash equivalents	6.4
Loans from financial institutions	-2.5
Finance lease liabilities	-1.7
Trade payables and other liabilities	-5.0
Deferred tax liability	-1.6
Net assets acquired	10.5

Notes to the consolidated financial statements

Acquisition of Appelsiini Finland Oy

On 4 November 2010 Elisa acquired all of the issued shares of Appelsiini Finland Oy, which specialises in information technology consulting, software development and outsourcing services. With the acquisition of Appelsiini Finland Oy Elisa extends its offering of outsourcing services especially directed at medium-sized enterprises and expands its coverage to the whole of Finland.

The cost of acquisition was EUR 19.9 million. Of the acquisition price, EUR 12.5 million was paid in cash in 2010, EUR 4.6 million in 2011 and EUR 2.8 million is accounted as contingent additional purchase price. The contingent additional purchase price is based on the combined service revenue for 2011–2012 and may vary between EUR 0.0 and 4.0 million. The fair value of the contingent consideration calculated on the basis of revenue forecast at the closing date was EUR 2.6 million. The discount rate used is 2.7%, which corresponded to the interest rate of Elisa's risk-free additional credit at the time of the acquisition. The difference in valuation due to the discounting was recognised through profit or loss under financial expenses in the financial statements.

Expenses related to the acquisition, such as value added tax and consultant fees, totalled EUR 0.3 million and were included in the other operating expenses of the consolidated statement of comprehensive income.

The company's profit was consolidated with the Group starting 1 November 2010. The revenue after acquisition was EUR 2.6 million and the profit EUR 0.1 million. Had the acquisition taken place as of the beginning of the financial period 2010, the impact on Group's revenue would have been EUR 13.2 million and the impact on Group's profit for the period would have been EUR 1.4 million.

There were no transactions 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.

Components of acquisition cost and goodwill

EUR 7.5 million of the acquisition costs was allocated to customer contracts and EUR 1.4 million to Appelsiini brand, which both are amortised in four years. The business combinations resulted in goodwill of EUR 10.8 million. The goodwill from the acquisition of Appelsiini Finland Oy is associated with complementing the IT service offering for corporate customers and faster access to the IT service market for medium-sized enterprises. The acquired goodwill is not deductible for income tax purposes.

EUR million	
Cash	17.1
Contingent consideration	2.6
Total cost of acquisition	19.7
Identifiable net assets acquired	8.9
Goodwill	10.8

Analysis of net assets acquired	Recognised fair values
Tangible assets	0.8
Customer contracts (Intangible assets)	7.5
Brand (Intangible assets)	1.4
Other intangible assets	0.3
Trade and other receivables	1.8
Cash and cash equivalents	2.1
Finance lease liabilities	-0.3
Trade payables and other liabilities	-2.1
Deferred tax liabilities	-2.6
Net assets acquired	8.9

Other acquisitions

Additional purchase price relating to previous year's acquisitions resulted in EUR 1.5 million goodwill increase.

3. Disposals

Disposals in 2011

Disposal of Excenta Oy

On 3 May 2011 the Group sold a total of 51.0 per cent Excenta Oy's share capital to Pohjola Vakuutus Oy. The sales price was EUR 0.3 million. As part of the disposal the Group sold EUR 1.9 million subordinated loan receivable. The gain on disposal was EUR 1.1 million and it has been recorded within Other operating income in the consolidated Income statement. The gain on disposal was reduced by the amount of losses incurred during the period of ownership by the Group. The disposal resulted in a reduction of goodwill of EUR 1.0 million.

Excenta Oy results have been consolidated in the Group until 30 April 2011.

Net assets of the sold entity	Carrying amount
Intangible assets	0.2
Trade and other current receivables	0.3
Cash and cash equivalents	0.1
Trade payables and other current liabilities	-0.5
Net assets sold	0.1

Effects of disposal on cash flow	
Purchase price received in cash	0.3
Subordinated loan receivable received in cash	1.9
Cash and cash equivalents of the sold entity	-0.1
Cash flow	2.1

Disposals in 2010

There were no disposals in 2010.

4. Revenue

EUR million	**2011**	2010
Rendering of services	**1,390.3**	1,381.1
Sale of goods	**139.7**	82.1
	1,530.0	1,463.2

5. Other operating income

EUR million	**2011**	2010
Gain on disposals of property, plant and equipment	**2.8**	1.8
Government grants	**0.7**	0.8
Others [1]	**2.3**	2.5
	5.8	5.1

1) Other items include rental income from real estate and other non-business activity related income items.

6. Materials and services

EUR million	2011	2010
Purchases of materials, supplies and goods	**218.1**	120.7
Change in inventories	**-1.8**	-4.9
External services	**427.1**	484.5
	643.5	600.2

7. Employee expenses

EUR million	2011	2010
Salaries and wages	**176.7**	165.3
Share-based compensation expenses	**6.9**	5.4
Pension expenses - defined contribution plans	**29.7**	28.2
Pension expenses - defined benefit plans	**0.1**	0.6
Other statutory employee costs	**9.6**	8.8
	223.0	208.3

A more detailed analysis of defined benefit pension plans is inclueded in Note 28, Pension obligations.

Management remuneration

EUR million	2011	2010
Managing Directors and deputies [1]	**1.6**	1.3
Members and deputy members of Boards of Directors	**0.5**	0.5

[1] The salary cost includes EUR 0.1 million of share-based compensation expenses in 2011 (EUR 0.2 million).

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

Personnel of the Group on average	**3,757**	3,477

Employment benefits for key management

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

EUR million	2011	2010
Board of Directors	**0.4**	0.5
Managing Director	**0.6**	0.6
Executive Board	**1.7**	1.8
Share-based compensation expenses [1]	**1.5**	1.3
	4.2	4.2

[1]) The share-based compensation expenses in 2011 is EUR 5.4 million (EUR 2.8 million), of which EUR 1.5 million (EUR 1.3 million) is allocated to the CEO and Executive Board. The terms and conditions of share-based incentive plans are described under Note 27, Share-based payments.

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

The period of notice for the CEO is six months from the Group's side and three 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 six 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 0.4 million is included in pension obligations on the balance sheet. Pension will accrue annually at the rate of 5.1% of the annual income under Tyel (Employees Pensions Act). Starting at the age 62, the pension will accrue at the rate of 20.7% of the annual income under Tyel in the management's group supplementary pension insurance. Other members of the Executive Board 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

In 2011, the award paid under the 2010 plan equals the value of 9,280 shares for the CEO and 77,940 shares for the Executive Board. The maximum award granted for the Executive Board under the 2011 plan equals the value of 300,000 shares, of which the value of 80,000 shares is the maximum award for the CEO. The award will be paid during the month following the publication of 2011 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 257,865 shares and votes, corresponding to 0.15% of all shares and votes.

Employee bonus and incentive schemes

Performance-based bonus scheme

All personnel is included in performance, incentive or commission-based bonus scheme. Rewards are based on the financial and operational metrics of the Elisa and units. Targets are set and the maximum amount of reward is confirmed semiannually. Some of the Group's key personnel were within the share-based compensation and stock option plan in 2011.

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 adjusted earnings per share (EPS) and revenue, based on Elisa Group's audited performance and calculated in the manner defined by the Board of Directors. 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 are the employees of Elisa except the Group's key personnel, who are included in the scope of either the share incentive plan or the stock option plan.

EUR 1.1 million was booked in the personnel fund on the basis of the 2011 earnings (EUR 1.1 milion).

Share-based incentive plan

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

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 a fully-owned subsidiary of Elisa Corporation, Fonetic Oy. No new option rights are granted from the stock option plan. The plan is described in detail under Note 27, Share-based payments.

8. Auditor fees

EUR million	2011	2010
Auditing	0.2	0.3
Tax advisory services	0.1	0.0
Education services	0.3	0.5
Other services	0.1	0.1
	0.7	0.9

9. Research and development costs

EUR million	2011	2010
Research and development costs recognised as expenses	2.9	7.6
Capitalised development costs	2.0	2.2

Focus areas for research and development in 2011 included visual communications services, Elisa mobile certificate and e-book as well as unified communication.

10. Depreciation and amortisation

EUR million	2011	2010
Depreciation of tangible assets		
Buildings and constructions		
Owned buildings and constructions	10.2	9.6
Buildings and constructions on finance lease	0.4	0.4
Telecom devices, machines and equipment		
Owned telecom devices, machines and equipment	151.7	150.7
Assets on finance lease	2.6	3.7
Other tangible assets		0.4
	164.9	164.8
Amortisation of intangible assets		
Customer base	4.4	12.5
Other intangible assets	42.1	39.4
	46.5	51.9
	211.4	216.7

No asset impairments were recognised in 2010–2011.

11. Financial income and expense

EUR million	2011	2010
Financial income		
Dividend income from financial assets available-for-sale	2.0	1.1
Interest and financial income from loans and other receivables	2.0	1.0
Interest income from derivatives	7.1	7.1
Other financial income	0.8	0.6
Gains/losses of financial assets at fair value through profit or loss, derivatives not in hedge accounting	-0.3	-0.3
	11.6	9.5
Financial expense		
Interest expenses on financial liabilities measured at amortised cost	-32.7	-32.1
Other financial expenses on financial liabilities measured at amortised cost	-0.7	-0.8
Interest expenses on derivatives	-6.7	-6.7
Other interest expenses	-0.3	-0.4
Other financial expenses [1)]	-0.8	-40.4
	-41.2	-80.4

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

[1)] In 2010 other financial expenses included guarantee expenses EUR 39.5 million.

12. Income taxes

EUR million	2011	2010
Taxes for the period	-64.1	-43.4
Taxes for previous periods	-0.1	-0.2
Deferred taxes	0.5	-2.8
Deferred taxes for previous periods	-0.4	-0.2
Impact of change in Finnish tax rate on deferred tax	0.2	0.0
	-63.9	-46.6

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. The change in fair value is tax-free because the Group's ownership of the company exceeds 10%.

Reconciliation of the tax expense in the income statement and taxes calculated at the statutory tax rate (26%) in the Group's country of incorporation:

EUR million	2011	2010
Profit before tax	265.3	197.1
Tax according to the domestic tax rate	-69.0	-51.2
Tax effects of the following:		
Tax-free gains/losses on the disposal of shares	0.8	0.6
Non-deductible expenses	-0.4	0.0
Tax effects of foreign subsidiaries	4.1	3.8
Tax losses for which no deferred tax asset is recognised	2.0	
Negative depreciation difference	0.0	1.5
Other items	-1.0	-0.9
Taxes for previous periods	-0.5	-0.4
Taxes in the income statement	-63.9	-46.6
Effective tax rate	24.1%	23.7%

During 2011, the Finnish corporation tax rate changed from 26% to 24.5%. The change was enacted 29 December 2011 and it will be effective from 1 January 2012. As a result the relevant deferred tax balances have been remeasured.

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.

	2011	2010
Profit for the period attributable to the equity holders of the parent (EUR million)	201.5	149.7
Weighted average number of shares during the financial year (1,000)	155,878	155,748
Undiluted earnings per share (EUR/share)	1.29	0.96

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

	2011	2010
Profit for the period attributable to the equity holders of the parent (EUR million)	201.5	149.7
Profit for the period for the purpose of calculating EPS adjusted for dilution (EUR million)	201.5	149.7
Weighted average number of shares during the financial year (1,000)	155,878	155,748
Impact of stock options (1,000 pcs)	300	381
Weighted average number of shares for the purpose of calculating EPS adjusted for dilution (1,000)	156,179	156,129
Earnings per share adjusted for dilution (EUR/share)	1.29	0.96

Notes to the consolidated financial statements

14. Property, plant and equipment

2011 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. 2011	6.6	214.0	2,321.7	36.7	29.2	**2,608.2**
Additions	0.2	6.5	195.2	0.1	21.3	**223.3**
Disposals	0.0	-1.3	-93.5	-1.2		**-96.0**
Reclassifications	0.0	3.4	17.0		-19.7	**0.7**
Acquisition cost at 31 Dec. 2011	6.8	222.6	2,440.4	35.6	30.8	**2,736.2**
Accumulated depreciation and impairment at 1 Jan. 2011		87.4	1,875.3	34.2		**1,996.9**
Depreciation		10.6	154.3	0.0		**164.9**
Accumulated depreciation on disposals and reclassifications		-0.2	-42.1	-1.0		**-43.3**
Accumulated depreciation and impairment at 31 Dec. 2011		97.8	1,987.5	33.2		**2,118.5**
Book value at 1 Jan. 2011	6.6	126.6	446.4	2.5	29.2	**611.3**
Book value at 31 Dec. 2011	6.8	124.8	452.9	2.4	30.8	**617.7**

2010 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. 2010	6.6	204.1	2,190.3	36.7	26.7	2,464.4
Additions	0.2	6.9	126.1		21.9	155.1
Business combinations			2.8			2.8
Disposals	-0.2	-1.2	-13.2			-14.6
Reclassifications		4.2	15.7		-19.4	0.5
Acquisition cost at 31 Dec. 2010	6.6	214.0	2,321.7	36.7	29.2	2,608.2
Accumulated depreciation and impairment at 1 Jan. 2010		78.5	1,734.2	33.8		1,846.5
Depreciation		10.0	154.4	0.4		164.8
Accumulated depreciation on disposals and reclassifications		-1.1	-13.3			-14.4
Accumulated depreciation and impairment at 31 Dec. 2010		87.4	1,875.3	34.2		1,996.9
Book value at 1 Jan. 2010	6.6	125.6	456.1	2.9	26.7	617.9
Book value at 31 Dec. 2010	6.6	126.6	446.4	2.5	29.2	611.3

Commitments to purchase property, plant and equipment and intangible assets at 31 Dec. 2011 were EUR 53.7 million (EUR 49.8 million) and commitments to finance lease acquisitions were EUR 3.0 million (EUR 10.0 million).

Additions in 2011 include EUR 9.2 million (EUR 2.2 million) property, plant and equipment leased under finance lease agreements. Additions in 2011 do not include tangible assets received through business combinations (EUR 0.8 million).

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

2011 EUR million	Buildings and constructions	Machinery and equipment	**Total**
Acquisition cost	17.4	102.8	**120.2**
Accumulated depreciation	3.6	92.4	**96.0**
Book value at 31 Dec. 2011	13.8	10.4	**24.2**
2010			
Acquisition cost	17.4	92.9	110.3
Accumulated depreciation	3.2	89.8	93.0
Book value at 31 Dec. 2010	14.2	3.1	17.3

15. Intangible assets

2011 EUR million	Goodwill	Customer base	Other intangible assets	Intangible assets under construction	**Total**
Acquisition cost at 1 Jan. 2011	798.0	87.5	333.0	15.8	**1,234.3**
Additions		1.7	20.2	7.3	**29.2**
Disposals	-0.9		-2.1		**-3.0**
Reclassifications			8.2	-8.9	**-0.7**
Acquisition cost at 31 Dec. 2011	797.1	89.2	359.3	14.2	**1,259.8**
Accumulated amortisation at 1 Jan. 2011		75.1	231.9		**307.0**
Amortisation		4.4	42.1		**46.5**
Accumulated amortisation at 31 Dec. 2011		79.5	274.0		**353.5**
Book value at 1 Jan. 2011	798.0	12.4	101.1	15.8	**927.3**
Book value at 31 Dec. 2011	797.1	9.7	85,3 [1]	14.2	**906.3**

2010 EUR million	Goodwill	Customer base	Other intangible assets	Intangible assets under construction	Total
Acquisition cost at 1 Jan. 2010	782.0	76.1	316.1	12.1	1,186.3
Additions	1.5		15.8	11.4	28.7
Business combinations	14.6	11.4	1.7		27.7
Disposals	-0.1		-7.8		-7.9
Reclassifications			7.2	-7.7	-0.5
Acquisition cost at 31 Dec. 2010	798.0	87.5	333.0	15.8	1,234.3
Accumulated amortisation at 1 Jan. 2010		62.6	193.5		256.1
Amortisation		12.5	39.4		51.9
Accumulated amortisation on disposals and reclassifications			-1.0		-1.0
Accumulated amortisation at 31 Dec. 2010		75.1	231.9		307.0
Book value at 1 Jan. 2010	782.0	13.5	122.6	12.1	930.2
Book value at 31 Dec. 2010	798.0	12.4	101,1 [1]	15.8	927.3

[1] Includes IT software for a book value of EUR 61.1 million (EUR 76.2 million) and brand for a book value of EUR 16.5 million (20.8 million).

Goodwill impairment testing

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

EUR million	2011	2010
Consumer Customers	480.2	480.2
Corporate Customers	316.9	317.8
	797.1	798.0

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 five-year period. The projections are mostly consistent with information from external sources and reflect actual development. The discount rate used is 7.56% to 7.60% depending on the segment. Cash flows after five 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 2011	Corporate Customers 2011	Consumer Customers 2010	Corporate Customers 2010
Amount in excess of CGU carrying value, EUR million	2,626	1,266	1,852	887
EBITDA margin on average,% [1]	36.7	34.3	35.8	34.1
Horizon growth, %	0.0	0.0	0.0	0.0
Pre-tax discount rate, %	7.6	7.6	8.3	8.2

[1] On average during five-year projection period

Change in projection parameters that makes the fair value equal to book value	Consumer Customers 2011	Corporate Customers 2011	Consumer Customers 2010	Corporate Customers 2010
EBITDA margin on average,%	-19.3	-14.4	-15.6	-11.7 [2]
Horizon growth,%	-60.8	-24.5	-33.0	-16.5
Pre-tax discount rate, %	22.7	15.1	16.4	11.0

[2] The value was corrected in connection with 2011 goodwill impairment testing.

16. Associates and joint ventures

Associates

EUR million	2011	2010
At beginning of period	**0.1**	0.1
Share of associated companies' profit	**0.1**	0.0
At end of period	**0.1**	0.1

Goodwill of associates in the balance sheet at 31 Dec. 2011 was EUR 0.1 million (EUR 0.1 million).

Elisa's holdings in associates are presented under Note 35, Related party transactions.

Joint ventures

At the end of 2011 Elisa had two mutual real estate companies, which have been consolidated corresponding to the Group's ownership interest. Elisa's holding in Kiinteistö Oy Paimion Puhelinkulma was 77% and in Kiinteistö Oy Brahenkartano 60%.

17. Financial assets recognised at fair value

EUR million	2011	Level 1	Level 2
Financial assets recognised at fair value	**0.8**		0.8
Financial assets available-for-sale	**7.0**	7.0	
	7.8	7.0	0.8

EUR million	2010	Level 1	Level 2	Level 3
Financial assets recognised at fair value	1.2		1.2	
Financial assets available-for-sale	11.3	9.9		1.4
	12.5	9.9	1.2	1.4

Level 3 reconciliation

Financial assets available-for-sale

EUR million	2011	2010
Balance at the beginning	**1.4**	1.4
Remeasured at acquisition cost [1]	**-1.4**	
Balance at the end		1.4

[1] Datawell Oy's shares were remeasured at acquisition cost during the period. See Note 19.

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

18. Carrying amounts of financial assets and liabilities by category

2011 EUR million	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 cost	**Book values**	**Fair values**	Note
Non-current financial assets							
Financial assets available-for-sale	30.8				**30.8**	**30.8**	19
Receivables		29.5	0.8		**30.3**	**30.3**	20
Current financial assets							
Trade and other receivables		302.7			**302.7**	**302.7**	23
	30.8	332.2	0.8		**363.8**	**363.8**	
Non-current financial liabilities							
Financial liabilities				625.9	**625.9**	**643.8**	30
Other liabilities [2]				9.3	**9.3**	**9.3**	31
Current financial liabilities							
Financial liabilities				221.2	**221.2**	**221.2**	30
Trade and other payables [2]				255.1	**255.1**	**255.1**	31
				1,111.5	**1,111.5**	**1,129.4**	

[1] Assets defined as such at initial recognition
[2] Excluding advances received

2010 EUR million	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 cost	Book values	Fair values	Note
Non-current financial assets							
Financial assets available-for-sale	33.2				33.2	33.2	19
Receivables		21.3	1.2		22.5	22.5	20
Current financial assets							
Trade and other receivables		283.1			283.1	283.1	23
	33.2	304.4	1.2		338.8	338.8	
Non-current financial liabilities							
Financial liabilities				445.8	445.8	462.5	30
Other liabilities [2]				9.1	9.1	9.1	31
Current financial liabilities							
Financial liabilities				362.3	362.3	367.2	30
Trade and other payables [2]				274.9	274.9	274.9	31
				1,092.1	1,092.1	1,113.7	

[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	2011	2010
Publicly listed shares	7.0	9.9
Unlisted shares	23.8	23.3
	30.8	33.2

Carrying amounts of the most significant unlisted equity investments:

Anvia Oyj	8.6	8.6
Sulake Corporation Oy	6.4	6.4
Voddler Group Ab	3.3	3.3
Datawell Oy [1]	2.1	
	20.4	18.3

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

[1] Datawell Oy's shares were remeasured at acquisition cost during the period 2011. As at 31 December 2010, the shares were recognised at fair value of EUR 1.4 million. See Note 17.

Changes in the fair value of listed shares EUR -1.2 million (EUR -1.2 million) have been recognised in other comprehensive income.

20. Non-current receivables

EUR million	2011	2010
Loan receivable	0.1	0.1
Trade receivables	15.1	10.9
Prepayments and accrued income	8.2	7.5
Defined benefit pension plan	1.4	0.9
Derivatives	0.8	1.1
Finance lease receivables	4.5	1.8
Other non-current receivables	0.1	0.2
	30.3	22.5

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% (0%).

Gross finance lease receivables – maturity of minimun lease payment receivables

EUR million	2011	2010
Not later than one year	3.9	1.5
Later than one year not later than five years	4.6	2.0
Gross investment in finance leases	8.5	3.5
Unearned finance income	-0.3	-0.2
Present value of finance lease receivables	8.2	3.3

Maturity of present value of future minimun lease payment receivables

EUR million	2011	2010
Not later than one year	3.7	1.4
Later than one year not later than five years	4.5	1.8
	8.2	3.3

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

21. Deferred tax receivables and liabilities

The change in deferred tax receivables and liabilities during the 2011 is divided as follows:

Deferred tax receivables EUR million	**1 Jan. 2011**	Recognised in income statement	**31 Dec. 2011**
Provisions	**1.2**	-0.6	**0.6**
Unused tax losses	**0.4**	-0.4	
Finance lease agreements	**3.2**	-0.4	**2.8**
Negative depreciation difference	**7.0**	-5.7	**1.4**
Internal margins	**6.9**	-0.6	**6.2**
Share-based incentive plan	**0.2**	0.5	**0.7**
Other temporary differences	**0.7**	-0.4	**0.2**
	19.6	-7.6	**11.9**

Deferred tax receivables EUR million	**1 Jan. 2011**	Recognised in income statement	Acquired/sold subsidiaries	**31 Dec. 2011**
Fair value measurement of tangible and intangible assets in acquisition	**9.2**	-2.4	0.4	**7.1**
Accumulated depreciation difference	**15.3**	-5.1		**10.2**
Other temporary differences	**2.4**	-0.3		**2.1**
	26.9	-7.9	0.4	**19.4**

The Group had EUR 5.5 million (EUR 14.3 million) of unused tax losses at 31 December 2011, for which no tax receivable has been recognised. These losses expire in 2012–2020. No tax liability has been recognised for the untaxed retained earnings EUR 109.8 million of the Estonian subsidiary as no profit distribution decision or plans for profit distribution exist for the time being.

Deferred tax liabilities and receivables are not offset.

The change in deferred tax receivables and liabilities during the 2010 is divided as follows:

Deferred tax receivables EUR million	1 Jan. 2010	Recognised in income statement	31 Dec. 2010
Provisions	0.8	0.4	1.2
Unused tax losses	7.0	-6.6	0.4
Finance lease agreements	3.0	0.2	3.2
Negative depreciation difference	5.8	1.2	7.0
Internal margins	7.9	-1.0	6.9
Share-based incentive plan	0.8	-0.6	0.2
Other temporary differences	0.4	0.3	0.7
	25.7	-6.1	19.6

Deferred tax receivables EUR million	1 Jan. 2010	Recognised in income statement	Acquired/sold subsidiaries	31 Dec. 2010
Fair value measurement of tangible and intangible assets in acquisition	10.3	-4.4	3.3	9.2
Accumulated depreciation difference	15.3	0.0		15.3
Other temporary differences	1.0	1.2	0.2	2.4
	26.6	-3.2	3.5	26.9

22. Inventories

EUR million	2011	2010
Materials and supplies	11.6	12.6
Work in progress	0.2	0.4
Finished goods	28.3	25.7
	40.2	38.7

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

23. Trade and other receivables

EUR million	2011	2010
Trade receivables	277.5	266.4
Allowances for doubtful accounts	-7.1	-8.5
Prepayments and accrued income	20.7	15.2
Finance lease receivables	3.7	1.4
Other receivables	7.9	8.6
	302.7	283.1

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

Trade receivables by age

EUR million	2011	2010
Not due	239.7	233.3
Overdue less than 30 days	23.9	17.0
Overdue 31-60 days	3.6	4.0
Overdue 61-90 days	2.1	2.1
Overdue more than 90 days	1.1	1.5
	270.4	257.9

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 270.4 million.

24. Cash and cash equivalents

EUR million	2011	2010
Cash assets	59.0	26.3
Cash at bank		5.5
	59.0	31.8

25. Derivative instruments

Nominal values of derivatives

	2011			2010		
EUR million	Period of validity Less than 1 year	1-5 years	Over 5 years	Period of validity Less than 1 year	1-5 years	Over 5 years
Interest rate swaps		150.0			150.0	
		150.0			150.0	

Fair values of derivatives

	2011			2010		
EUR million	Positive fair value	Negative fair value	Total	Positive fair value	Negative fair value	Total
Interest rate swaps	0.8		0.8	1.2		1.2
	0.8		0.8	1.2		1.2

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, share premium and treasury shares

EUR million	Number of shares (thousands)	Share capital	Treasury shares
1 Jan. 2010	166,308	83.0	-202.0
Share-based compensation			3.0
31 Dec. 2010	166,308	83.0	-199.0
Subscription rights used	355		2.0
31 Dec. 2011	166,663	83.0	-197.0

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

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 million shares (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 counter-value EUR	Holding, % of shares and votes
Treasury shares held by the Group/Elisa Corporation at 1 Jan. 2010	10,688,629		
Transfer, Share incentive plan	-154,123		
Treasury shares held by the Group/Elisa Corporation at 31 Dec. 2010	10,534,506	5,259,589	6.33%
Transfer, Share incentive plan	-99,231		
Treasury shares held by the Group/Elisa Corporation at 31 Dec. 2011	10,435,275	5,208,968	6.26%

Other reserves

EUR million	Contingency reserve	Fair value reserve	Other reserves	Reserve for invested non-restricted equity	**Total**
1 Jan. 2010	3.4	10.3	381.0	188.6	**583.3**
Financial assets available-for-sale		-1.2			**-1.2**
Capital repayment				-143.3	**-143.3**
31 Dec. 2010	3.4	9.1	381.0	45.3	**438.8**
Financial assets available-for-sale		-1.2			**-1.2**
Stock options exercised				3.0	**3.0**
31 Dec. 2011	3.4	7.8	381.0	48.3	**440.6**

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 7.8 million includes changes in the fair value of the financial assets available-for-sale. The other reserves of EUR 381.0 million were formed through the use of an equity issue in acquisitions. Translation differences are EUR -0.1 million.

The reserve for invested non-restricted equity includes the proportion of share subscription prices not recognised in equity in accordance with share issue decisions.

27. Share-based payments

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

Share-based incentive plan 2012–2014

The first performance-based share incentive plan has three 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. The earnings criteria for the 2012–2014 plan are based on revenue growth of new business operations and earnings per share. After the end of each vesting period, the award is paid as a combination of company shares and cash within one month following the completion of financial statements. The number of key personnel participating in the 2012–2014 plan is 160 and the award equals the value of 983,000 Elisa shares. If the contract of employment is terminated before the payment of the award, no award shall be paid.

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 three 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 three calendar year long earnings periods. The earning periods are calendar years 2009, 2010 and 2011.

The Board of Directors decides the earnings criteria and the targets separately for each earnings period. The earnings criteria for 2011 was earnings per share and development of revenue. The amount of the award to be paid under the share-based incentive plan is tied to the accomplishment of the related targets. After the end of each vesting period, the award is paid as a combination of company shares and cash within one month following the completion of financial statements. The maximum award of the plan is 1,100,000 shares. The maximum amount of the award equals the value of 2,200,000 Elisa shares.

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 on 13 December 2011.

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 5.4 million in 2011 (EUR 2.8 million).

Notes to the consolidated financial statements

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	31.12.2010	31.12.2009	31.12.2008
Fair value of share at the date of grant EUR [1]	15.47	15.16	11.50
Share price at end of period, EUR	16.13	16.13	16.13
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	1.1.2011	1.1.2010	1.1.2009
Vesting period ends	31.12.2011	31.12.2010	31.12.2009
Restriction period ends	31.12.2013	31.12.2012	31.12.2011
Estimated realisation of earnings criteria at the beginning of vesting period	50%	50%	67%
Estimated realisation of earnings criteria at the closing date	30%		
Realisation of earnings criteria		40%	53%
Distributed number		99,483	156,633
Returned number		–252	–2,510
Share price, EUR		16.71	15.42
Distributed number out of the maximum number of share awards granted		16%	25%
Number of participants in the plan	161	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 the 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	2014 plan	2013 plan	2012 plan
Number of awards granted			983,000
Grant date	31.12.2013	31.12.2012	31.12.2011
Fair value of share at the date of grant, EUR [1]			12.23
Share price at end of period, EUR			16.13
Estimated realisation of share price after vesting and restriction period [2]			16.16
Vesting period starts	01.01.2014	01.01.2013	01.01.2012
Vesting and restriction period ends	31.12.2016	31.12.2015	31.12.2014
Estimated realisation of earnings criteria at the beginning of vesting period			72%
Number of participants in the plan			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, Fonetic Oy. The stock option scheme was 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.

At time of issuance, all those stock options that are not distributed to key personnel, are given to a subsidiary that may distribute stock options to the Group's existing key personnel or those recruited later subject to the Board of Director's decision.

Terms of the arrangement	Option plan 2007A	Option plan 2007B	Option plan 2007C
Validity period (years)	3.5	3.5	3.5
Exercise period	1.12.2009–31.5.2011	1.12.2010–31.5.2012	1.12.2011–31.5.2013
Exercise price assessment date [1]	1.11.–30.11.2007	1.11.–30.11.2008	1.11.–30.11.2009

	Number of options	Number of options	Number of options	Total
Shares under option 1 Jan. 2010	**477,850**	**598,500**		**1,076,350**
Granted		8,000	643,500	651,500
Exercised		–400		–400
Returned		–29,500	–29,500	–59,000
Shares under option 31 Dec. 2010	**477,850**	**576,600**	**614,000**	**1,668,450**
Granted		5,000	11,000	16,000
Exercised	–12,375	–343,402		–355,777
Returned			–20,000	–20,000
Expired	–465,475			–465,475
Expired, in stock	–372,150			–372,150
Shares under option 31 Dec. 2011		**238,198**	**605,000**	**843,198**
In stock 31 Dec. 2010	365,150	273,400	236,000	874,550
In stock 31 Dec. 2011		268,000	245,000	513,000
Options exerciseable 31 Dec. 2010	477,850	598,500		1,076,350
Options exerciseable 31 Dec. 2011		238,198	605,000	843,198
Initial exercise price, EUR	20.84	11.89	13.99	
Exercise price 31 Dec. 2010, EUR	16.62	9.47	12.57	
Exercise price 31 Dec. 2011, EUR	15.72[2]	8.17	11.27	

[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. Expenses recognised for the stock option plan amounted to EUR 1.5 million in 2011 (EUR 2.6 million).

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 defined benefit pension liability recognised in the statement of financial position is determined as follows:

EUR million	**2011**	2010
Present value of unfunded obligations	**-1.2**	-1.2
Present value of funded obligations	**-43.9**	-44.7
Fair value of plan assets	**42.6**	43.7
Deficit (-) / surplus (+)	**-2.5**	-2.2
Unrecognised actuarial gains (-) / losses(+)	**2.7**	1.9
Net liability (-) / receivable (+) in the statement of financial position	**0.2**	-0.3
Amounts in the statement of financial position:		
Liability	**-1.2**	-1.2
Receivable	**1.4**	0.9
Net liability (-) / receivable (+) in the statement of financial position	**0.2**	-0.3

Changes in the present value of the obligation:

EUR million	**2011**	2010
Obligation at beginning of period	**-45.9**	-45.4
Service cost	**-0.1**	-0.6
Interest expenses	**-1.8**	-2.1
Actuarial losses (+) and gains (-)	**-1.2**	-1.9
Benefits paid	**3.9**	4.1
Obligation at end of period	**-45.1**	-45.9

Changes in the fair value of plan assets:

EUR million	**2011**	2010
Fair value of plan assets at beginning of period	**43.7**	43.6
Expected return on plan assets	**1.8**	2.1
Benefits paid	**-3.9**	-4.1
Actuarial gains (+) and losses (-)	**0.4**	2.1
Contributions paid by employer	**0.6**	0.0
Fair value of plan assets at end of period	**42.6**	43.7

The defined benefit pension expense recognised in the income statement is determined as follows:

EUR million	**2011**	2010
Current service cost	**0.1**	0.2
Interest costs	**1.8**	2.1
Expected return on plan assets	**-1.8**	-2.1
Past service costs	**0.0**	0.4
	0.1	0.6

Actual return on plan assets was EUR 2.2 million in 2011 (EUR 4.3 million).

The principal actuarial assumptions used:

	2011	2010
Discount rate, %	**4.75**	4.25
Expected return on plan assets, %	**4.75**	4.25
Future salary increase, %	**3.30**	3.30
Future pension increase, %	**2.10**	2.10

The amounts for the period and the previous four periods are as follows:

EUR million	**2011**	2010	2009	2008	2007
Present value of obligation	**-45.1**	-45.9	-45.4	-51.9	-57.9
Fair value of plan assets	**42.6**	43.7	43.6	49.3	54.9
Excess (+)/deficit (-)	**-2.5**	-2.2	-1.8	-2.6	-3.0
Experience-based adjustments to plan assets, gain (-), loss (+)	**0.4**	2.2	-5.5	-0.7	-2.3
Experience-based adjustments to plan liabilities, gain (+), loss (-)	**-2.0**	0.9	4.6	0.3	2.4

The Group expects to contribute EUR 0.7 million to defined benefit pension plans in 2012 (EUR 0.2 million).

29. Provisions

EUR million	Termination benefits	Other	**Total**
1 Jan. 2011	1.8	3.9	**5.7**
Increases in provisions	2.0	0.9	**2.9**
Utilised provisions	-2.5	-1.8	**-4.3**
31 Dec. 2011	1.3	3.0	**4.3**

EUR million	**2011**	2010
Long-term provisions	**3.5**	3.6
Short-term provisions	**0.8**	2.1
	4.3	5.7

Termination benefits

The provision for termination benefits is related to unemployment pensions, for which the outflows are expected to occur in 2012–2014.

Other provisions

Other provisions include a provision for vacant premises and an environmental provision made for telephone poles. The outflow for the vacant premises provision is expected to occur 2012–2015.

30. Financial liabilities

	2011		2010	
EUR million	Balance sheet values	Fair values	Balance sheet values	Fair values
Non-current				
Bonds	**374.7**	**392.6**	374.5	391.2
Bank loans	**220.7**	**220.7**	51.1	51.1
Finance lease liabilities	**30.4**	**30.4**	20.2	20.2
	625.9	**643.8**	445.8	462.5
Current				
Bonds			224.5	229.4
Bank loans	**26.5**	**26.5**	32.8	32.8
Finance lease liabilities	**5.6**	**5.6**	3.0	3.0
Commercial paper	**189.0**	**189.0**	102.0	102.0
	221.2	**221.2**	362.3	367.2
	847.0	**865.0**	808.1	829.7

Interest bearing liabilities include a total of EUR 36.1 million (EUR 23.2 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.

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 3.1 (3.2) years and effective average rate of interest 3.7% (4.0%).

Notes to the consolidated financial statements

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

2011

EUR million	2012	2013	2014	2015	2016	2017-	**Total**
Bonds	16.5	91.5	314.3				**422.3**
Financial costs	16.5	16.5	14.3				**47.3**
Repayments		75.0	300.0				**375.0**
Bank loans	6.1	10.6	14.9	14.5	134.3	71.4	**251.8**
Financial costs	5.8	5.8	5.6	5.3	5.1	3.2	**30.8**
Repayments	0.3	4.8	9.3	9.2	129.2	68.2	**221.0**
Committed credit limits	25.3						**25.3**
Financial costs	0.0						**0.0**
Repayments	25.2						**25.2**
Commercial paper	189.0						**189.0**
Financial costs	2.1						**2.1**
Repayments	186.9						**186.9**
Finance lease liabilities	8.3	7.1	5.2	3.1	2.9	62.2	**88.6**
Financial costs	2.6	2.4	2.2	2.1	2.0	41.3	**52.5**
Repayments	5.6	4.7	2.9	1.1	0.9	20.9	**36.1**
Other liabilities	1.0						**1.0**
Financial costs	0.0						**0.0**
Repayments	1.0						**1.0**
Interest rate swap	-0.4	-0.4	-0.4				**-1.1**
Trade payables	150.1						**150.1**
Financial costs	26.7	24.3	21.7	7.4	7.1	44.5	**131.6**
Repayments	369.1	84.5	312.2	10.3	130.1	89.1	**995.3**
Total	395.8	108.8	333.9	17.7	137.2	133.6	**1,127.0**

2010

EUR million	2011	2012	2013	2014	2015	2016-	Total
Bonds	252.3	16.6	91.6	314.3	0.0	0.0	674.8
Financial costs	26.4	16.6	16.6	14.3	0.0	0.0	73.9
Repayments	225.9		75.0	300.0			600.9
Bank loans	1.4	1.3	5.8	10.1	9.9	28.3	56.8
Financial costs	1.0	1.0	1.0	0.8	0.6	0.9	5.3
Repayments	0.4	0.3	4.8	9.3	9.3	27.4	51.5
Committed credit limits	32.2						32.2
Financial costs	0.0						0.0
Repayments	32.2						32.2
Commercial paper	102.0						102.0
Financial costs	0.4						0.4
Repayments	101.6						101.6
Finance lease liabilities	4.8	3.6	2.3	1.9	1.7	58.9	73.2
Financial costs	1.8	1.7	1.6	1.6	1.5	41.8	50.0
Repayments	3.0	1.9	0.7	0.3	0.2	17.1	23.2
Other liabilities	0.3						0.3
Financial costs	0.0						0.0
Repayments	0.3						0.3
Interest rate swap	-0.4	-0.4	-0.4	-0.4			-1.6
Trade payables	159.4						159.4
Financial costs	29.2	18.9	18.8	16.3	2.1	42.7	128.0
Repayments	522.8	2.2	80.5	309.6	9.5	44.5	969.1
Total	551.9	21.1	99.3	325.9	11.6	87.2	1,097.1

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. 2011					
	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	316.8	299.7	300.0	4.750%	4.789%	3.3.2014
I/2010	75.9	74.9	75.0	3.000%	3.018%	22.3.2013
	392.6	374.7	375.0			

The fair value of bonds is based on market quotes.

Gross finance lease liabilities - maturity of minimum lease payments

EUR million	2011	2010
Not later than one year	8.2	4.6
Later than one year not later than five years	18.3	9.5
Later than five years	62.1	59.0
Gross finance lease liabilities	88.6	73.2
Future financing charges	-52.5	-50.0
Present value of finance lease liabilities	36.1	23.2

Maturity of present value of finance lease liabilities

EUR million	2011	2010
Not later than one year	5.6	3.0
Later than one year not later than five years	9.6	3.1
Later than five years	20.9	17.1
	36.1	23.2

The Group leases telecom facilities, GSM 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	2011	2010
Non-current		
Advances received	6.3	6.6
Other liabilities	9.3	9.1
	15.6	15.7
Current		
Trade payables	150.1	159.4
Advances received	5.3	5.7
Accrued employee-related expenses	40.4	38.7
Other accruals	26.6	35.9
Other liabilities	38.0	40.9
	260.4	280.6
	276.0	296.3

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.

32. Operating leases

Group as a lessee

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

EUR million	2011	2010
Not later than one year	**42.9**	42.8
Later than one year not later than five years	**37.1**	34.3
Later than five years	**11.3**	11.3
	91.3	88.3

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

Minimum lease payments were recognised at present value in the financial statements for 2010. The figures for the current period and the reference period have been presented as totals in the 2011 financial statements.

A total of EUR 52.1 million (EUR 52.7 million for 2010) was paid as lease expenses on the basis of other lease contracts and recognised through profit or loss in 2011.

Group as a lessor

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

EUR million	2011	2010
Not later than one year	**2.0**	1.5
Later than one year not later than five years	**0.3**	1.2
	2.2	2.7

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	2011	2010
Mortgages		
For own and group companies	**2.0**	2.0
Pledges given		
Bank deposits given for own debt	**0.9**	0.9
Guarantees given		
For others [1]	**0.5**	0.5
	3.4	3.4

[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 million on 31 December 2011 (EUR 0.5 million).

Real estate investments

Real estate investments VAT refund liability is EUR 24.2 million at 31 December 2011 (EUR 19.7 million).

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 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 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. 2011, 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	189.0			**189.0**
Bank loans	127.3			**127.3**
Finance lease	5.6			**5.6**
Fixed-rate financing instruments				
Bonds		375.0		**375.0**
Bank loans		120.0		**120.0**
Finance lease		9.6	20.9	**30,4**
	321.9	504.6	20.9	**847.4**

The Group did not have any interest-bearing financial assets as at 31 December 2011.

The sensitivity analysis includes financial liabilities in the balance sheet of 31 December 2011 (31 December 2010). The change in the interest rate level is assumed to be one per centage 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.

	2011		2010	
EUR million	Income statement	Shareholders' equity	Income statement	Shareholders' equity
Change in interest rate level +/– 1%	**+/- 3.1**		**+/- 1.8**	

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) and the US dollar (USD), 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.

Elisa's foreign exchange exposure 31 December 2011

EUR million	Trade receivables	Trade payables
SDR	2.4	5.6
USD	0.2	1.2

Elisa's foreign exchange exposure
31 December 2010

EUR million	Trade receivables	Trade payables	Net investments in foreign subsidiaries
SDR	3.3	5.7	
USD	0.1	0.7	
EEK			60.7

A change of twenty per centage points in SDR would impact consolidated profit before tax by EUR +/- 0.8 million (EUR +/- 0.6 million) and in USD EUR +/- 0.2 million (EUR +/- 0.1 million). A change of twenty per centage points in EEK would have impacted equity by EUR +/- 12.1 million as at 31 December 2010. The EEK foreign exchange risk was eliminated at the beginning of 2011 as Estonia was converted to euro.

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 375 million. The company also has a EUR 250 million commercial paper programme and committed revolving credit facility of EUR 300 million. The EUR 170 million revolving credit facility valid until 3 June 2016 is undrawn as of 31 December 2011. Of the EUR 130 million revolving credit facility valid until 21 November 2014, EUR 25 million was drawn on 31 December 2011. 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	2011	2010
Cash and bank	59.0	31.8
Credit limits	275.0	268.0
	334.0	299.8

Cash and bank as well as unused committed credit limits deducted by commercial papers issued by Elisa amounted to EUR 145.0 million on 31 December 2011 (EUR 197.8 million).

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 6% of customer invoicing. EUR 7.1 million (EUR 8.5 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 2011 is the value of trade receivables EUR 270.4 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 in the statement of financial position at the end of the financial year. The analysis assumes a change of twenty per centage points in the share price.

	2011		2010	
EUR million	Income statement	Shareholders' equity	Income statement	Shareholders' equity
Change in Comptel share price +/- 20%	+/- 0	+/-1.4	+/- 0	+/- 2.0

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% 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 40% to 60% 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	31.12.2011	31.12.2010
Interest-bearing net debt	788.0	776.2
Total equity	840.3	832.9
Total capital	1,628.4	1,609.1
Gearing ratio	93.8%	93.2%
Net debt / EBITDA	1.6	1.6
Equity ratio	42.3%	42.5%

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	31.12.2011	31.12.2010
Treasury shares, 1,000	10,435	10,535
Share issue authorisation, 1,000	14,901	15,000
Maximum total, 1,000 [1)]	14,901	15,000
Share price	16.13	16.27
Total, EUR million	240.4	244.1

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	31.12.2011	31.12.2010
Commercial paper programme (non-committed) [2)]	61.0	148.0
Revolving credits (committed) [3)]	275.0	268.0
EMTN programme (non-committed) [4)]	625.0	375.0
Total, EUR million	961.0	791.0
Total equity and debt capital	1,201.4	1,035.1

[1)] The authorisation to issue shares at 31 December 2011 amounted to a maximum of 14,900,517 shares. This may be effected through an issue of new shares or sale of treasyry shares.

[2)] The commercial paper programme amounts to EUR 250 million, of which EUR 189 million was in use at 31 December 2011.

[3)] Elisa has two committed revolving credit facilities to a total of EUR 300 million, of which EUR 25 million was in use at 31 December 2011.

[4)] Elisa has an European Medium Term Note programme (EMTN) to a total of EUR 1,000 million. EUR 375 million was in use at 31 December 2011. The program was updated on 16 March 2011 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:

The parent company of the Group is Elisa Corporation.

Subsidiaries	Domicile	31 Dec. 2011 Group's ownership, %
Appelsiini Finland Oy	Helsinki	100
Arediv Oy	Oulu	62
Dial Media Oy	Helsinki	100
Ecosite Oy	Espoo	100
Elisa Eesti As	Tallinn	100
Elisa Hong Kong Limited	Hong Kong	100
Elisa Rahoitus Oy	Helsinki	100
Elisa Links Oy	Helsinki	100
Enia Oy	Helsinki	100
Fiaset Oy	Jyväskylä	100
Fonetic Oy	Jyväskylä	100
Helsingin Netti Media Oy	Helsinki	100
JMS Group Oy	Helsinki	100
Kiinteistö Oy Raision Luolasto	Espoo	100
Kiinteistö Oy Rinnetorppa	Kuusamo	80
Kiinteistö Oy Tapiolan Luolasto	Espoo	100
LNS Kommunikation AB	Stockholm	100
Preminet Oy	Helsinki	100
OOO LNR	St. Petersburg	100
Supertel Oy	Helsinki	100
Tampereen Tietoverkko Oy	Tampere	63
UAB Radiolinja	Vilnius	100
Videra Oy	Oulu	69
One Conference Ab	Solna	69
Videra Norge As	Oslo	69
Xenex Telecom Oy	Tuusula	69

Joint ventures		
Kiinteistö Oy Brahenkartano	Turku	60
Kiinteistö Oy Paimion Puhelimenkulma	Paimio	77

Associates		
Asunto Oy Kauniaisten Jalavapiha	Kauniainen	27
Kiinteistö Oy Helsingin Sentnerinkuja 6	Helsinki	50
Kiinteistö Oy Herrainmäen Luolasto	Tampere	50
Kiinteistö Oy Lauttasaarentie 19	Helsinki	42
Kiinteistö Oy Runeberginkatu 43	Helsinki	30
Kiinteistö Oy Stenbäckinkatu 5	Helsinki	40
Suomen Numerot NUMPAC Oy	Helsinki	33

Significant changes in ownership are presented in Notes 2, Acquisitions and 3, Divestments.

Other changes in the Group structure are described below.

On 28 April 2011, the parent company Elisa founded Elisa Innova Oy, which name was changed into Elisa Rahoitus Oy during the period. On 22 June 2011, Videra founded Videra Norge As, which offers video conferencing services to Norwegian customers. The wholly owned subsidiaries were consolidated with the Group since their foundation.

SIA Radiolinja Latvija was liquidated on 23 August 2011. The liquidation removed a total of EUR 0.2 million in deferred tax liabilities from the Group. The liquidation did not cause any other earnings effects.

Saunalahti Group Plc was merged into Elisa Corporation on 31 December 2011. The merger does not affect the consolidated financial statements.

The following transactions have been carried out with related parties:

Related party purchases:

EUR million	**2011**	2010
Associates and joint ventures	**0.6**	0.6
	0.6	0.6

Employee benefits to key management are presented under Note 7.

36. Events after the balance sheet date

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

Key indicators

Key indicators describing the Group's financial development

	2011	2010	2009
INCOME STATEMENT			
Revenue, EUR million	**1,530**	1,463	1,430
Change of revenue, %	**4.6%**	2.3%	-3.7%
EBITDA (EUR million)	**506**	485	484
EBITDA as % of revenue	**33.1%**	33.1%	33.8%
EBIT, EUR million	**295**	268	267
EBIT as % of revenue	**19.3%**	18.3%	18.7%
Profit before tax, EUR million	**265**	197	235
Profit before tax as % of revenue	**17.3%**	13.5%	16.4%
Return on equity (ROE), %	**24.1%**	17.4%	19.9%
Return on investment (ROI), %	**17.9%**	14.0%	16.0%
Research and development costs, EUR million	**5**	10	10
Research and development costs as % of revenue	**0.3%**	0.7%	0.7%
BALANCE SHEET			
Gearing ratio, %	**93.8%**	93.2%	79.8%
Current ratio	**0.8**	0.6	0.8
Equity ratio, %	**42.3%**	42.5%	46.1%
Non-interest bearing liabilities, EUR million	**312**	331	315
Balance sheet total, EUR million	**1,999**	1,972	1,965
INVESTMENTS IN SHARES			
Purchases of shares, EUR million	**0**	35	6
CAPITAL EXPENDITURES			
investments, EUR million	**197**	184	171
investments as % of revenue	**12.9%**	12.6%	11.9%
PERSONNEL			
Average number of employees during the period	**3,757**	3,477	3,216
Revenue/employee, EUR 1,000	**407**	421	445

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

Key indicators

Per-share indicators[1

	2011	2010	2009
Share capital, EUR	**83,033,008.00**	83,033,008.00	83,033,008.00
Number of shares at year-end	**156,227,740**	155,773,080	155,618,957
Average number of shares	**155,878,493**	155,748,377	155,618,957
Number of shares at year-end, diluted	**156,528,070**	156,153,867	155,809,082
Average number of shares, diluted	**156,178,823**	156,129,164	155,809,082
Market capitalisation, EUR million (2	**2,520**	2,534	2,484
Earnings per share (EPS), EUR	**1.29**	0.96	1.13
Dividend per share, EUR	**1.30*)**	1.30	0.50
Payout ratio,%	**100.6%**	135.2%	44.2%
Capital repayment per share, EUR			0.92
Capital repayment as% of earnings			81.2%
Equity per share, EUR	**5.36**	5.33	5.78
P/E ratio	**12.5**	16.8	14.1
Effective dividend yield,% 2)	**8.1%**	8.0%	3.1%
Effective capital repayment yield,% 2)			5.8%
Share performance on the Helsinki Stock Exchange			
Mean price, EUR	**15.41**	15.39	12.01
Closing price at year-end, EUR	**16.13**	16.27	15.96
Lowest price, EUR	**12.70**	12.67	9.69
Highest price, EUR	**17.00**	17.43	15.99
Trading of shares			
Total trading volume, 1,000 shares	**121,878**	144,696	180,605
Percentage of shares traded (3	**78%**	93%	116%

*) The Board of Directors proposes a dividend payment of EUR 1.30 per share.

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

Key indicators

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),%	Profit for the period / Total shareholders' equity (on average during the year)	x 100
Return on investment (ROI),%	Profit before taxes + interest and other financial expenses / Total equity + interest bearing liabilities (on average during the year)	x 100
Gearing ratio,%	Interest-bearing liabilities - Cash and cash equivalents and financial assets at fair value through profit or loss / Total shareholders' equity	x 100
Current ratio	Current assets / Current liabilities - advance payments received	
Equity ratio,%	Total shareholders' equity / Balance sheet total - advance payments received	x 100

Formulae for per-share indicators

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 *)	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 as per centage *)	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	

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

Income statement, parent company, FAS

EUR million	Note	1 Jan.–31 Dec. 2011	1 Jan.–31 Dec. 2010
Revenue	1	**1,165.2**	1,167.2
Change in inventories		**-0.2**	-0.2
Other operating income	2	**201.3**	7.9
Materials and services	3	**-513.4**	-467.1
Personnel expenses	4	**-172.7**	-175.2
Depreciation and amortisation	5	**-188.6**	-193.9
Other operating expenses		**-131.8**	-142.1
Operating profit		**359.8**	196.6
Financial income and expenses	7	**-26.4**	-28.3
Profit before extraordinary items		**333.4**	168.3
Extraordinary items	8	**60.9**	10.0
Profit after extraordinary items		**394.3**	178.3
Appropriations	9	**17.4**	-1.1
Income taxes	10	**-43.4**	-42.4
Profit for the period		**368.3**	134.8

Balance sheet, parent company, FAS

EUR million	Note	31 Dec. 2011	31 Dec. 2010
ASSETS			
Fixed assets			
Intangible assets	11	**480.7**	521.6
Tangible assets	11	**484.7**	468.3
Investments	12	**293.1**	125.2
		1,258.5	1,115.1
Current assets			
Inventories	13	**34.5**	33.9
Non-current receivables	14	**26.8**	12.8
Current receivables	15	**281.8**	258.9
Cash and bank		**52.6**	18.8
		395.7	324.4
TOTAL ASSETS		**1,654.1**	1,439.5
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	16		
Share capital		**83.0**	83.0
Treasury shares		**-196.9**	-198.8
Contingency reserve		**3.4**	3.4
Reserve for invested non-restricted equity		**46.4**	43.4
Retained earnings		**205.2**	273.0
Profit for the period		**368.3**	134.8
		509.5	338.8
Accumulated appropriations			17.4
Provisions for liabilities and charges	17	**3.9**	5.2
Liabilities			
Non-current liabilities	18	**604.4**	434.1
Current liabilities	19	**536.4**	644.0
		1,140.7	1,078.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,654.1**	1,439.5

Cash flow statement, parent company, FAS

EUR million	2011	2010
Cash flow from operating activities		
Profit before extraordinary items	333.4	168.4
Adjustments:		
Depreciation and amortisation	188.6	193.9
Financial income (-) and expense (+)	26.7	38.0
Gains (-) and losses (+) on the disposal of fixed assets	-1.4	-1.5
Gains (-) and losses (+) on the disposal of shares	-184.1	-9.7
Change in provisions in the income statement	-1.6	1.4
Other adjustments		-0.4
Cash flow before change in working capital	361.6	390.1
Increase (+) / decrease (-) in working capital	-11.3	28.1
Cash flow before financial items and taxes	350.3	418.2
Dividends received	3.1	31.7
Interest received	9.0	8.2
Interest paid	-41.7	-75.3
Income taxes paid	-44.8	-49.9
Net cash flow from operating activities	275.9	332.9
Cash flow from investing activities		
Capital expenditure	-148.7	-138.4
Proceeds from sale of property, plant and equipment	2.2	3.6
Investments in shares and other financial assets	-5.3	-28.3
Proceeds from sale of shares and other financial assets	1.5	10.5
Loans granted	-0.1	-26.4
Repayment of loan receivables	50.0	1.4
Net cash flow used in investing activities	-100.4	-177.6
Cash flow after investing activities	175.5	155.3
Cash flow from financing activities		
Proceeds from long-term borrowings	170.0	75.0
Repayment of long-term borrowings	-225.9	-80.0
Change in short-term borrowings	102.6	72.3
Additions to reserve for invested non-restricted equity from stock option excercises	3.0	
Dividends paid	-202.2	-220.7
Group contributions given (-) /received (+)	10.0	-5.9
Net cash flow used in financing activities	-142.4	-159.3
Change in cash and cash equivalents	33.1	-4.0
Cash and cash equivalents at beginning of period	18.8	22.8
Cash and cash equivalents received through business combinations and mergers	0.6	
Cash and cash equivalents at end of period	52.6	18.8

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's figures

When the financial information for the period is compared with the previous year's figures, it should be taken into account that a gain on disposal of shares of EUR 184.8 million is included within other operating income for 2011, a merger profit of EUR 60.9 million is included within extraordinary items for 2011 and one-off guarantee expenses totaling EUR 39.5 million are included within financial expenses for 2010.

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 cost.

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 lower of variable costs, acquisition cost 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.

Revenue 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.

Notes to the financial statements of the parent company

1. Revenue

EUR million	2011	2010
Sales	1,228.1	1,254.4
Interconnection fees and other adjustments	-62.9	-87.2
	1,165.2	1,167.2

Geographical distribution		
Finland	1,120.6	1,126.5
Rest of Europe	40.3	37.0
Other countries	4.3	3.7
	1,165.2	1,167.2

2. Other operating income

EUR million	2011	2010
Gain on disposal of fixed assets	1.4	1.6
Gain on disposal of shares and business	184.8	0.0
Others [1]	15.2	6.3
	201.3	7.9

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

3. Materials and services

EUR million	2011	2010
Materials, supplies and goods		
Purchases	87.9	45.1
Change in inventories	-0.8	-4.7
	87.1	40.4
External services	426.3	426.7
	513.4	467.1

4. Personnel expenses

EUR million	2011	2010
Salaries and wages	141.9	143.7
Pension costs	24.8	25.8
Other statutory employee costs	5.9	5.7
	172.7	175.2
Personnel on average	2,636	2,634

CEO remuneration, EUR

	2011	2010
Fixed salary	482,844.00	494,256.00
Performance-based bonus	121,627.87	133,288.80
Fringe benefits	14,764.00	14,909.00
Share-based payments [1]	156,247.32	656,937.77
	775,483.19	1,299,391.57

[1] In 2011, according to the 2010 share-based payment plan, CEO Veli-Matti Mattila received 4,408 shares of Elisa Oyj, with a value of EUR 74,836.20 and related cash payment EUR 81,411.12.

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	2011	2010
Risto Siilasmaa	116,500.00	116,500.00
Pertti Korhonen	18,000.00	67,500.00
Ari Lehtoranta	67,000.00	68,000.00
Raimo Lind	79,000.00	77,500.00
Leena Niemistö	67,000.00	51,000.00
Eira Palin-Lehtinen	68,500.00	69,500.00
Ossi Virolainen	19,500.00	81,500.00
	435,500.00	531,500.00

In 2011, 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 purchase Elisa shares every quarter end. The shares are subject to a transfer restriction of four years during the term of Board service. The restriction is lifted when Board membershift ends.

5. Depreciation and amortisation

EUR million	2011	2010
Amortisation of intangible assets	65.1	65.0
Depreciation of tangible assets	123.5	128.9
	188.6	193.9

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

6. Auditor fees

EUR million	2011	2010
Auditing	0.1	0.2
Tax advisory services	0.1	0.0
Education services	0.2	0.5
Other services	0.1	0.1
	0.5	0.8

7. Financial income and expenses

EUR million	2011	2010
Interest income and other financial income		
Dividends received		
from Group companies	2.3	30.9
from others	0.8	0.8
	3.1	31.7
Other interest and financial income		
from Group companies	0.7	0.4
from others	8.7	17.9
	9.5	18.3
	12.6	50.0
Interest costs and other financial expenses		
to Group companies	-0.8	-0.3
to others [1]	-38.2	-78.0
	-39.0	-78.3
	-26.4	-28.3

[1] In 2010, EUR 39.5 million guarantee expenses was included in interest costs and other financial expenses.

8. Extraordinary items

EUR million	2011	2010
Extraordinary income		
Group contributions received		10.0
Merger profit [1]	60.9	
	60.9	10.0

[1] The merger of Saunalahti Group Plc at 31 December 2011

9. Appropriations

EUR million	2011	2010
Change in depreciation difference	17.4	-1.1
	17.4	-1.1

10. Income taxes

EUR million	2011	2010
Income tax on extraordinary items		-2.6
Income tax on regular business	-43.4	-39.6
Income tax for previous periods	0.0	-0.2
	-43.4	-42.4

11. Intangible and tangible assets

Intangible Assets

2011 EUR million	Development costs	Intangible rights	Goodwill	Other intangible assets	Under construction	**Total**
Acquisition cost at 1 Jan. 2011	2.4	18.3	769.1	265.1	15.6	**1,070.6**
Transferred in merger		1.7		0.1		**1.8**
Additions	1.9	3.5		12.7	7.2	**25.3**
Disposals	-1.9	-0.3				**-2.3**
Reclassifications	3.6	-0.3		5.7	-8.9	**0.1**
Acquisition cost at 31 Dec. 2011	6.0	22.9	769.1	283.7	14.0	**1,095.5**
Accumulated amortisation at 1 Jan. 2011	0.8	13.1	346.2	188.8		**548.9**
Transferred in merger		1.0		0.1		**1.1**
Accumulated depreciation of disposals and reclassifications	-0.2					**-0.2**
Amortisation for the period	1.6	2.3	28.2	32.9		**65.1**
Accumulated amortisation at 31 Dec. 2011	2.2	16.4	374.4	221.9		**614.8**
Book value at 31 Dec. 2011	3.8	6.5	394.7	61.8	14.0	**480.7**

Tangible assets

2011 EUR million	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Under construction	**Total**
Acquisition cost at 1 Jan. 2011	4.9	67.0	2,030.0	34.6	25.8	**2,162.3**
Transferred in merger		0.1	38.5			**38.7**
Additions	0.0	2.5	103.3		17.6	**123.4**
Disposals	0.0	-0.2	-8.0			**-8.2**
Reclassifications	0.0	2.3	14.1		-16.5	**-0.1**
Acquisition cost at 31 Dec. 2011	4.8	71.7	2,178.0	34.6	26.9	**2,316.0**
Accumulated depreciation at 1 Jan. 2011		31.7	1,629.8	32.5		**1,694.0**
Transferred in merger		0.0	20.7			**20.7**
Accumulated depreciation of disposals and reclassifications		-0.1	-6.7			**-6.8**
Depreciation for the period		3.7	119.8	-0.1		**123.4**
Accumulated depreciation at 31 Dec. 2011		35.4	1,763.6	32.4		**1,831.3**
Book value at 31 Dec. 2011	4.8	36.3	414.4	2.2	26.9	**484.7**

Intangible Assets

2010 EUR million	Development costs	Intangible rights	Goodwill	Other intangible assets	Under construction	Total
Acquisition cost at 1 Jan. 2010	0.8	16.0	769.1	252.0	12.0	1,049.9
Additions	0.4	2.0		7.3	11.2	20.9
Disposals	0.0	0.0		-0.7		-0.7
Reclassifications	1.2	0.3		6.5	-7.6	0.4
Acquisition cost at 31 Dec. 2010	2.4	18.3	769.1	265.1	15.6	1,070.5
Accumulated amortisation at 1 Jan. 2010	0.1	10.8	315.4	158.3		484.6
Accumulated depreciation of disposals and reclassifications		0.0		-0.7		-0.7
Amortisation for the period	0.7	2.3	30.8	31.2		65.0
Accumulated amortisation at 31 Dec. 2010	0.8	13.1	346.2	188.8		548.9
Book value at 31 Dec. 2010	1.6	5.2	422.9	76.3	15.6	521.6

2010 EUR million	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Under construction	Total
			Tangible assets			
Acquisition cost at 1 Jan. 2010	5.0	61.5	1,925.1	34.6	24.4	2,050.6
Additions	0.0	3.7	96.0	0.0	17.7	117.4
Disposals	-0.1	-1.1	-4.0			-5.2
Reclassifications	0.0	2.9	12.9	0.0	-16.3	-0.5
Acquisition cost at 31 Dec. 2010	4.9	67.0	2,030.0	34.6	25.8	2,162.3
Accumulated depreciation at 1 Jan. 2010		29.3	1,506.8	32.2		1,568.3
Accumulated depreciation of disposals and reclassifications		-1.0	-2.1			-3.1
Depreciation for the period		3.4	125.1	0.3		128.8
Accumulated depreciation at 31 Dec. 2010		31.7	1,629.8	32.5		1,694.0
Book value at 31 Dec. 2010	4.9	35.3	400.2	2.1	25.8	468.3

12. Investments

		Shares		Receivables	
2011 EUR million	Group companies	Associated companies	Other companies	Group companies	**Total**
Acquisition cost at 1 Jan. 2011	95.4	5.3	20.6	4.2	**125.4**
Transferred in merger	194.3		8.9		**203.2**
Additions	3.7	0.1	0.0	0.0	**3.8**
Disposals	-32.4	-1.2	-0.3	-1.9	**-35.7**
Acquisition cost at 31 Dec. 2011	261.0	4.1	29.1	2.3	**296.6**
Impairment at 1 Jan. 2011			-0.3		**-0.3**
Transferred in merger	-3,6				**-3,6**
Accumulated impairment of disposals			0,3		**0,3**
Impairment at 31 Dec. 2011	-3,6				**-3.6**
Book value at 31 Dec. 2011	257.4	4.1	29.1	2.3	**293.1**

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

		Shares		Receivables	
2010 EUR million	Group companies	Associated companies	Other companies	Group companies	Total
Acquisition cost at 1 Jan. 2010	64.8	5.2	17.0	3.6	90.6
Additions	31.2	0.1	3.8	0.6	35.7
Disposals	-0.6		-0.2		-0.8
Acquisition cost at 31 Dec. 2010	95.4	5.3	20.6	4.2	125.5
Impairment at 1 Jan. 2010			-0.3		-0.3
Impairment at 31 Dec. 2010			-0.3		-0.3
Book value at 31 Dec. 2010	95.4	5.3	20.3	4.2	125.2

Notes to the financial statements of the parent company

13. Inventories

EUR million	2011	2010
Materials and supplies	**10.7**	11.8
Work in progress	**0.2**	0.4
Finished goods	**23.1**	21.3
Advance payment	**0.4**	0.4
	34.5	33.9

14. Non-current receivables

EUR million	2011	2010
Receivables from Group companies		
Loan receivables	**4.6**	4.7
Receivables from others		
Trade receivables	**13.7**	0.5
Loan receivables [1]	**0.1**	0.1
Other receivables	**0.2**	
Prepayments and accrued income [2]	**8.2**	7.5
	26.8	12.8

[1] Loan receivables include EUR 0.1 million receivable from Sofia Digital Oy.

[2] Breakdown of prepayment and accrued income

Rent advances	**7.5**	7.2
Bond issue loss allocations	**0.7**	0.3
	8.2	7.5

15. Current receivables

EUR million	2011	2010
Receivables from Group companies		
Trade receivables	**3.4**	40.0
Loan receivables	**12.8**	41.3
Other receivables	**0.0**	14.6
Prepayments and accrued income	**0.2**	0.3
	16.4	96.2
Receivables from others		
Trade receivables	**244.5**	147.1
Other receivables	**3.7**	0.5
Prepayments and accrued income [1]	**17.2**	15.1
	265.4	162.7
	281.8	258.9

[1] Breakdown of prepayment and accrued income

Interest	**7.0**	6.1
Rent advances	**1.3**	1.3
Bond issue loss allocations	**0.3**	1.4
Taxes		1.4
Other business expense advances	**8.6**	4.9
	17.2	15.1

16. Shareholders' equity

EUR million	2011	2010
Share capital at 1 Jan.	**83.0**	83.0
Share capital at 31 Dec.	**83.0**	83.0
Treasury shares at 1 Jan.	**-198.8**	-201.9
Share-based payment	**2.0**	3.1
Treasury shares at 31 Dec.	**-196.9**	-198.8
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.	**43.4**	186.7
Capital repayment		-143.3
Share subscription on the grounds of stock options	**3.0**	
Reserve for invested non-restricted equity at 31 Dec.	**46.4**	43.4
Retained earnings at 1 Jan.	**407.8**	354.6
Dividend distribution	**-202.7**	-77.9
Withdrawal of dividend liabilities	**2.1**	
Share-based payment	**-2.0**	-3.1
Contributions		-0.6
Retained earnings at 31 Dec.	**205.2**	273.0
Profit for the period	**368.3**	134.8
	509.5	338.8

Distributable earnings

Retained earnings	**205.2**	273.0
Treasury shares	**-196.9**	-198.8
Reserve for invested non-restricted equity	**46.4**	43.4
Profit for the period	**368.3**	134.8
	423.1	252.4

17. Provisions

EUR million	2011	2010
Provision for unemployment pensions	2.4	2.5
Other provisions for liabilities and charges [1]	1.5	2.7
	3.9	5.2

[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 2.7 million were used in 2011 (EUR 1.8 million).

18. Non-current liabilities

EUR million	2011	2010
Interest-bearing		
Bonds	375.0	375.0
Loans from financial institutions	220.0	50.0
Non-interest bearing		
Other liabilities	2.8	2.9
Accruals and deferred income	6.5	6.2
	604.4	434.1

Liabilities maturing after five years		
Loans from financial institutions	100.0	50.0

Breakdown of accruals and deferred income [1]		
Rent advances	6.5	6.1
Others		0.1
	6.5	6.2

19. Current liabilities

EUR million	2011	2010
Interest-bearing		
Liabilities to Group companies		
Group account	75.1	53.2
Other liabilities	0.1	0.1
	75.1	53.3
Liabilities to others		
Bonds		225.9
Loans from financial institutions	25.0	32.0
Commercial paper	189.0	102.0
	214.0	359.9
Interest-bearing, total	289.1	413.2
Non-interest bearing		
Liabilities to Group companies		
Trade payables	10.3	9.7
Advances received	0.0	0.0
	10.4	9.7
Liabilities to others		
Advances received	3.7	2.4
Trade payables	134.3	118.9
Other liabilities	32.3	38.5
Accruals and deferred income [1]	66.6	61.3
	236.8	221.1
Non-interest bearing, total	247.2	230.8
	536.4	644.0

Breakdown of accruals and deferred income [1]		
Holiday pay, performance-based bonuses and related statutory employee costs	33.3	33.4
Interest	20.0	22.5
Direct taxes	10.1	0.0
Rent advances	0.9	0.9
Advance income	2.4	3.3
Others	0.0	1.2
	66.6	61.3

20. Collateral, commitments and other liabilities

EUR million	2011	2010
Pledges given		
Bank deposits given for own debt	**0.6**	0.5
Guarantees given		
For others	**0.5**	0.5
	1.1	1.0

Leasing and rental liabilities

EUR million	2011	2010
Leasing liabilities on telecom networks [1]		
Due within one year	**0.6**	0.8
Due later than one year and up to five years	**1.4**	1.8
Due later than five years	**0.8**	1.0
	2.8	3.6
Other leasing liabilities [2]		
Due within one year	**5.2**	5.4
Due later than one year and up to five years	**6.9**	6.0
	12.1	11.4
Real estate leases [3]		
Due within one year	**35.8**	35.6
Due later than one year and up to five years	**36.8**	34.0
Due later than five years	**92.2**	90.8
	164.8	160.4
	179.7	175.4

[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 prices.

Derivative instruments

EUR million	2011	2010
Interest rate swap		
Nominal value	**150.0**	150.0
Fair value recognised in the balance sheet	**0.8**	1.2

Real estate investments

VAT refund liability of real estate investments is EUR 22.7 million at 31 December 2011 (18.4 million).

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 166,662,763, 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 2011 authorized the Board of Directors to resolve to distribute funds from the unrestricted equity to the maximum amount of EUR 70,000,000. The funds from the unrestricted equity may be distributed in one or several instalments. Funds may be distributed either out of accrued earnings or out of the reserves of unrestricted equity. The authorization is effective until the beginning of the following Annual General Meeting.

The Annual General Meeting also authorised 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 finance investments, 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 2012 and it annuls the authorisation given by the Annual General Meeting to the Board of Directors on 18 March 2010.

3. Treasury shares

At the beginning of the financial period, Elisa held 10,534,506 treasury shares.

The Annual General Meeting held on 25 March 2011 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.

According to the decision of the Board of Directors Elisa transferred on 1 March 2011 a total of 99,483 shares to the personnel under the share incentive plan for 2010. In accordance with the terms and conditions of the share-based incentive plan, 252 shares returned to Elisa as the result of the termination of employment on December 2011.

At the end of the financial period, Elisa held 10,435,275 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 6.26 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 2011 was 257,865 shares and votes, which represented 0.15 per cent of all shares and votes.

5. Share performance

The Elisa share closed at EUR 16.13 on 31 December 2011. The highest quotation of the year was EUR 17.00 and the lowest EUR 12.70. The average price was EUR 15.41.

At the end of the financial year, the market capitalisation of Elisa's outstanding shares was EUR 2,520 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 2011 was 121,877,720 shares for an aggregate price of EUR 1,878 million. The trading volume represented 78.0 per cent of the outstanding number of shares at the closing of the financial year.

Shares and shareholders

7. Distribution of holding by shareholder groups at 31 December 2011

	Number of shares	Proportion of all shares %
1. Private companies	26,437,222	15.86
2. Financial and insurance institutions	5,974,430	3.58
3. Public corporations	20,388,855	12.23
4. Non-profit organisations	7,374,936	4.43
5. Households	50,305,021	30.18
6. Foreign	556,643	0.33
7. Nominee registered	45,190,381	27.11
Elisa Group	10,435,275	6.26
Total	166,662,763	100.00

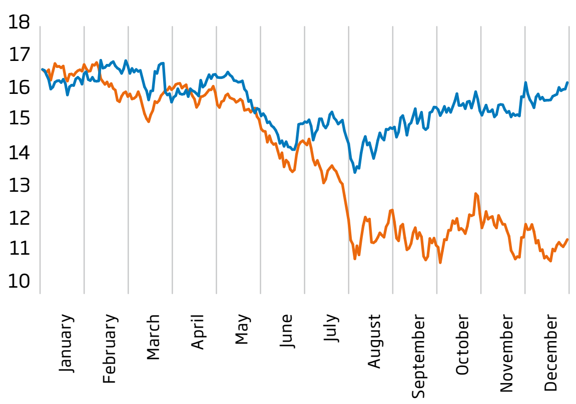
8. Distribution of holding by amount at 31 December 2011

Size of holding	Number of shareholders	%	Number of shares	%
1-100	32,158	14.21	1,739,077	1.04
101-1,000	188,251	83.19	39,942,407	23.97
1,001-10,000	5,519	2.44	13,384,332	8.03
10,001-100,000	326	0.14	8,780,125	5.27
100,001-1,000,000	36	0.02	8,582,262	5.15
1,000,001-	8	0.00	38,191,819	22.92
Nominee registered			45,190,381	27.11
Grand total	226,298	100.00	155,810,403	93.49

In special accounts, Elisa Common Clearing account [1]	417,085	0.25
Elisa Group	10,435,275	6.26
Issued amount	166,662,763	100.00

10. Daily price development

Closing price in EUR



9. Largest shareholders at 31 December 2011

	Name	Number of shares	%
1	Solidium PLC	16,801,000	10.08
2	Varma Mutual Pension Insurance Company	9,231,976	5.54
3	Ilmarinen Mutual Pension Insurance Company	6,089,787	3.65
4	The State Pension Fund	1,900,000	1.14
5	Mandatum Life Insurance PLC	1,311,950	0.79
6	KPY Sijoitus PLC	1,127,163	0.68
7	City of Helsinki	1,124,690	0.67
8	The Society of Swedish Litterature in Finland	1,072,000	0.64
9	Kaleva Mutual Insurance Company	661,223	0.40
10	Föreningen Konstsamfundet Rf	580,000	0.35
11	Danske Invest Finnish Equity Fund	475,118	0.29
12	The Local Government Pension Institution	391,856	0.24
13	Svenska Handelsbanken Ab (publ) Branch	385,264	0.23
14	Anvia Oyj	375,019	0.23
15	Seligson & Co Fund	336,350	0.20
16	Danske Invest Finnish Institutional Equity Fund	331,290	0.20
17	OP-Delta Mutual Fund	300,000	0.18
18	Sigrid Jusélius Foundation	297,000	0.18
19	Swiss National Bank	287,907	0.17
20	Pension Fennia Mutual Insurance Company	273,000	0.16
Total		43,352,593	26.01

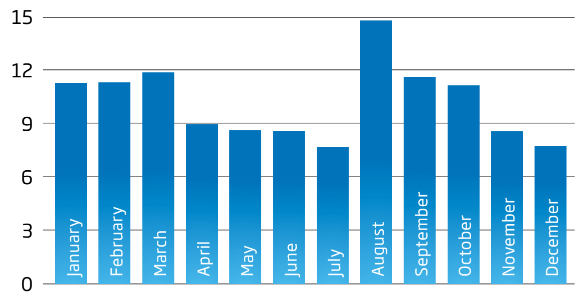
Elisa Group total	10,435,275	6.26
Elisa Group Personnel Fund	148,600	0.09
Elisa Common Clearing account [1]	417,085	0.25
Nominee registered	45,190,381	27.11
Shareholders not specified here	67,118,829	40.27
Total	166,662,763	100.00

[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.

On 28 December 2010 Capital Research and Management issued a notification pursuant to Chapter 2, Section 9 of the Securities Market Act that its stake in Elisa Corporation had increased above 5% threshold and was 8,395,128 shares, corresponding to 5.05% of all shares in the company.

11. Trading volume

Shares per month



Board's proposal concerning the disposal of profits

According to the consolidated balance sheet of 31 December 2011, the parent company's shareholders' equity is EUR 509,543,818.53 of which distributable funds account for EUR 423,128,874.26.

The parent company's profit for the period 1 January to 31 December 2011 was EUR 368,343,983.16.

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 203,295,288.30
- no dividend shall be paid on shares in the parent company's possession
- EUR 219,833,585.96 shall be retained in shareholders' equity.

Helsinki, 2 February 2012

Risto Siilasmaa Chairman of the Board of Directors	Ari Lehtoranta	Raimo Lind
Leena Niemistö	Eira Palin-Lehtinen	

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 on 31 December 2011. 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 statements 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 and the President and CEO are guilty of an act of 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, 2 February 2012

KPMG OY AB

Esa Kailiala
Authorized Public Accountant

Corporate Governance Statement

Board of Directors

Elisa's Board of Directors from left to right:
Back: Mr Ari Lehtoranta and Mr Raimo Lind
Front: Ms Leena Niemistö, Chairman of the Board Mr Risto Siilasmaa and Ms Eira Palin-Lehtinen

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.

Board of Directors and Board committees

Board of Directors

According to the Articles of Association, Elisa's Board of Directors comprises a minimum of five and a maximum of nine 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 five members. The Annual General Meeting of 25 March 2011 elected the following Board members: Mr Risto Siilasmaa (Chairman), Mr Raimo Lind (Deputy Chairman), Mr Ari Lehtoranta, Ms Leena Niemistö and Ms Eira Palin-Lehtinen.

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 2011, the acting committees were: the Committee for Remuneration Evaluation and Appointments, and the Committee for Auditing. The duties and charters of the committees are adopted by the Board of Directors.

Information on current Board members

Mr Risto Siilasmaa

- (1966), M.Sc. (Industrial Engineering and Management), Chairman of the Board, member since 2007
- Key employment history: Founder and CEO of F-Secure Corporation 1988–2006
- Main occupation and main Board memberships and public duties currently undertaken: Chairman of the Boards of F-Secure Corporation and Fruugo Oy; member of the Board of Nokia Corporation, the Federation of Finnish Technology Industries, Blyk Ltd, Ekahau Inc and Efecte Oy

Mr Raimo Lind

- (1953), B.Sc. (Econ.), graduated 1975 from Helsinki School of Economics and Business Administration, and with M.Sc. (Econ.) in 1980, Deputy Chairman of the Board, member since 2009
- Main occupation: Wärtsilä Group Vice President and the CEO's deputy since 2005
- Key employment history: Wärtsilä Group Vice President, CFO since 1998; Tamrock Coal Business, Vice President 1996-1997; Tamrock Service Business, Vice President 1994-1996; Tamrock Oy, CFO 1992-1993; Scantrailer Ajoneuvoteollisuus Oy, President 1990-1992; Wärtsilä Service Division, Deputy Vice President 1988-1989; Wärtsilä Singapore, Managing Director & Area Director 1984-1988; Wärtsilä Diesel Group, Vice President & Controller 1980-1984; Wärtsilä Group, positions within control and finance and in development and internationalization 1976-1980
- Main Board memberships and public duties currently undertaken: Deputy Chairman of the Board of Sato Corporation; member of the Board of the Federation of Finnish Technology Industries and the Wilhelm Wahlforss Foundation

Mr Ari Lehtoranta

- (1963), M.Sc. (Electrical Engineering), member of the Board since 2009
- Main occupation: Area Director for Central and North Europe as of 1 November 2010 and member of the Executive Board at KONE Corporation since 2008
- Key employment history: Executive Vice President, Major Projects, KONE Corporation 2008–2010; Head of Radio Access (Senior Vice President), Nokia Siemens Networks/Nokia Networks 2005-2008; Vice President of Operational Human Resources, Nokia Corporation 2003-2005; and Head of Broadband Division, Head of Systems Integration, Vice President for Customer Services for Europe, Nokia Networks. In addition, he served as Managing Director at Nokia Telecommunications in Italy, and in various other positions over the period of 1985-2003

Ms Leena Niemistö

- (1963), M.D., Ph.D., Specialist in Physical and Rehabilitation Medicine, member of the Board since 2010
- Main occupation: Oy Dextra Ab, Managing Director, 2003–
- Key employment history: Private practitioner 2003-; Specialist in the Invalid Foundation Orton Rehabilitation Center 2000-2004 and specializing physician 1995–1999
- Main Board memberships and public duties currently undertaken: Member of the Board of Ilmarinen Mutual Pension Insurance Company, Lääkäripalveluyritykset ry and Handelsbanken Finland; Chairman of the prize committee of Ars Fennica and Deputy Chairman of the Foundation for the Finnish Cancer Institute

Ms Eira Palin-Lehtinen

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

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 guidelines 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 guidelines
- distribution of profit 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 2011, the members of the Board were paid the following emoluments, which were decided upon and set by the Annual General Meeting:

- 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
- 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 four years during the term of service on the Board. The restriction is lifted when Board membership ends.

In 2011, a total of 2,796 Elisa shares were issued to Risto Siilasmaa, the Chairman of the Board; 1,864 shares to Raimo Lind, the Deputy Chairman; 1,552 shares to members Ari Lehtoranta, Leena Niinistö and Eira Palin-Lehtinen each. The shares purchased for the current members of Elisa's Board of Directors on 30 December 2011 were not registered in the members' book-entry accounts until 4 January 2012, and are thus not included in the figures below.

Elisa Board members' shareholdings in Elisa, (companies under the member's control)	Number of shares, 31 Dec. 2011
Mr Risto Siilasmaa, Chairman of the Board	16,963
Mr Raimo Lind, Deputy Chairman of the Board	4,651
Mr Ari Lehtoranta, member	4,968
Ms Leena Niemistö, member	2,321
Ms Eira Palin-Lehtinen, member	5,963

In 2011, the Board of Directors convened 14 times. The average attendance rate at Board meetings was 95 per cent.

Committee for Remuneration Evaluation and Appointments

According to its charter, the Committee for Remuneration Evaluation and Appointments 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.

The Committee shall also ensure that a proposal on the composition of the Board is prepared for the General Meeting and shall prepare the proposal itself when necessary. This preparation is conducted in consultation with the company's largest shareholders.

In 2011, the Committee for Remuneration Evaluation and Appointments comprised Chairman of the Board Risto Siilasmaa (Committee Chairman) and members Ari Lehtoranta and Eira Palin-Lehtinen. In 2011, the Committee for Remuneration Evaluation and Appointments convened 8 times and the attendance rate was 96 per cent.

Committee for Auditing

The Committee for Auditing 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 Committee for Auditing:

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

In 2011, the Committee was chaired by Deputy Chairman of the Board Raimo Lind with Leena Niemistö and Eira Palin-Lehtinen as Committee members. In 2011, the Committee for Auditing convened 5 times and the attendance rate was 100 per cent. The principal auditor also attends Committee meetings.

Executive Board

Elisa's CEO and Executive Board from left ro right
Top: Mr Veli-Matti Mattila; CEO
Middle: Ms Katiye Vuorela, Mr Asko Känsälä and Mr Pasi Mäenpää
Down: Mr Timo Katajisto, Mr Sami Ylikortes and Mr Jari Kinnunen

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 2011.

Information on the CEO

Veli-Matti Mattila

- (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 as 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.
- Main Board memberships and public duties currently undertaken: Member of the Board of Directors at Sampo plc and the Central Chamber of Commerce; member of the Supervisory Board of the Finnish Fair Cooperative; and member of the Council for Security of Supply and Infrastructure

The total salary paid to CEO Veli-Matti Mattila in the financial year was EUR 619,235.87 consisting of a fixed salary including taxable benefits (EUR 497,608.00), and a performance-based bonus (EUR 121,627.87). The performance-based bonus can total a maximum of 90 per cent of the taxable income. Moreover, the sum of EUR 156,247.32 was paid through the 2010 bonus and incentive scheme payable to the management, of which shares in Elisa Corporation, including the asset transfer tax, accounted for EUR 74,836.20 (4,408 shares).

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 126,796.00 for 2011. The additional liability accrued with regard to the age of 60 and 61 (EUR 58,336.00) 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 six months from Elisa's side and three 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 61,086 shares in Elisa on 31 December 2011.

Other information on company administration

General Meeting of Shareholders and Articles of Association

The 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 at: www.elisa.fi/yhtiokokous. 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 2012 Annual General Meeting will be held 4 April 2012 at 2:00 p.m. at the Helsinki Fair Centre, Congress entrance, Messuaukio 1, Helsinki.

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 2011).

Elisa Executive Board's holdings in Elisa	Number of shares, 31 Dec. 2011
Mr Veli-Matti Mattila, CEO	61,086
Mr Asko Känsälä, Executive Vice President, Consumer Customers	53,519
Mr Pasi Mäenpää, Executive Vice President, Corporate Customers	39,561
Mr Timo Katajisto, Executive Vice President, Production	14,256
Mr Jari Kinnunen, Chief Financial Officer	20,494
Ms Katiye Vuorela Executive Vice President, Corporate Communications	9,801
Mr Sami Ylikortes Executive Vice President, Administration	24,282

Information on Executive Board members

Mr Asko Känsälä

- (1957), M.Sc. (Tech.), joined the company in 2003
- Main occupation: Executive Vice President, Consumer Business unit
- Key employment history: Sales Director for the Nordic and Baltic sales unit of the Ericsson Group and member of the management group 2001–2003; Sales Director at Oy LM Ericsson Ab 1996–2001; Tekes, the Finnish Funding Agency for Technology and Innovation, Head of Japan's industrial secretariat, 1993–1996; Sales Manager at Hewlett Packard Oy, 1987–1993
- Main Board memberships and public duties currently undertaken: Member of the Board of Directors at Ficom and Chairman of the Data Network Pool in the Information Society Sector

Mr Pasi Mäenpää

- (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

Mr Timo Katajisto

- (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
- Main Board memberships and public duties currently undertaken: member of the Board of Directors of the service sector employers' association called PALTA from the beginning of 2011

Mr Jari Kinnunen

- (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
- Main Board memberships and public duties currently undertaken: Member of the Finance and Tax Committee in the Confederation of Finnish Industries EK

Ms Katiye Vuorela

- (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 2000–2008; Lotus Development Finland Oy, an IBM subsidiary, Marketing and Communications Manager 1998–2000; Nokia Telecommunications (the predecessor of Nokia Siemens Networks), Dedicated Networks business unit, Marketing Communications Manager 1994–1998

Mr Sami Ylikortes

- 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
- Main Board memberships and public duties currently undertaken: Chairman of the Working Life Committee of the Confederation of Finnish Industries EK (2011); member of the labor market committee of the service sector employers' association called PALTA

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 1,688,935.61, which consists of a fixed salary, including taxable benefits (EUR 1,348,031.00), and a performance-based bonus (EUR 340,904.61). Moreover, the sum of EUR 1,312,275.01 was paid through the 2010 bonus and incentive scheme payable to the management, of which shares in Elisa Corporation, including the asset transfer tax, accounted for EUR 628,518.75 (37,021 shares).

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 130,687.00. 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 plans for key personnel

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

Performance Share Plan for 2011

The first, 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 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, 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, including the portion payable in cash.

Restricted Stock Plan for 2011

The second, 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 is designed to align the goals of shareholders and key personnel in increasing the value of the company, to secure the commitment of key employees to the company and to offer them a competitive compensation scheme which is based on shareholding in the company.

The system consists of three earning periods: calendar years 2009, 2010 and 2011. In total, 99,483 shares were transferred in the spring of 2011 as the bonus through the system for the 2010 earning period. In addition to this, a cash portion that covers taxes was transferred. The shares will be subject to a lock-up period of two years following the earning period, during which time transfer restrictions are in effect. In the event that the employment of a key employee ends during the lock-up period, he or she must return the shares subject to transfer restriction to the company without consideration. In total, 252 shares were returned in 2011.

The bonus through the system for the 2011 earning period is based on the Elisa Group's earnings per share (EPS) and revenue. The bonus for the 2011 earning period will be paid in 2012, partly as company shares and partly in cash. The portion payable in cash will cover the taxes and tax-like charges arising from the bonus. The shares involve a similar two-year transfer restriction as applicable in the 2010 system.

The target group of the 2008 system consists of some 50 employees in 2009 and 2010 and some 160 employees in 2011. The bonuses payable through the 2008 system equals at most the value of some 2.2 million shares in Elisa Corporation (including not more than 1.1 million shares and the portion payable in cash).

Remuneration and incentive plans applicable to management are described in more detail under Notes 7 and 27 to the consolidated financial statements, and in Note 4 to the parent company's financial statements.

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

The objective of the internal auditing 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 auditing and risk management procedures are integrated into the company's operations and processes. Elisa's internal auditing 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 auditing 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 two 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' Committee for Auditing 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 controls 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", "Committee for Auditing" and "Description of the key features of the internal auditing and risk management systems associated with the financial reporting process".

The company classifies risks into strategic, operational, insurable and financial risks.

The insurable 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 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. 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 financial auditing. An annual auditing plan and auditing report are presented to the Board of Directors' Committee for Auditing. 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 auditing 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 employed one external authorized auditing company in 2011. 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 since the 2011 Annual General Meeting. Before that, Elisa's auditor was Mr Pekka Pajamo (APA).

For the 2011 financial period, the auditing fees of the Finnish group companies totaled EUR 200,000.00, of which the parent company accounted for EUR 109,000.00. The auditing fees for the foreign group companies were EUR 22,000.00.

The auditing firm has been paid fees of EUR 455,000.00 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 266,000.00 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.

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