Elisa Annual Report 2006

Contents.

Elisa in brief.

Elisa's mission is to offer its customers telecommunication services for fast, effective and secure communication. Its vision is to be the most attractive and effective operator.

Elisa operates in Finland and in carefully selected international market areas, and provides international services in association with its partners, Vodafone and Telenor.

Elisa Corporation is a leading Finnish communications and ICT solutions company offering a comprehensive range of communications services, including voice and data services, connections to the internet, customised ICT solutions and network operator services. Elisa is a forerunner of new mobile and content services.

Elisa in 2006

Elisa continued its corporate restructuring in 2006. Tikka Communications Oy and Jyväsviestintä Oy merged with Elisa. Saunalahti Group became a wholly-owned subsidiary of Elisa, and public quotation of Saunalahti shares terminated.

Elisa also made further outsourcing agreements, including partial outsourcing of its field activities in the area of customer installations and maintenance to Relacom Finland Oy. Elisa also outsourced the external accounting processes related to its financial administration to Pretax BSP Oy at the same time.

In June, Elisa offered to buy all the shares in Lounet Oy. The tender offer began on 21 June 2006 and ended on 31 December 2006. After that Elisa's ownership in Lounet was 80.2 per cent.

In October, Elisa started the purchases of 4,000,000 Elisa shares, which were completed on 4 December 2006. The decision was based on the authorisation made by Elisa's Annual General meeting on 27 March 2006 concerning the acquisition of a maximum of 16 million Elisa shares. The purpose of the acquisition was to develop the company's capital structure.

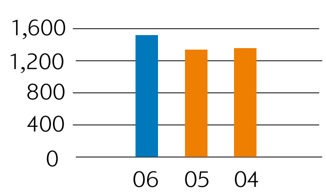
Elisa increased both its fixed network and mobile network services: for example, Elisa was the first Finnish operator to open a music store, Elisa Jukebox. In cooperation with Canal Digital, Elisa also offered a selection of TV content and videos on demand through its Viihdekaista service and launched the highly popular 3G service bundles.

Key indicators

EUR million	**2006**	2005	2004
Revenue	**1,518**	1,337	1,356
EBITDA	**434**	446	455
EBIT	**225**	233	242
Profit before tax	**212**	212	213
Net result	**161**	178	159
Earnings per share, EUR	**0.97**	1.22	1.10
Research and development	**6**	8	17
Investments in shares	**10**	415	61
Capital expenditures	**207**	204	182
Equity ratio, %	**63**	62	49
Gearing, %	**29**	22	51
Employees, 31 Dec	**3,592**	4,681	5,376

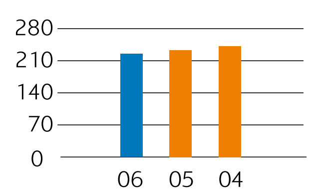
Revenue

EUR million



EBIT

EUR million



Elisa 125 years – a good start. Elisa will be 125 years old this year. We are proud of our successful history, on which we are building an even better tomorrow.

From monopolies to open competition

The first 100 years of the Finnish telecommunications industry from the late 19th century to the late 1980s was largely synonymous with the history of monopolies. Regional monopolies dominated the telecom map and there was no direct competition.

The opening of competition in data communications in the late 1980s and particularly the overthrow of a state monopoly in mobile communications in the early 1990s started a new era in the telecommunications business. The private companies Datatie and Radiolinja were at the forefront of breaking the state monopoly.

It is widely known that the world's first GSM call was placed in early July 1991 in Radiolinja's network.

Within a few years, Finland became a trendsetting country in mobile communications. This was facilitated by a high level of competence in mobile phone manufacturing and operator activity, but also the opening of competition. Had competition not opened, the monopoly would have kept call prices high and the mobile phone would not have become an everyday tool so quickly.

From open competition to hypercompetition

There was a mobile communications boom in the late 1990s. Within a few years, growth was vigorous.

The growth culminated in many operators becoming debt-ridden through third-generation licence auctions and corporate acquisitions. The industry also expected new services to bring rapid relief to a market of declining prices and slower growth. No help arrived and prices continued to decrease.

The last few years have been characterised by hypercompetition in the mobile communications market. Prices have dropped by tens of percent. Substantial price drops have also been seen in the rapidly growing broadband market. Rapid adaptation to intense competition was also inevitable for Elisa. Had we not carried out substantial adaptation measures, the future would no longer have been in our own hands.

However, light began to show at the end of the tunnel. New services emerged and a transformation from price competition towards service competition started.

The dawn of service bundles

Undeveloped equipment has been a hindrance to new and better services in the mobile communications market. Old handsets could not be used for new transaction and entertainment services. The situation began to change dramatically last year.

Finland approved the joint sales of handsets and subscriptions – that is, new service bundles – in April 2006. In Finland these service bundles include third-generation terminal devices.

The approval of service bundles was a very significant decision for the development of the Finnish information society. Our legislature demonstrated modern thinking that is favourable for the information society.

New and better handsets made their way to the pockets of more and more Finns. By the end of the year, there were over 350,000 third-generation customers. Elisa accounted for more than half of this market.

The number of 3G users worldwide at the end of 2006 was approximately 150 million, which is three times more than the previous year. Growth is thus rapid.

The popularity of broadband has been solid and speeds have increased significantly. Popularity has also brought more versatile services. Elisa offers a service bundle that makes it easy and inexpensive to get a broadband subscription and a computer in one package. We also offer our broadband customers the Viihdekaista bundle, which includes TV and movie services and video rental.

Service leadership as Elisa's target

The increased number of new terminal devices can already be seen in the usage trend of new services. Elisa aims to be the service leader within its sector.

Mobile email, video calls, watching video clips, sending images and many information services are becoming commonplace. New services are no longer just buzzwords but everyday life for many.

Service leadership includes, for example, Finland's most extensive mobile TV being offered to Elisa customers.

The development of broadband services is also rapid. Viihdekaista provides the customer with a high-speed broadband connection, versatile digital TV channels and a virtual video rental shop in the comfort of one's own home.

Corporate customers are the trailblazing users of many services. This is understandable because new services can improve the efficiency of enterprises. Reading your email on a mobile phone is a very typical example of this.

An excellent year for Elisa employees

For Elisa employees 2006 was a fine year. Our achievements in the markets were excellent. We maintained clear leadership in the broadband market, became a clear leader in the 3G market and were able to strengthen our position in mobile communications overall.

I wish to thank every Elisa employee for our successful year 2006. I also wish to thank our customers and partners for good co-operation.

We have 125 years of success behind us but many more ahead. It's been a particularly good start.

Veli-Matti Mattila
President and CEO

Mobile communication business. The advance of mobility is inevitable. This applies to content reception, content production and work organization models alike.

Elisa offers mobile communications services for private customers, corporate and institutional customers and other operators through its own networks in Finland and Estonia. Elisa's service provision is supported by a comprehensive distribution network, which is based on Elisa's own retail outlets and a network of representatives.

Operating environment and competitive situation

In the mobile communications business, the focus of competition shifted from prices to services in 2006. The number of mobile network subscriptions also showed a positive development, and usage of subscriptions increased. At the end of 2006, Elisa's network stood at 2,488,938 mobile subscriptions (2,228,101).

In May, Elisa agreed on new mobile interconnection fees with TeliaSonera Finland. The mobile interconnection fee collected by Saunalahti was also changed. This was due to the integration of Saunalahti's business with Elisa's business activities.

The interconnection fees applied between operators was subject to lively discussion during the year. Elisa is of the opinion that as different rates have a strong distorting effect on competition, they should be gradually harmonised.

The world's first 3G/HSDPA call using the 900 MHz frequency was placed using Elisa's mobile communications network in November in co-operation with Nokia. This technology makes it possible to expand fast internet connections and mobile services to rural areas using the mobile broadband more cost-efficiently than before.

Elisa revised the international roaming pricing of Elisa mobile calls and SMS messages as of 1 January 2007, harmonising the pricing of calls and SMS messages its customers make or receive abroad.

Elisa's mobile subscriptions are compatible with over 300 networks in more than 170 countries. GPRS functions in over 100 countries and 3G in more than 30 countries. Elisa is continually signing new roaming agreements with foreign operators.

Elisa's Estonian subsidiary continued to grow: its revenue and performance improved. The number of subscriptions stood at 294,500 (266,000) at the end of the year.

Services

At the end of March, Elisa introduced the new 3G service bundles to the market, which immediately became very popular. A significant number of new subscriptions sold during the year were 3G service bundles.

Based on a survey investigating 3G user experiences among Finnish corporate decision-makers and trendsetters, as many as one in three already use 3G services and almost one third are considering their adoption. In December 2005, only one in a hundred Finns had a 3G phone.

The worldwide number of 3G subscriptions exceeded 100 million in June 2006. Strategy Analytics expects this number to exceed 1 billion by 2010. The research company also predicts that by this date, one third of all mobile subscriptions will be 3G subscriptions and they will account for more than 50% of wireless revenues.

In March, Elisa introduced a new pricing model for the use of wireless services which is based on a monthly fee system similar to broadband subscriptions.

Opening of the 3G/HSDPA mobile broadband network in April tripled the speeds of Elisa's mobile connection network. The maximum speed of the network is 1 Mbit/s. Elisa's customers can also use HSDPA abroad when roaming in an HSDPA network. Elisa's Vodafone partners currently offer HSDPA networks in 11 countries. Elisa also launched its HSDPA network in Tallinn and Pärnu in July.

At the end of 2006, Elisa's 3G network covered 65 cities in Finland, the total coverage being approximately 40 per cent of the population.

In September Elisa launched the most comprehensive mobile TV service in Finland for its 2G and 3G customers. The service gives access to eight different TV channels.

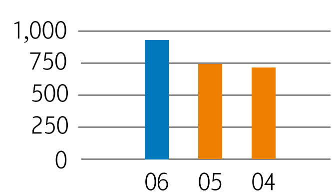
In December Elisa was the first Finnish operator to open a music store, Elisa Jukebox. Users can upload music to mobile phones as well as to computers from the store.

Key figures of the mobile communication business

EUR million	**2006**	2005	2004
Revenue	**930**	740	713
EBITDA	**259**	220	227
EBIT	**162**	130	138
Personnel 31 Dec	**1,329**	1,629	1,477

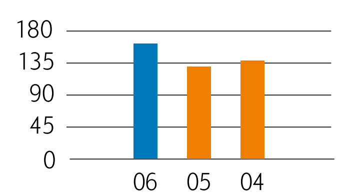
Revenue

EUR million



EBIT

EUR million



Fixed network business. At the end of 2006 there were nearly 1.5 million broadband internet subscriptions in Finland. More than half of the Finnish household has a broadband connection. The internet traffic in Finland grew approximately 50 per cent in 2006.

Elisa offers fixed network-based voice and data services to private, corporate and institutional customers and operators in Finland. The service portfolio also covers ICT solutions, Nordic and international telecommunication services as well as contact centre services.

Operating environment and competitive situation

The trend of previous years continued in the fixed network business throughout 2006: the number of broadband subscriptions continued to grow, while the number and usage of traditional subscriptions decreased.

The number of Elisa's broadband subscriptions rose by approximately 76,000 subscriptions in 2006, showing an increase of 18 per cent on the previous year.

The price level for broadband connections stabilised in 2006. A well-functioning competitive environment served to stabilize prices at an appropriate level. This was the conclusion drawn in the third interim report on the implementation of the national broadband strategy. The report was published in autumn 2006.

Elisa renewed its telecommunications network, which comprised renewal of the technology and equipment of the entire broadband and backbone network. Elisa also updated its intelligent network service, which enabled effective use of new technologies and faster migration to IP-based services. The intelligent network service is targeted at corporate customers.

In line with the terms of Elisa's Saunalahti deal set by the Finnish Competition Authority, Saunalahti sold the Saunaverkko network required for the implementation of broadband services and its customer contracts in the Tampere, Jyväskylä and Riihimäki regions. Saunalahti also sold the Saunaverkko network without customer contracts in the Helsinki region.

The public phone business reached the end of its road. Elisa decided to phase out its public phones by 30 September 2007.

Cisco Systems granted Elisa two awards during the year: in May, Elisa received the IP Communications Specialization certificate for its role as an expert partner in IP-based communications solutions, and in December a certificate for its expertise in wireless solutions. Elisa was also the first Finnish company to receive Cisco's Advanced Technology Partner (ATP) certificate, which Cisco grants to selected partners for their excellent performance in the sale, design, installation or maintenance of IP-based communications solutions, or for their prominent role in innovative projects.

In December, the majority of Finnish operators adopted a new practice for situations in which customers wish to change their broadband operator. Customers can now sign an agreement with their new operator, authorising it to terminate the customer's existing subscription.

Services

Elisa offered its broadband customers various comprehensive service solutions: the broadband service bundle includes a broadband subscription and a laptop PC. Elisa also offered its cable TV customers the Elisa Digipaketti service, which includes a digibox, channel package and a cable card.

Elisa and Canal Digital introduced the Viihdekaista service package for Elisa's ADSL customers. The service gives customers access to television services, real-time video on demand, fast ADSL connection and, if so desired, home telephone, in one package.

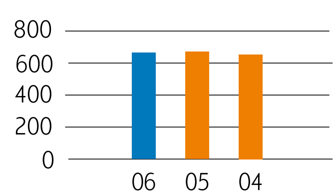
Elisa launched the Oma Elisa service concept for private customers in its elisa.fi online service. Oma Elisa offers a simpler and more easily accessible service for managing mobile phone, broadband, cable TV and fixed network products.

Key figures of the fixed network business

EUR million	**2006**	2005	2004
Revenue	**665**	671	654
EBITDA	**181**	160	201
EBIT	**71**	45	91
Personnel 31 Dec	**2,224**	3,001	3,015

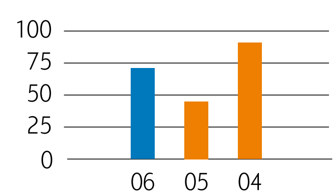
Revenue

EUR million



EBIT

EUR million



Personnel and the environment.

Personnel survey

A personnel survey was carried out in September. The response rate remained high at 74 per cent. The results improved in almost all areas already for the third consecutive time. There were difference between units and employee groups, and the results were positively affected by the objective and development appraisals conducted.

In support of active operations, Elisa has developed a separate resource index to monitor the development of the employees' opportunities for participation and for affecting their own work environment and their motivation. The results of the quarterly survey are used for evaluating the development areas. The September survey results showed a clear improvement.

Promoting equality

Elisa's 2006 equality plan focused on three issues:

- Payroll distribution: salary differences between men and women
- Structure of administrative and executive management: number of women in management and leadership positions
- Distribution of men and women according to job requirement and salary classification.

The equality supplement according to the salaried employees' collective agreement was 0.2 per cent. The supplement was divided evenly between all women in professional employee positions. In the salaried employees group, the supplement particularly benefited those at the higher end of the salary scale and women somewhat more than men. The increases took effect on 1 June 2006.

Elisa's personnel consisted of 1,855 women (2,166) and 2,239 men (2,680). Of Elisa's 428 supervisors, 29 per cent were women (31). The unit-specific management groups comprised 36 men and 6 women.

Development in personnel and activities

In Elisa, responsibility for the development of competence, the working environment and operations is shared by managers, line management and centralised functions. Development is aligned with Elisa's strategy and the needs of the business and the working environment. In addition to the business outlook, the personnel survey and objective and development appraisals provide an important basis for the development of competence, operations and the working environment.

Elisa supported leadership by providing training for new supervisors. The training modules involved leadership, business, finance, employment legislation and employment relationships. A total of 45 supervisors completed the training in 2006. A separate training programme was organised for more experienced supervisors.

A total of 20 employees completed a training programme tailored for more experienced supervisors and experts with development responsibilities during the year. The programme leads to a specialist qualification in management. A further 47 employees are involved in a similar programme scheduled for completion in March 2008.

From March to December the sixth Development Center programme gathered 25 key employees together around themes related to the key areas of strategic leadership. The programme involved one MBA-level module. As a new programme, Elisa piloted the "Forward in Elisa" programme, which focuses on career planning and personal leadership competencies.

Use of information networks as a training tool was developed strongly. Network training targeted at customer service and sales personnel was systematically integrated with training on products, services and operating methods. Training related to the Data Protection Act, information security and new systems was organised for the entire personnel.

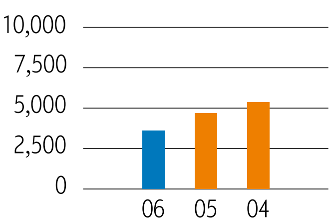
The unit-specific training programmes focused on themes such as customer account management, sales development and reinforcement of technical competence. The customer service and sales teams were provided with continuous training on products and operating methods. Retraining of radio network designers continued.

Elisa supports independent studies among its personnel, both financially and by allowing use of working time for studying. Support is only granted for studies that will support the employee's performance in his/her current tasks or those planned for the future. In 2006 there were over 40 Elisa employees who qualified for the support.

Co-operation

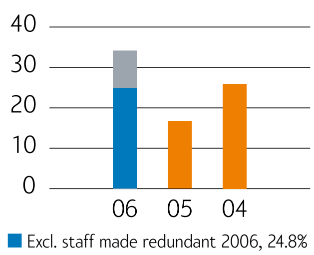
As in the previous few years, co-operation continued to be lively. Elisa and personnel representatives reviewed in advance the effects

Number of employees



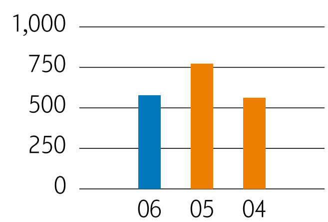
Staff turnover rate

%



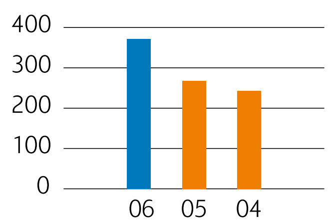
Training expenditure per employee

EUR



Revenue per employee

EUR 1000



which the corporate arrangements involving Tikka, Jyväsviestintä and Saunalahti would have on the personnel. The statutory labour negotiations conducted in the spring of 2006 also required a major effort from the employer and employee unions alike.

Following the completion of recent corporate arrangements, Elisa successfully established a uniform operating model for daily operations and harmonised its personnel benefits scheme.

Elisa and the personnel representatives agreed on the continuation of the policy determined for situations requiring staff reductions. According to the policy, Elisa will shoulder its responsibilities in these situations. The agreed measures exceed the statutory requirements.

Corporate responsibility

Industrial safety co-operation within Elisa took the form of environment groups established in the business units and operating areas. The groups served as statutory safety committees. Numerical indicators were used to monitor the realisation of working environment targets. Elisa's work environment committee, which comprises eight industrial safety delegates, an occupational health care representative and two employer representatives, reviewed the working environment development targets for the entire company.

2006 saw the adoption of the method developed for analysing industrial safety risks in the electronics and IT industry. Elisa initiated working environment training for supervisors and measures for enhancing internal communication in the workplace.

Well-being at work

A separately nominated well-being group plans measures supporting well-being at work. These measures targeted were systematically developed in connection with the employee pension insurance company Varma. The measures have focused on improving the smooth management and meaningfulness of daily responsibilities in particular.

Environmental responsibility

Elisa carries out high-quality and environmentally friendly telecommunications services. The aims of the company's confirmed environmental policy are:

- to promote sustainable development on local, national and international levels as part of competitive business;
- to commit to protecting the environment affected by Elisa's operations and to take environmental, quality and safety considerations into account in its decision-making and management systems;
- to comply with national and international environmental regulations.

Elisa monitored the environmental impact of its operations and continuously strove to improve their environmental friendliness. Elisa took environmental concerns into account when making decisions concerning suppliers and subcontractors, and improved awareness of environmental issues among the personnel by openly and regularly providing information on environmental effects.

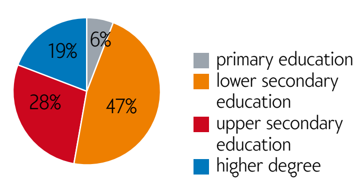
Elisa's environment group collected data on the environmental load (energy, water and fuel consumption, waste), followed the development in environmental legislation as well as other areas, and increased environmental awareness among the personnel by directing the operations that contribute to the environmental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

The principal projects in 2006 were concerned with the initiating the design of a standardised environmental management system, further development of the environmental load data reporting system, improving waste management and developing the production waste processes.

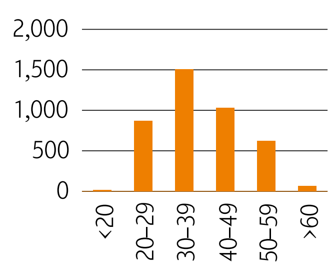
Co-operation with the environmental management company Lassila & Tikanoja plc continued on many fronts. Elisa is collaborating with Vodafone, the European Telecommunications Network Operators' Association (ETNO), Association for Environmental Management (www.yjy.fi) and the Ekokumppanit Klubi association (based in Pirkanmaa) on environmental issues.

	2006	2005	2004
Total number of the employees	**3,592**	4,681	5,376
Gross capacity	**4,094**	4,846	5,821
Male	**2,239**	2,680	3,432
Female	**1,855**	2,166	2,389

Educational structure

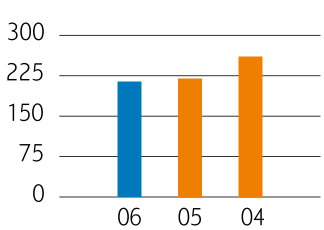


Personnel age structure



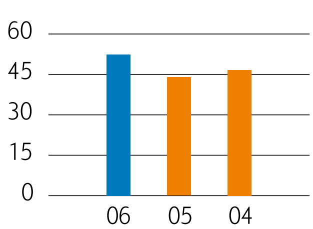
Personnel costs

EUR million

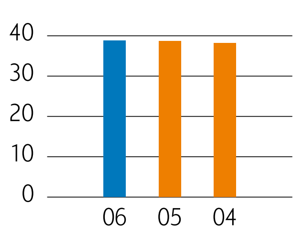


Personnel costs per employee

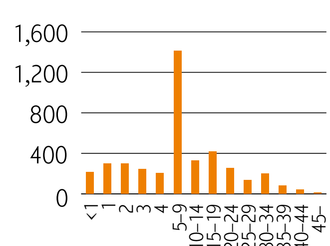
EUR 1000



Average age structure



Distribution according to length of employment



The report of the Board of Directors and financial statements

The report of the Board of Directors for 2006

The financial statements have been prepared in accordance with the IFRS-standards.

Market situation

The base of mobile communications terminals has evolved favourably in Finland with 3G handsets comprising a significant proportion of new terminals. Permitted since the beginning of April, the new 3G service bundles clearly intensified the service competition. The bundles, which offer new services, were highly popular. The number of Elisa mobile network subscriptions showed a positive development, and usage of subscriptions increased.

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

Development of revenue, earnings and financial position

EUR million	**2006**	2005	2004
Revenue	**1,518**	1,337	1,356
EBITDA*	**434**	446	455
EBITDA, %*	**28.6**	33.4	33.6
EBIT*	**225**	233	242
EBIT, %*	**14.8**	17.4	17.8
Return on equity, %	**12.1**	15.9	19.2
Equity ratio, %	**63.1**	61.7	49.3

* Figures excluding non-recurring items: EBITDA 2006, EUR 445 million; 2005, EUR 346 million; and 2004, EUR 441 million
EBITDA percentage 2006, 29.3; 2005, 25.9; and 2004, 32.5
EBIT 2006, EUR 236 million; 2005, EUR 133 million; and 2004, EUR 228 million
EBIT percentage 2006, 15.5; 2005, 9.9; and 2004, 16.8

Revenue development by segments:

	Financial statements	
EUR million	**1–12/2006**	1–12/2005
Mobile communications	**930**	740
Fixed network	**665**	671
Other businesses	**0**	38
Inter-segment sales	**–77**	–112
Total	**1,518**	1,337

Earnings development by segments:

EUR million	Financial statements 1–12/2006	1–12/2005	Excluding non-recurring items 1–12/2006*	1–12/2005**
Mobile communications				
EBITDA	**259**	220	**263**	190
EBITDA, %	**28**	30	**28**	26
EBIT	**162**	130	**166**	100
Fixed network				
EBITDA	**181**	160	**187**	156
EBITDA, %	**27**	24	**28**	23
EBIT	**71**	45	**77**	41
Other business and corporate functions				
EBITDA	**−6**	66	**−6**	0
EBIT	**−7**	58	**−7**	−8
Total				
EBITDA	**434**	446	**445**	346
EBITDA, %	**29**	33	**33**	26
EBIT	**225**	233	**236**	133

* Provision for reorganising operations, EUR –10 million

** Capital gain on the divestment of Yomi Software, EUR 4 million, compensations for damage in interconnection traffic, EUR 28 million, capital gain on real estate, EUR 15 million, capital gain on the disposal of Comptel shares and the related impact on earnings, EUR 40 million, IFRS adjustment relating to the transfer of pension liabilities, EUR 13 million, provision for reorganising operations, EUR −6 million, and capital gain on the sale of Estera, EUR 6 million.

The Group's revenue increased by 14 per cent. The growth was positively affected by increased 3G mobile terminal sales, increased use of mobile communications services, and growth of the broadband business, as well as Elisa's acquisition of Saunalahti and the increase in traffic arising from Saunalahti subscriptions (Saunalahti has been included in Elisa's consolidated financial statements since 1 December 2005).

The Group's EBITDA was EUR 434 million (446). EBITDA excluding non-recurring items was EUR 445 million (346), representing an increase of 29 per cent on the previous year. The improvement in EBITDA was affected by synergy benefits from the Saunalahti consolidation and business efficiency measures.

The Group's financial income and expenses totalled EUR −14 million (−22). The financial income also included the share of the associated companies' results, EUR 0.1 million (1.2). The financial items in the income statement for the fourth quarter of the year include a financial gain of EUR 2.6 million from the sale of bad debt receivables.

Income taxes in the income statement amounted to EUR −50 million (−34).

The Group's January-December result after taxes was EUR 161 million (178). The Group's earnings per share (EPS) amounted to EUR 0.97 (1.22). At the end of 2006, the Group's equity per share was EUR 8.07 (8.06 at the end of 2005).

Changes in corporate structure

On 28 March 2006 Elisa deposited a security, as referred to in Chapter 14, Section 21 of the Companies Act, with regard to Saunalahti Group Oyj's shares that are to be redeemed. This increased Elisa's holding in Saunalahti to 100 per cent and ended the public quotation of Saunalahti shares.

In accordance with the terms of Elisa's Saunalahti deal as determined by the Finnish Competition Authority, Saunalahti sold the Saunaverkko network required for the implementation of broadband services and its customer contracts in the Tampere, Jyväskylä and Riihimäki regions. Saunalahti also sold the Saunaverkko network without customer contracts in the Helsinki region.

In June Elisa offered to buy all the shares in Lounet Oy, paying EUR 1,310 per share certificate for 1,000 shares in Lounet Oy. In addition, the General Meeting of Lounet Oy held on 19 June 2006 decided to pay a dividend of EUR 0.09 per share for 2005. The total value of the tender was approximately EUR 14 million, of which EUR 9.2 million was realised in 2006. The tender offer began on 21 June 2006 and ended on 31 December 2006. Elisa's shareholding in Lounet Oy was 80.2 per cent at that time.

Tikka Communications Oy and Jyväsviestintä Oy merged with Elisa as of 1 July 2006.

In September Elisa sold the entire stock of Elisa Mobiilsideteenused As to its Estonian subsidiary Elisa Andmesideteenused As. Elisa Mobiilsideteenused As merged into Elisa Andmesideteenused As at the end of 2006.

Elisa sold the television business of the local channel TV Jyväskylä that operated in Elisa's cable TV network in the Jyväskylä region to TV Jyväskylä Ky through an agreement signed on 8 September 2006.

Mobile communication business

	31 Dec 2006	31 Dec 2005
Total number of subscriptions (Finland and Estonia)	**2,488,900**	2,228,100
– Elisa's network operator in Finland	**2,194,400**	1,962,100
– Subscriptions in Estonia	**294,500**	266,000

	10–12/2006	10–12/2005	**1–12/2006**	1–12/2005
Revenue/subscription**(ARPU), €	**30.8**	30.4	**30.2**	32.5
Churn**, %	**14.0**	22.6	**13.8**	28.4
Usage, million minutes*	**1,330**	1,070	**4,888**	3,509
Usage, min/subscription/month**	**213**	180	**203**	172
SMS, million msg*	**336**	275	**1,193**	827
SMS, msg/subscription/month**	**54**	40	**50**	38
Value-added services/revenue, %	**17**	17	**17**	16

* Elisa's network operator in Finland (the 2005 figures partly include Saunalahti subscriptions)

** Elisa's service operator in Finland (the 2005 figures excluding Saunalahti)

Elisa's network operator in Finland increased the number of its subscriptions by some 230,000 subscriptions during the year. The increase was markedly due to lively demand for 3G subscriptions and an increase in prepaid subscriptions. The number of subscriptions at the end of 2006 was approximately 2,200,000. The fourth-quarter increase was approximately 30,000 subscriptions.

The call minutes per subscription of Elisa's own service operators rose by approximately 18 per cent and the number of SMS messages increased by approximately 32 per cent on the previous year. The call minutes per subscription only include outgoing traffic.

The call minutes of the network operator rose by 39 per cent and SMS messages by 44 per cent. The increased volume in traffic was due to additional traffic brought by Saunalahti, among other things.

Revenue per subscription (ARPU) decreased by approximately 7 per cent on the previous year. This was due to a fall in average prices per minute and a reduction in interconnection fees in June 2006. The increased usage per subscription failed to completely compensate for the decrease due to price erosion and interconnection fees.

In March Elisa introduced a new pricing model for the use of wireless services, which is based on a monthly fee system similar to broadband subscriptions.

Elisa was the first operator in the Nordic region to open its HSDPA network, tripling the speeds of connections in the mobile phone network. The speed of the network is 1 Mbit/s. Elisa also launched its HSDPA network in Tallinn and Pärnu, Estonia, in July.

Elisa's 3G network covers approximately 65 cities in Finland, the total coverage being approximately 40 per cent of the population.

As of 20 September 2006, Elisa launched the most comprehensive mobile TV service in Finland for its 2G and 3G customers. The service provides access to eight different TV channels.

Elisa revised the international roaming pricing of its mobile calls and SMS messages as of 1 January 2007, harmonising the pricing of calls and SMS messages its customers make or receive abroad. In the new pricing model calls made or received abroad are divided into different zones, each with two price categories. One price category is for calls on the preferred operator's network, and another for calls on the networks of other operators.

The Finnish Communications Regulatory Authority has issued new significant market power (SMP) decisions concerning interconnection fees in mobile communications. Elisa's obligations remain unchanged. According to the new decision, as of 1 June 2006, Saunalahti changed its mobile interconnection fee to 8.4 cents per minute (previously 11 cents per minute), which corresponds to Elisa's mobile interconnection fee. Furthermore, FICORA is currently investigating the regulatory compliance of the pricing of descending traffic in operators' mobile communications networks.

In May Elisa agreed on new mobile interconnection fees with TeliaSonera Finland. As of 1 January 2007, the mobile interconnection fee charged by Elisa will be 7.25 cents per minute (previously 8.4 cents per minute). However, not all negotiations between the operators have yet been completed.

In December 2006 the Finnish Communications Regulatory Authority published its view on the development of interconnection fees between mobile operators. FICORA's view extends to 2009 and comprises annual minimums and maximums for interconnection fees. FICORA demands reductions in the price level and narrowing of price differences. Its intention is also to support commercial negotiations between businesses in order to reduce descending traffic prices. FICORA will decide on the maximum allowed price for descending traffic if the parties are unable to reach an agreement on interconnection fees.

The success of Elisa's subsidiary in Estonia continued. Revenue increased to EUR 102.9 million (88.1), EBITDA to EUR 32.6 million (27.9) and EBIT to EUR 22.5 million (18.5). The number of subscriptions stood at 294,500 (266,000) at the end of 2006.

Fixed network business

Number of subscriptions	**31 Dec 2006**	31 Dec 2005	Change, %
Broadband subscriptions	**496,300**	420,500	18
ISDN channels	**76,200**	128,700	−41
Cable TV subscriptions	**226,000**	214,100	6
Analogue and other subscriptions	**521,100**	578,000	−10
Subscriptions, total	**1,319,600**	1,341,800	−2

The demand for Elisa's broadband subscriptions continued briskly throughout 2006. The number of subscriptions showed an increase of 18 per cent on the previous year. The fourth-quarter increase in broadband was approximately 17,000 subscriptions. Elisa continued as the Finnish broadband market leader.

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

Elisa continued its investments targeted at increasing the speeds of the fixed broadband network and enabling the company to offer new services.

Elisa launched a broadband bundle that includes a broadband subscription and a laptop computer.

Elisa decided to phase out its public phones by 30 September 2007.

Cisco Systems granted Elisa two awards during the year: in May Elisa received the IP Communications Specialization certificate for its role as an expert partner in IP-based communications solutions, and in December a certificate for its expertise in wireless solutions. Elisa was also the first Finnish company to receive Cisco's Advanced Technology Partner (ATP) certificate, which Cisco grants to selected partners for their excellent performance in the sale, design, installation or maintenance of IP-based communications solutions, or for their prominent role in innovative projects.

Personnel

Elisa employed 4,086 people on average in 2006 (2005 average 4,989 people and 2004 average 5,590 people). Wages and salaries in 2006 totalled EUR 173 million (2005 EUR 194 million, 2004 EUR 212 million). At the end of 2006 the number of personnel was 3,592 (4,681).

Personnel by segments:

	31 Dec 2006	31 Dec 2005	31 Dec 2004
Mobile communications	**1,329**	1,629	1,477
Fixed network	**2,224**	3,001	3,015
Other business operations	**–**	–	814
Corporate functions	**38**	51	70
Total	**3,592**	4,681	5,376

Reorganisation of operations within Elisa continued in 2006. Elisa transferred 134 people from its telemarketing operations to Manpower Business Solutions Oy, and 119 people transferred from Elisa's order processing and invoicing to Barona Oy.

The number of personnel in Elisa's Business Customers unit decreased by 182, partly through voluntary resignations and partly as a consequence of statutory labour negotiations.

The sales of business operations associated with customer installations, maintenance and financial management entered into force on 1 September 2006. As a consequence of the transactions, 337 people transferred from Elisa to Relacom Finland Oy, and 32 people transferred to Pretax BSP OY.

On 1 January 2007 Elisa outsourced field operations associated with customer installations and maintenance in Central Finland, Northern Savo and Northern Karelia to Daxtum Oy, transferring 47 employees.
EUR 6 million of the year's earnings will be transferred to the personnel fund.

In March Elisa's Board of Directors decided on a new share-based incentive system for key personnel. The potential reward from the system is based on the overall returns on Elisa shares from 2006 to 2008 and will be paid in 2008 and 2010, partly in company shares and partly in cash.

Investments

EUR million	**1–12/2006**	1–12/2005	1–12/2004
Capital expenditures, of which	**207**	204	182
mobile communication business	**78**	86	68
– GSM leasing liability buy-backs	**2**	4	20
– fixed network business	**127**	112	88
– others		2	6
Shares	**10**	415	61
– of which achieved through an exchange of shares		361	47
Total	**218**	619	243

The Group's depreciation and amortisation was EUR 209 million (213).

Financial position

Elisa's financial position and liquidity remained stable. Cash flow after investments amounted to EUR 118 million (308).

In October Standard & Poor's Ratings Services confirmed the credit rating of Elisa's long-term debt at the current level of BBB. The outlook for the credit rating changed from negative to stable. Elisa's short-term rating increased from A–3 to A–2.

Financial key indicators:

EUR million	**31 Dec 2006**	31 Dec 2005
Net debt	**377**	293
Gearing, %	**28.7**	21.7
Equity ratio, %	**63.1**	61.7

	1–12/2006	1–12/2005
Cash flow after investments	**118**	308

Valid financing arrangements:

EUR million	Maximum amount	In use on 31 Dec 2006
Committed credit line	170	0
Commercial paper programme [1]	150	0
EMTN programme [2]	1,000	316

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

Long-term credit ratings:

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

Shares

At the end of the year Elisa's total number of shares was 166,066,016 (166,066,016), all within one share series. The market capitalisation at the end of the year stood at EUR 3,360 million (2,596). The market capitalisation increased by 29 per cent during the year.

In 2006 a total of 247 million Elisa shares (248) were traded on the Helsinki Stock Exchange for an aggregate of EUR 4,218 million (3,464). The trading volume was 150 per cent of the number of shares on the market (172). Nominee-registered holdings increased from 42 per cent to 47 per cent.

All 379,800 shares not transferred to the book entry system that were held in a joint book-entry account were sold on behalf of their owners on the Helsinki Stock Exchange in accordance with the Companies Act.

Elisa did not have any valid warrants at the end of 2006.

Treasury shares

Between 27 October and 4 December 2006 Elisa acquired 4,000,000 treasury shares through the Helsinki Stock Exchange at an average price of EUR 19.85. The aggregate acquisition price is approximately EUR 79.4 million. Following the acquisitions, the company holds 4,000,000 Elisa shares. Furthermore, the subsidiary Lounet Oy holds 125,000 Elisa shares (180,000 at the end of 2005).

At the end of the year the total number of Elisa shares owned by Group companies was 4,125,000 (180,000 at the end of 2005). The nominal value of the shares totalled approximately EUR 79.4 million, and their proportion of the share capital and voting rights was 2.48 per cent.

Research and development

The Group invested EUR 6 million in research and development in 2006 (EUR 8 million in 2005 and EUR 17 million in 2004), corresponding to 0.4 per cent of revenue (0.6 per cent in 2005 and 1.3 per cent in 2004). Due to changes in the corporate structure, the figures are not comparable with previous years.

Focal points for research included the development of a service-oriented electronic market, digitalisation of customer operating environments and new operating patterns, mobile TV and community communications services, as well as ubiquitous computing (ubicom). Research was intensely networked with national and international industry players. Development operations were focused on new IP-based mobile communication and broadband network solutions, as well as new services aimed at businesses and consumers.

Annual General Meeting

Elisa's Annual General Meeting on 27 March 2006 decided to pay a dividend of EUR 0.70 per share for 2005. The number of members of the Board of Directors was confirmed at five (5), and the following members were re-elected for the ensuing term, ending at the close of the next Annual General Meeting: Mika Ihamuotila, Pekka Ketonen, Lasse Kurkilahti, Matti Manner and Ossi Virolainen.

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

The Board of Directors' authorisations

The Annual General Meeting approved the Board of Directors' proposal authorising the Board of Directors to decide on increasing the company's share capital. The authorisation is valid for one year. A maximum aggregate of 33.2 million of the company's shares can be issued, and the company's share capital can be increased by a maximum of EUR 16,600,000 in total.

The Annual General Meeting approved the Board of Directors' proposal concerning the authorisation to acquire and assign treasury shares. The authorisation applies to a maximum of 16,000,000 treasury shares.

Significant legal issues

The action for annulment of the decision to increase the share capital made at the former Oy Radiolinja Ab's General Meeting of Shareholders in the spring of 2000 has been dismissed with legal validity. The redemption price for Radiolinja shares remains unresolved for 325 shares. The demands for increasing the redemption price are mainly based on the above action for annulment that was resolved in favour of Elisa. A court of arbitration set the redemption price at EUR 7,904.83 per share in 2001.

On 8 May 2006 a court of arbitration set the redemption price for Tikka Communications Oy's shares at EUR 1,940 per share. The aggregate redemption price was approximately EUR 700,000.

On 16 May 2006 a court of arbitration set the redemption price for Saunalahti Group Oyj's shares at EUR 2.56 per share, which corresponds to an aggregate redemption price of approximately EUR 9.8 million.

With regard to suspected securities market offences concerning Jippii Group in 2001, Elisa's subsidiary Saunalahti Group Oyj (formerly Jippii Group) has been issued with a demand for a fine of EUR 800,000 and a forfeiture of approximately EUR 215,000.

The Finnish Competition Authority is conducting an investigation into Elisa concerning the pricing of broadband subscriptions in 2003–2006.

Substantial risks associated with Elisa's operations

Risk management is part of Elisa's internal auditing system. It aims at ensuring that risks affecting the company's business are identified, influenced and monitored. The company classifies risks into strategic, operational, insurable and financial risks.

Strategic and operational risks

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

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

Elisa's main market is Finland, where the number of mobile phones per inhabitant is high, so the overall market for mobile subscriptions in Finland cannot grow significantly. Furthermore, the volume of phone traffic in Elisa's fixed network has decreased in the past few years. These factors may limit the opportunities for growth.

Accident risks

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

Financial risks

There were no changes in Elisa's risk management policy in 2006. Financial risks are described in more detail in the company's financial statements.

In order to manage interest rate risk, the Group's borrowing and investments are diversified in fixed- and variable-rate instruments. Derivative instruments were not used in 2006.

Most of Elisa Group's cash flows are denominated in euro, which means that the exchange rate risk (economic risk and transaction risk) is minor.

The objective of liquidity risk management is to ensure the Group's financing in all circumstances. The Group's liquid assets, committed credit limits and investments totalled EUR 192 million at the end of 2006 (EUR 383 million).

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

Environmental issues

Elisa carries out high-quality and environmentally friendly telecommunications services. The aims of the company's confirmed environmental policy are as follows: to promote sustainable development on local, national and international levels as part of competitive business practice, to commit to protecting the environment affected by Elisa's operations, to take environmental, quality and safety considerations into account in its decision-making and management systems, and to comply with national and international environmental regulations.

Elisa evaluated suppliers and subcontractors according to their environmental criteria, and improved the awareness of environmental issues among the personnel by openly and regularly providing information on their effects.

The principal projects in 2006 included: initiating the design of a standardised environmental management system, further development of the environmental load data reporting system, improving waste management and developing the production waste processes.

Elisa collaborates with organisations such as Vodafone, The European Telecommunications Network Operators' Association (ETNO) and Lassila & Tikanoja plc on environmental issues.

Events after the financial period

Elisa initiated the doubling of its 3G network speed. The new maximum speed of 2 megabits will initially serve business users who need fast connections to enable mobile work.

Elisa and Barona Solutions Oy signed a letter of intent concerning the outsourcing of Elisa's operations related to order management and invoicing of corporate customers to Barona as of 1 February 2007. In connection with the transfer, a total of 187 employees transferred from Elisa to Barona.

Elisa launched the Elisa Assistant service. The software is intended for Elisa's broadband customers and will activate in case of any problems. Elisa Assistant will help in determining the settings for Internet services or finding Web page addresses.

The mobile call pricing model for Elisa's private customer subscriptions is changing. From 1 March 2007 an opening fee of EUR 0.049/call will be charged for mobile calls made in Finland. The minute rates for subscriptions remain unchanged.

Outlook for 2007

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

Elisa's revenue is expected to increase on the previous year. Elisa expects to see an improvement in EBITDA and EBIT excluding non-recurring items in 2006. This will be affected by factors such as the increasing 3G market and efficiency measures. However, the EBITDA and EBIT for the first half of the year are expected to fall slightly short of the preceding period, partly due to changes imposed by mobile interconnection prices.

Capital expenditures during the year are estimated to total 11 to 13 per cent of the revenue, and cash flow will remain clearly positive.

Dividend proposal

The Board of Directors has decided on Elisa's profit distribution policy, according to which 40 to 60 per cent of the profit will be distributed for the financial period. Distribution of profit includes dividend payment and purchase of treasury shares. The Board of Directors proposes that a dividend of EUR 0.50 per share for 2006 and an additional dividend of EUR 1.00 per share be distributed, totalling EUR 1.50 per share. The dividend payment corresponds to 152 per cent of the period's earnings.

Consolidated income statement

EUR million	Appendix	**1 Jan–31 Dec 2006**	1 Jan–31 Dec 2005
Revenue	4	**1,518.4**	1,337.3
Other operating income	5	**8.7**	113.9
Materials and services	6	**–689.3**	–565.9
Employee benefit expenses	7	**–213.9**	–220.5
Other operating expenses		**–189.4**	–218.7
EBITDA		**434.5**	446.1
Depreciation and amortisation	9	**–209.1**	–213.2
EBIT		**225.4**	232.9
Financial income	11	**9.8**	9.5
Financial expenses	11	**–23.5**	–31.7
Share of associated companies' profit		**0.1**	1.2
Profit before tax		**211.8**	211.9
Income taxes	12	**–50.4**	–34.1
Profit for the period		**161.4**	177.8
Attributable to			
Equity holders of the parent		**160.3**	176.2
Minority interest		**1.1**	1.6
		161.4	177.8
Earnings per share (EUR/share) calculated from the profit attributable to equity holders of the parent:			
Basic		**0.97**	1.22
Diluted		**0.97**	1.22
Average number of outstanding shares (1,000 shares):			
Basic		**165,417**	144,807
Diluted		**165,417**	144,807

Consolidated balance sheet

EUR million	Appendix	**31 Dec 2006**	31 Dec 2005
ASSETS			
Non-current assets			
Property, plant and equipment	13	**645.5**	660.6
Goodwill	14	**772.3**	770.6
Other intangible assets	14	**190.4**	178.7
Investments in associated companies	15	**0.4**	0.4
Available-for-sale investments	16	**48.4**	44.2
Receivables	17	**4.8**	10.6
Deferred tax assets	18	**33.7**	42.5
		1,695.5	1,707.6
Current assets			
Inventories	19	**38.4**	20.3
Trade and other receivables	20	**334.6**	243.1
Tax receivables		**0.2**	18.7
Financial assets at fair value through profit or loss	21		177.3
Liquid assets	22	**22.2**	35.4
		395.4	494.8
Total assets		**2,090.9**	2,202.4
EQUITY AND LIABILITIES			
Share capital		**83.0**	83.0
Share premium		**530.4**	530.4
Treasury shares		**–81.3**	–2.5
Contingency fund		**3.4**	3.4
Fair value reserve		**37.7**	34.3
Other funds		**381.0**	381.2
Retained earnings		**353.4**	307.5
Equity attributable to equity holders of the parent	23	**1,307.6**	1,337.3
Minority interest		**4.7**	12.4
Total equity		**1,312.3**	1,349.7
Non-current liabilities			
Deferred tax liabilities	18	**36.3**	40.6
Pension obligations	25	**2.2**	4.5
Provisions	26	**6.0**	4.8
Interest-bearing liabilities	27	**321.1**	393.7
Other liabilities	28	**16.1**	12.8
		381.7	456.4
Current liabilities			
Trade and other payables	28	**287.5**	279.9
Tax liabilities		**28.7**	0.6
Provisions	26	**2.7**	3.4
Interest-bearing liabilities	27	**78.0**	112.4
		396.9	396.3
Total liabilities		**778.6**	852.7
Total equity and liabilities		**2,090.9**	2,202.4

Consolidated cash flow statement

EUR million	Appendix	**1 Jan–31 Dec 2006**	1 Jan–31 Dec 2005
Cash flow from operating activities			
Profit before tax		**211.8**	211.9
Adjustments			
Depreciation and amortisation	9	**209.1**	213.2
Financial income and expenses		**13.7**	22.2
Gains and losses on the disposal of fixed assets		**–3.2**	–21.4
Gains and losses on the disposal of shares		**–0.9**	–54.4
Change in provisions in the income statement		**–1.9**	–11.7
Other adjustments		**0.6**	–1.0
		217.4	146.9
Change in working capital			
Change in trade and other receivables		**–95.4**	39.9
Change in inventories		**–18.1**	–4.5
Change in trade and other payables		**36.7**	–59.1
		–76.8	–23.7
Dividends received		**1.0**	0.8
Interest received		**7.3**	9.3
Interest paid		**–25.8**	–30.6
Taxes paid		**–0.3**	–5.1
Net cash flow from operating activities		**334.6**	309.5
Cash flow from investments			
Acquisition of subsidiaries deducted by liquid assets at time of acquisition		**–25.3**	–1.0
Investments in property, plant and equipment		**–205.7**	–194.9
Investments in available-for-sale investments		**–0.1**	–3.1
Disposal of subsidiaries deducted by liquid assets at time of disposal		**4.5**	105.5
Disposal of associates			4.2
Disposal of property, plant and equipment		**5.1**	46.4
Disposal of available-for-sale investments		**1.1**	1.4
Non-current receivables		**4.2**	40.0
Net cash flow from investments		**–216.2**	–1.5
Cash flow from financing			
Change in interest-bearing receivables			0.8
Purchase of treasury shares	23	**–79.4**	
Disposal of treasury shares		**1.0**	0.8
Repayment of non-current liabilities		**–122.4**	–102.4
Increase (+)/decrease (–) in current liabilities		**25.0**	–18.6
Repayment of finance lease liabilities		**–9.5**	–16.7
Dividends paid		**–123.6**	–122.0
Net cash flow from financing		**–308.9**	–258.1
Change in liquid assets		**–190.5**	49.9
Liquid assets at beginning of period	22	**212.7**	162.8
Liquid assets at end of period		**22.2**	212.7

Statement of changes in consolidated equity

EUR million	Share capital	Share premium	Treasury shares	Other funds	Retained earnings	Total	Minority interest	Total equity
	Equity attributable to equity holders of the parent							
Total equity on 1 Jan 2005	71.0	530.4	–3.1	34.5	250.8	**883.5**	**31.0**	**914.5**
Available-for-sale investments				34.7		**34.7**		**34.7**
Other changes					3.7	**3.7**		**3.7**
Items recognised directly in equity				34.7	3.7	**38.4**		**38.4**
Profit for the period					176.2	**176.2**	**1.6**	**177.8**
Recognised income and expenses for the period				34.7	179.9	**214.6**	**1.6**	**216.2**
Disposals of subsidiaries							**–15.8**	**–15.8**
Acquisitions of subsidiaries			–0.2			**–0.2**	**–0.2**	**–0.4**
Distribution of dividend					–123.2	**–123.2**	**–4.2**	**–127.4**
Share issue	12.0			349.7		**361.7**		**361.7**
Disposal of treasury shares			0.8			**0.8**		**0.8**
Total equity on 31 Dec 2005	83.0	530.4	–2.5	418.9	307.5	**1,337.3**	**12.4**	**1,349.7**
Total equity on 1 Jan 2006	83.0	530.4	–2.5	418.9	307.5	**1,337.3**	**12.4**	**1,349.7**
Available-for-sale investments				3.4		**3.4**		**3.4**
Other changes				–0.2	–0.5	**–0.7**		**–0.7**
Items recognised directly in equity				3.2	–0.5	**2.7**		**2.7**
Profit for the period					160.3	**160.3**	**1.1**	**161.4**
Recognised income and expenses for the period				3.2	159.8	**163.0**	**1.1**	**164.1**
Acquisitions of subsidiaries			–0.2			**–0.2**	**–5.8**	**–6.0**
Distribution of dividend					–116.2	**–116.2**	**–3.0**	**–119.2**
Purchase of treasury shares			–79.4			**–79.4**		**–79.4**
Disposal of treasury shares			0.8		0.1	**0.9**		**0.9**
Share-based incentives					2.2	**2.2**		**2.2**
Total equity on 31 Dec 2006	83.0	530.4	–81.3	422.1	353.4	**1,307.6**	**4.7**	**1,312.3**

Notes to the consolidated financial statements

Basic information on the company

The Elisa Group engages in telecommunications activities, providing data communications services in Finland and select international market areas. Its parent company is Elisa Corporation. The domicile of the parent company is Helsinki, and its registered address is Kutomotie 18. The shares of the parent company, Elisa Corporation, have been listed on the Helsinki Stock Exchange since 1999.

A copy of the consolidated financial statements is available from Elisa Corporation's main office at Kutomotie 18, Helsinki, or on the company's website www.elisa.com.

Accounting principles

Basis for accounting

Elisa's consolidated financial statements have been prepared according to the International Financial Reporting Standards, and the IAS and IFRS standards and the SIC and IFRIC interpretations valid on 31 December 2006 have been followed in their preparation. The International Financial Reporting Standards refer to standards and interpretations of them 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 the EU regulation (EC) No. 1606/2002. The Group adopted the IFRS standards for its reporting in 2005.

The financial statement information is based on original acquisition costs, except for investments available for sale, financial assets and liabilities recognised at fair value through profit or loss and share-based payments settled in cash. In the case of business combinations taking place before 2004, the goodwill corresponds to the book value according to the previous financial statements regulations that have been used as the default acquisition cost according to IFRS. The financial statements are presented in EUR million.

The Group has applied the revised amendment to the standard IAS 19 Employee Benefits as of 1 January 2006. The adoption of the standard has increased the number of notes presented. Other new or amended IFRS standards or IFRIC interpretations valid as of 1 January 2006 did not impose any changes on the recognition or presentation of the 2006 financial statements.

The preparation of consolidated financial statements according to the IFRS standards requires the Group management to make estimates and exercise discretion in the application of accounting principles. The estimates and assumptions used are based on the best current view, but it is possible that the realisations differ from the values used in the financial statements. The estimates and assumptions are primarily related to the useful lives of tangible and intangible fixed assets and impairment testing.

Subsidiaries

The consolidated financial statements cover the parent company, Elisa Corporation, and those subsidiaries where the parent company has, directly or indirectly, more than a 50 per cent holding of the votes conferred by the shares or where the parent company otherwise exercises authority.

Subsidiaries are consolidated from the time of acquisition. Similarly, divested companies are consolidated until the day of sale.

The purchase method is used in the elimination of internal ownership. All intra-group transactions, internal margins on current and fixed assets, internal receivables and liabilities, and distribution of profits within the Group have been eliminated.

The distribution of the profit for the financial year to the owners of the parent company and minority interests is presented in connection with the income statement, and the share of the minority interest in shareholders' equity is presented as its own item in shareholders' equity on the balance sheet.

The acquisition of minority interests is subject to the principle of the standard IFRS 3 Business Combinations.

Associates

Associated companies are companies where the Group exercises a considerable influence. A considerable influence is realised when the Group owns more than a 20 per cent holding in the votes of the company or when the Group otherwise exercises a considerable influence but not authority. Associated companies are consolidated using the equity method. If the Group's share in the loss of an associated company exceeds the holding in the associated company, the investment is recognised on the balance sheet at zero value and any loss in excess of it is not recognised unless the Group has other obligations related to the associated company. Associated companies are consolidated from the day the company becomes an associate. Similarly, divested companies are consolidated until the day of sale.

Joint ventures

Joint ventures are companies where the Group exercises joint authority with other parties. The asset items under joint authority are consolidated using the proportional consolidation method. Elisa applies the method to the consolidation of mutual real estate companies.

Foreign currency translation

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

Transactions denominated in a foreign currency have been translated into the operating currency using the exchange rate valid on the transaction date. Monetary items have been converted into the operating currency using the exchange rate on the closing date and non-monetary items using the exchange rate on the transaction date, excluding items measured at fair value, which have been converted using the exchange rate on the valuation date. Gains and losses arising from the conversion have been recognised on the income statement. Exchange rate gains and losses from business operations are included in the corresponding items above operating profit. Exchange rate gains and losses from loans denominated in a foreign currency are included in financial income and expenses.

The income statements of foreign Group companies are converted into euro using the weighted average rate of the financial year and the balance sheets using the exchange rates on the closing date. The conversion of the profit for the financial year with different exchange rates in the income statement and balance sheet causes a translation difference that is recognised in shareholders' equity.

Revenue recognition

Sales are recognised when the significant risks and benefits related to the ownership of the goods have been transferred to the buyer or once the service has been rendered to the customer. The Group's revenue mainly consists of services associated with telecommunications.

The income and expenses from a long-term project are recognised as income and expenses on the basis of the degree of completion when the result of the project can be reliably assessed. The degree of completion of a project is determined by the relationship of accrued work hours to estimated overall work hours. When it is likely that the total costs necessary for completing a project exceed the total income from the project, the expected loss is immediately booked as an expense. The Group did not have any long-term projects in 2006.

Research and development

Research costs are booked as expenses on the income statement. Product development expenses are recognised on 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 booked under annual expenses. Development costs previously recognised as expenses are not capitalised later.

Income taxes

The tax expenses on the income statement are formed from the tax based on the taxable income for the financial year and deferred taxes. The taxes for the financial year are calculated from the taxable income according to the valid tax rate and are adjusted by the possible taxes related to previous financial years.

Deferred taxes are calculated from all temporary differences between book value and taxable value. The largest temporary differences are generated from unused taxable losses and the valuation at fair value in connection with acquisitions. Deferred tax is not recognised for value adjustments of goodwill not deductible in taxation. Deferred tax is not recognised for non-distributed profits of subsidiaries in so far as the difference is not likely to be discharged in the foreseeable future. Deferred tax is not recognised for differences in the valuation of shares on which any sales gains are not taxable.

A deferred tax asset has been recognised in the amount that it is likely that taxable income will be generated in the future against which the temporary difference can be utilised.

Interest and dividends

Interest income is recognised using the effective interest method, and dividend income is recognised once the dividend has become vested.

Intangible assets

Goodwill

That part of the acquisition cost of subsidiaries exceeding shareholders' equity that has not been allocated to asset items acquired is presented as goodwill. In the case of business combinations taking place before 2004, the goodwill corresponds to the book value according to the previous financial statements regulations that have been used as the default acquisition cost according to IFRS. The IFRS 3 Business Combinations standard is applied to acquisitions made after 1 January 2004. The assets, liabilities and conditional liabilities of the company to be acquired that can be itemised are measured at fair value on the acquisition date. Goodwill is the amount by which the acquisition cost of the subsidiary exceeds the fair net value of assets, liabilities and conditional liabilities that can be itemised.

No amortisation is performed on goodwill, but it is tested annually for impairment. For the purpose of testing, goodwill is allocated to cash-generating units that include Saunalahti, Mobile Communications and Fixed Network. The Saunalahti CGU (cash-generating unit) comprises mobile and fixed network services offered to Saunalahti customers. The Mobile Communications CGU comprises mobile voice and data communications services offered to Elisa's consumer, corporate and operator customers. The Fixed Network CGU comprises fixed-network voice and data communications services offered to Elisa's consumer, corporate and operator customers. Goodwill is valued at original acquisition cost deducted by impairment.

Other intangible assets

An intangible asset is only recognised on the balance sheet if it is likely that the expected financial benefit due to the asset will benefit the Group and the acquisition cost of the asset can be determined reliably. Costs related to intangible assets to be realised later are only capitalised in cases where the financial benefit to the Group arising from them is increased in excess of the performance level originally assessed. In other cases the costs are booked as an expense on the date they arise.

In connection with the acquisition of business operations, 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	5 years
Brand	10 years
Development expenses	3 years
IT software	5 years
Other intangible assets	5–10 years

Tangible assets

Tangible assets are recognised on the balance sheet at original acquisition cost. Tangible assets are measured on the balance sheet at acquisition cost less accumulated depreciation and impairment. Depreciation according to plan is calculated on the basis of useful life as straight-line depreciation from the original acquisition cost. The residual value of the assets and their useful lives are reviewed at the closing of the accounts and adjusted as necessary.

Costs arising later, such as the costs of renovation and refurbishment projects, are capitalised when it is likely that the increase in financial benefit will benefit the Group in the future. Ordinary repair, service and maintenance costs are booked as expenses in the financial year during which they arise. Interest during building is not capitalised in fixed assets.

Depreciation periods for tangible assets:

Buildings and structures	25–40 years
Machinery and equipment in buildings	10–25 years
Telecommunications network	
(line, backbone, area, connection, cable TV)	8–15 years
Exchanges and concentrators (fixed and mobile core)	6–10 years
Equipment for the network and exchanges	3–6 years
Telecommunication terminals (rented to customers)	3–5 years
Other machines and equipment	3–5 years

No depreciation is made on land areas.

Public subsidies

Public subsidies, such as subsidies granted by the State related to the acquisition of tangible fixed assets, have been recognised as a deduction in the book value of tangible fixed assets. The subsidies are recognised as income in the form of smaller depreciations over the useful life of the asset. Public subsidies for product development projects and the like are recognised under other operating income.

Financial assets and liabilities

Financial assets

The Group's financial assets are categorised according to the standard IAS 39 Financial Instruments: Recognition and Measurement into financial assets recognised at fair value through profit or loss, loans and other receivables, and financial assets available for sale. This categorisation takes place on the basis of the purpose of the acquisition of the financial assets and they are categorised in connection with the original acquisition. The purchases and sales of financial assets are recognised on the settlement date. Financial assets are taken off the balance sheet once the Group loses a contractual right to the cash flows or once it has transferred a substantial part of the risks and gains 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 due to changes in fair value are recognised on the income statement in the financial year during which they arise.

Derivatives are recognised on the balance sheet as financial assets or liabilities upon acquisition and are measured at acquisition cost. Outstanding derivatives are measured at fair value on each closing of the accounts, and their earnings effect is immediately recognised in financial items on the income statement. The fair value used for derivatives is the quoted market price or, if this is not available, the value is calculated using commonly applied valuation methods. Elisa Group has not applied hedge accounting. The Group does not have any derivatives in use on the date of closing the accounts and did not use them during the financial year 2006.

Loans and other receivables are valued at amortised acquisition cost and are included in current and non-current financial assets - in the latter if they fall due within more than 12 months. In addition to loan receivables, the category includes accounts receivable and other receivables. Accounts receivable are recognised at the original invoiced amount. The Group recognises an impairment loss on accounts receivable if payment is delayed by more than 90 days or if a sales receivable has been determined as finally lost. If the amount of impairment loss is reduced during a subsequent financial year, the recognised loss is cancelled through profit or loss.

Investments available for sale are included in non-current assets. Equity investments, excluding investments in associated companies and mutual real estate companies, are categorised as investments available for sale and are generally measured at fair value. Securities whose value cannot be reliably determined are recognised at acquisition cost less any impairment. The value of shares recognised at fair value is determined either on the basis of the value of comparable companies, the discounted cash flow method or transactions in the shares. Changes in the fair value of shares are recognised directly in shareholders' equity. When an investment is sold, changes in fair value are recognised through profit or loss.

Liquid assets

Liquid assets consist of cash in hand, short-term bank deposits and other short-term very liquid investments whose maturity is at most three months.

Financial liabilities

Financial liabilities are originally recognised at fair value in accounting on the basis of the consideration received. Later, all financial liabilities are measured by the effective interest method at amortised acquisition cost. Transaction costs are included in the original acquisition cost of financial liabilities. Financial liabilities are included in non-current and current liabilities and they may be interest-bearing or interest-free.

Impairment

Elisa assesses whether there are any indications of the impairment of an asset item at the time of closing the accounts. If there are such indications, the amount recoverable from the asset item in question is assessed. The recoverable amount is also annually assessed for the following asset items, regardless of whether there are indications of impairment or not: goodwill, unfinished intangible assets and tangible assets with unlimited useful life. The need for impairment is examined at the level of cash-generating units.

The recoverable amount is the fair value of the asset item less the costs incurred for assignment, or the service value if it is higher. Service value refers to estimated future net cash flow that can be received from an asset item or a cash-generating unit discounted to present value. An impairment loss is recognised when the book value of an asset item exceeds the recoverable amount. An impairment loss is recognised on the income statement immediately. If an impairment loss is allocated to a cash-generating unit, it is first allocated to reduce the goodwill allocated to the cash-generating unit and after this to the other asset items of the unit in equal proportions. An impairment loss is cancelled if there are indications that a change in circumstances has taken place and the recoverable amount from the asset has changed since the impairment loss was recognised. However, an impairment loss is never cancelled by more than the original amount of impairment. An impairment recognised on goodwill is not cancelled in any situation.

Current assets

Current assets are measured at acquisition cost, or at net realisation value if it is lower. A weighted average price is used in the measurement of current assets.

Treasury shares

Elisa Corporation shares owned by the subsidiaries, associated companies and the parent company (treasury shares) are presented as a deduction from the shareholders' equity. Treasury shares owned by associated companies are deducted from the share corresponding to the holding.

Provisions

A provision is recognised when the company has an existing (legal or factual) obligation due to earlier events whose realisation is considered likely and the amount of which can be reliably determined. A restructuring provision is recognised once the Group has prepared a detailed restructuring plan and disclosed the matter.

Employee benefits

Pension obligations

Pensions are classified as either defined contribution or defined benefit plans. In a defined contribution plan the Group pays premiums to an employment pension company. The Group has no legal or factual obligation to pay any additional premiums if the party receiving the premiums is unable to pay the pension obligations in question. The premiums for defined contribution pension plans are recognised as expenses on the income statement of the financial year during which they arise. All arrangements that do not fulfil these conditions are considered defined benefit plans.

Actuarial gains and losses on defined benefit plans are recognised on the income statement during the average remaining service of the employees participating in the plan in so far as they exceed 10 per cent of the present value of the defined benefit pension obligations under the plan, or the fair value of the plan assets if it is higher. The present value of the pension obligation recognised on the balance sheet shall be reduced by the plan assets measured at fair value on the date of closing the accounts, the share of unrecognised actuarial gains and losses, and past service costs.

Share-based payments

Elisa applies the standard IFRS 2 Share-based Payment to all share-based arrangements that have been granted after 7 November 2002 but have not become vested before 1 January 2005.

In 2006 Elisa introduced a share-based incentive system with the aim of making key personnel commit to long-term development of the company's value. Any rewards will be based on the total return on the company's share. In 2006 the plan included a total of 46 people. The rewards will be paid partly in company shares (50%) and partly in cash (50%). The Board of Directors is entitled to change the proportions in certain circumstances. The rewards will be paid in 2008 and 2010. The share-based incentive system is measured at fair value at the time of origination and allocated over the vesting period. With regard to the proportion payable in cash, measurement and allocation, as well as the adjustment of earlier allocations, is carried out monthly at fair value through profit and loss. Terms and conditions not based on market terms are not taken into account in fair valuation.

Leases

Leases on tangible assets in which the Group bears a substantial part of the risks and benefits characteristic of ownership are categorised as finance leases. Assets acquired on finance leases are recognised on the balance sheet at the beginning of the lease period at the fair value of the leased asset, or the present value of minimum rents if lower. Assets acquired on finance leases are depreciated over the useful life of the asset, or the lease period if shorter. Payable leasing rents are divided into financial expenses and reduction of the liability over the lease period so that the interest rate on the liability remaining in each financial year is equal. Leasing obligations are recognised in interest-bearing liabilities. The company has adopted the interpretation IFRIC 4 Determining Whether an Arrangement Contains a Lease since the 2004 financial statements.

The Group has primarily leased telecommunications networks and facilities and IT servers through finance leases.

Leases where the risks and benefits related to ownership remain with the lessor are handled as operating leases. Lease payments on operating leases are recognised as expenses on the income statement in equal instalments over the leasing period.

Use of estimates

When financial statements are prepared it is necessary to make estimates and assumptions whose result may deviate from the estimates and assumptions made. In addition, it is necessary to exercise discretion in the application of the accounting principles. The estimates are based on the management's best view at the time of closing the accounts. Any changes in estimates and assumptions are recognised in the financial year during which the estimate or assumption is adjusted and in all subsequent financial years.

Business combinations

In connection with corporate acquisitions, the asset items of the object acquired are valued at fair value. The allocation of the total acquisition cost to intangible assets and goodwill is partly based on an estimate. The actual ability of intangible assets to create income may differ from the estimate.

Impairment testing

Goodwill and unfinished intangible assets are tested for impairment annually and as necessary when there are indications of such. The recoverable amounts from cash-generating units are determined by calculations based on service value, the preparation of which requires of estimates and assumptions. The largest uncertainties are associated with the estimated level of revenue and profitability, investment needs and the discount interest rate. Any changes may lead to the recognition of impairment losses.

Share incentive plan for 2006

The expense recognition for the share incentive plan is based on an estimate of the total return on the Elisa share between March 2006 and March 2008. The estimate has been prepared using the Capital Asset Pricing Model. The estimate may substantially deviate from the actual total return for the period.

Notes to the consolidated financial statements

Taxes
Particularly in connection with the closing of the accounts, the Group estimates the probability of subsidiaries accruing taxable income against which unused tax-deductible losses can be utilised. The grounds for recognising other deferred tax assets are also estimated in connection with the closing of the accounts. Changes in the forecast estimates may lead to the recognition of substantial tax expenses.

Application of new and amended standards

In 2007 Elisa will adopt the following new or amended standards and new interpretations published by the IASB in 2005 and 2006 that will have an effect on the consolidated financial statements.

IFRS 7 Financial Instruments: Disclosures (valid for financial periods starting after 1 January 2007). IFRS 7 requires more extensive notes concerning the significance of financial instruments on the Group's financial position and earnings. According to the Group's current estimate, the adoption of the standard will mainly affect the notes to the consolidated financial statements.

Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures (valid for financial periods starting after 1 January 2007). According to the Group's estimate, the adoption of the standard will mainly affect the presentation of notes to the consolidated financial statements.

IFRIC 10 Interim Financial Reporting and Impairment (valid for financial periods starting after 1 November 2006). The interpretation disallows the reversal of an impairment loss recognised in an interim report on goodwill, equity investments or financial assets recognised at acquisition cost at a later date of closing the accounts. According to the Group's estimate, the new interpretation does not affect the Group's upcoming financial statements.

Elisa will adopt the following standard in 2009:
IFRS 8 Operating Segments (valid for financial periods starting after 1 January 2009). The Group has started to investigate the effects of the standard. The change is expected to affect the presentation of notes to the consolidated financial statements.

1. Segment information

Business segments are defined as the group's primary reporting segments and geographical segments are defined as secondary reporting segments. Pricing of inter-segment transactions is based on fair value.
The Group's business segments are Mobile communications, Fixed network and Other businesses. The mobile communications business involves mobile network-based voice and data services for consumer, corporate and operator customers. The fixed network business involves fixed network-based voice and data services or consumer, corporate and operator customers. The service portfolio also includes comprehensive ICT services and contact centre services. Other business involves non-core business activities. The segment-specific assets and liabilities comprise items that are directly or justifiably attributable to the business. The allocated assets comprise tangible and intangible items, inventories and trade and other receivables. The liabilities consist of trade payables, other non-interest bearing liabilities and pension obligations. The items not allocated to the business segments consist of income taxes and financial items and Group-level items such as corporate administration expenses. The geographical segments are Finland, Rest of Europe and Other countries. The revenue for the geographical segment is presented on the basis of the customer's country. The assets and liabilities are presented by country.

Business segments

2006 EUR million	Mobile communications	Fixed network	Other business	Unallocated items	Eliminations	**Group total**
External sales	905.5	612.8	0.1			**1,518.4**
Inter-segment sales	24.4	52.2			–76.6	**0.0**
Revenue	929.9	665.0	0.1		–76.6	**1,518.4**
EBITDA	259.0	181.1		–5.6		**434.5**
EBIT	161.7	70.6		–6.9		**225.4**
Share of associated companies' profit				0.1		**0.1**
Net profit for the period						**161.4**
Investments in associated companies				0.4		**0.4**
Total assets	1,384.2	597.0		109.7		**2,090.9**
Total liabilities	181.2	170.8		426.6		**778.6**
Investments	80.0	127.4				**207.4**
Depreciation and amortisation	97.2	110.8		1.1		**209.1**
Personnel at year-end	1,329	2,224		39		**3,592**

2005 EUR million	Mobile communications	Fixed network	Other business	Unallocated items	Eliminations	**Group total**
External sales	707.2	595.9	34.2			**1,337.3**
Inter-segment sales	32.7	75.0	4.0		–111.7	**0.0**
Revenue	739.9	670.9	38.2		–111.7	**1,337.3**
EBITDA	220.1	159.6	55.8	10.6		**446.1**
EBIT	129.9	44.8	47.3	10.9		**232.9**
Share of associated companies' profit				1.2		**1.2**
Net profit for the period						**177.8**
Investments in associated companies				0.4		**0.4**
Total assets	1,270.2	602.6		329.6		**2,202.4**
Total liabilities	153.4	172.7		526.6		**852.7**
Investments	89.3	112.2	2.9			**204.4**
Depreciation and amortisation	90.1	114.7	8.4			**213.2**
Personnel at year-end	1,629	3,001		51		**4,681**

Geographical segments

2006

EUR million	Finland	Rest of Europe	Other countries	Eliminations	**Group total**
Revenue	1,365.9	175.3		–22.8	**1,518.4**
Assets	2,007.5	83.4			**2,090.9**
Investments	193.6	13.8			**207.4**

2005

EUR million	Finland	Rest of Europe	Other countries	Eliminations	**Group total**
Revenue	1,209.6	129.5	10.3	–12.1	**1,337.3**
Assets	2,141.7	60.7			**2,202.4**
Investments	194.8	9.3	0.3		**204.4**

2. Acquisitions

Acquisitions in 2006

Acquisition of a minority in Lounet Oy in 2006

Elisa offered to buy all the shares in Lounet Oy through a public tender offer. The public tender offer directed at Lounet's shareholders began on 21 June 2006 and ended on 31 December 2006. The tender price was EUR 1,310 per each old Lounet telephone share, which corresponds to EUR 1.31 per current Lounet share. At the commencement of the tender offer, Elisa's holding in Lounet Oy was 46.7%.

Elisa increased its holding in Lounet Oy by 33.47% between June and December 2006. After the end of the tender offer, Elisa's holding in Lounet was 80.2%.

The Lounet Group consists of the parent company Lounet Oy and its subsidiaries Lounet Oy Call Center, Kiinteistö Oy Paimion Puhelinkulma and the real estate company Brahenkartano. Lounet Oy engages in telecommunications business in southwest Finland and southern Satakunta, focusing on the Turku region. The company's service and product range covers all of the telecommunications needs of households and businesses.

EUR 1.8 million of the cost of acquisition was allocated to the customer base. The acquisition generated EUR 0.3 million of goodwill.

Components of cost

EUR million	
Sale price paid in cash	9.1
Expenses allocated to the acquisition	0.1
Total cost of acquisition	9.2
Fair value of net assets acquired	8.9
Goodwill	0.3

Analysis of net assets acquired

	Recognised fair values (1	Book values before consolidation (2
Liquid assets	2.4	2.4
Intangible assets	1.8	0.2
Tangible assets	6.5	6.0
Receivables	0.8	0.8
Liabilities	–2.6	–2.1
Net assets acquired	8.9	7.3

1) The recognised fair values have been calculated per acquisition on the basis of the acquired interest and represent the acquired interest of 33.47%.

2) The book values also represent the percentage corresponding to the acquired interest.

Effects of acquisition on cash flow

Sale price paid in cash	9.1
Expenses allocated to the acquisition	0.1
Cash flow	–9.2

Acquisitions in 2005

Acquisition of Tikka Communications Oy in 2005

Elisa acquired the shares of Tikka Communications by submitting a public tender offer to the shareholders of Tikka Communications Oy on 16 May 2005. Prior to the tender offer, Elisa owned approximately 26% of Tikka Communications shares. The tender commenced on 18 May 2005 and Elisa's holding at the end of the year was 100%. Tikka was consolidated as an associate until 31 May 2005 and as a subsidiary as of 1 June 2005.

Tikka Communications Oy is a telecommunication operator that offers fixed network-based telecommunication services in North and South Karelia.

Elisa Group's revenue in 2005 would have totalled EUR 1,340 million and net profit EUR 182 million if Tikka Communications Oy had been consolidated since 1 January 2005. The result of Tikka Communications Oy as a subsidiary for the period was EUR 2.3 million.

The goodwill is estimated to result from the synergy benefits in the fixed network business. EUR 6.7 million of the cost of acquisition was allocated to the customer base.

Components of cost

EUR million	
Sale price paid in cash	36.8
Expenses allocated to the acquisition	0.5
Total cost of acquisition	37.3
Fair value of net assets acquired	30.0
Goodwill	7.2

Analysis of net assets acquired

	Recognised fair values (1	Book values before consolidation (2
Liquid assets	14.4	17.9
Intangible assets	6.8	0.1
Tangible assets	12.3	17.0
Receivables	3.9	6.3
Liabilities	–7.4	–7.8
Net assets acquired	30.0	33.5

1) The purchase is successive. The recognised fair values have been calculated per acquisition on the basis of the acquired interest and represent an interest of approximately 74%.

2) The book values represent an interest of 100%.

Effects of acquisition on cash flow

Sale price paid in cash	36.8
Expenses allocated to the acquisition	0.5
Liquid assets of the acquired subsidiary	17.9
Cash flow	–19.4

Acquisition of Saunalahti Group Oyj in 2005

Elisa acquired the shares of Saunalahti Group Oyj by making a tender offer to Saunalahti's shareholders and option holders on 17 August 2005. The consideration offered in the tender offer was 1 Elisa share for 5.6 Saunalahti shares. The price of the Elisa share that was used to determine the purchase price was EUR 15. Saunalahti was consolidated as of 1 December 2005.

Saunalahti is an Internet and telecom operator that offers services to consumers and corporate customers in Finland. Saunalahti's business operations are divided into four product lines: Internet services, GSM services, telecom services, and domain and hosting services.

Elisa Group's revenue in 2005 would have totalled EUR 1,465 million and net profit EUR 144 million, if Saunalahti had been consolidated since 1 January 2005. Saunalahti's result during the time in the Group was EUR 1.5 million.

The goodwill is estimated to result from the synergy benefits in network capacity and the mobile communications business. EUR 52.7 million of the cost of acquisition was allocated to the customer base and EUR 39.4 million to the brand.

Components of cost

EUR million	
Sale price paid in cash	11.8
Fair value of issued shares	361.2
Expenses allocated to the acquisition	1.2
Total cost of acquisition	374.2
Fair value of net assets acquired	84.1
Goodwill	290.1

Analysis of net assets acquired

	Recognised fair values	Book values before consolidation
Liquid assets	19.1	19.1
Intangible assets	99.0	10.2
Tangible assets	14.1	14.6
Receivables	62.9	56.0
Liabilities	–110.9	–87.0
Net assets acquired	84.1	12.9

Effects of acquisition on cash flow

Sale price paid in cash	11.8
Expenses allocated to the acquisition	1.2
Liquid assets of the acquired subsidiary	19.1
Cash flow	6.1

3. Divestments

Divestments in 2006

Elisa's divestments in 2006 were minor.

Divestments in 2005

Elisa sold several non-core businesses during 2005. The most important divestments are described below.

In March 2005 Elisa sold the entire share capital of Yomi Software Ltd to Sysopen Digia Plc. The sales price was EUR 12.1 million, and Elisa was also released from a EUR 1.5 million debt liability. The capital gain was EUR 4.7 million.

In May 2005 Elisa sold 40,946,000 Comptel Corporation shares to institutional investors through the Helsinki Stock Exchange. Elisa's ownership interest in Comptel decreased from 58.1% to 19.9%. The sales price was EUR 65.1 million, and the capital gain was EUR 40.8 million.

In October 2005 Elisa sold Estera Oy's security business to ISS Security Oy and the building automation business to the company's active management. The sales price was EUR 10.8 million. The capital gain was EUR 6.2 million.

In November 2005 Elisa sold the entire share capital of Kiinteistö Oy Espoon Keilasatama 5, which was formerly used by Radiolinja, to the Local Government Pensions Institution. The sale had no significant impact on the Group's performance.

The aggregate value of the divestments described above is detailed below:

Net assets of sold enterprises

EUR million	2005
Intangible assets	4.8
Tangible assets	55.6
Receivables	35.0
Liabilities	–23.2
	72.2
Capital gains/losses	53.2

Impact of sold enterprises on performance

Income	46.6
Expenses	–47.7
Profit before taxes	–1.1

Impact of sold enterprises on cash flow

Received in cash	118.0
Expenses allocated to the sales	–3.9
Liquid assets of the divested subsidiaries	–24.5
Cash flow	89.6

4. Revenue

EUR million	2006	2005
Service sales	**1,394.1**	1,292.6
Sales of goods	**124.3**	44.7
Total revenue	**1,518.4**	1,337.3

5. Other operating income

EUR million	2006	2005
Capital gain from property, plant and equipment and intangible assets	**2.5**	21.9
Capital gain from subsidiary shares [1]	**0.1**	53.4
Capital gain from associate shares		1.0
Capital gain from available-for-sale investments	**0.8**	0.7
|Public subsidies		0.1
Damages received [2]		28.0
Other income items [3]	**5.3**	8.8
Total	**8.7**	113.9

1) Year 2005: See note 3, Divestments, for details.

2) Year 2005: TeliaSonera Finland paid Elisa EUR 30 million in a damage settlement associated with mobile network interconnection fees. Elisa paid similar damages to Finnet Networks for EUR 2 million.

3) Other income items mainly include rental income from residential units.

6. Materials and services

EUR million	2006	2005
Purchases during the financial year	**264.8**	127.6
Change in inventories	**–18.1**	–2.8
External services	**442.6**	441.1
Total	**689.3**	565.9

7. Employee benefit expenses

EUR million	2006	2005
Wages and salaries	**173.1**	193.6
Pension expenses – defined contribution plans	**28.9**	19.3
Pension expenses – defined benefit plans	**–1.7**	–10.3
Other statutory employee costs	**13.6**	17.9
Total	**213.9**	220.5

As of 1 July 2005, Elisa transferred its personnel's statutory pension coverage from the pension fund to insurance companies. A more detailed analysis of the pension expenses is shown in note 25, Pension obligations.

EUR million	2006	2005
Management remuneration		
Managing Directors and deputies [1]	**2.0**	1.6
Members and deputy members of Boards of Directors	**0.4**	0.4
Members and deputy members of Supervisory Boards	**0.0**	0.0

[1] The remuneration expense includes a calculated cost of EUR 0.4 million recognised for the share-based incentive plan in 2006.

Managing Directors' pension commitments

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

Personnel of the Group on average	**4,086**	4,989

Staff rewards and incentive schemes

Performance-based bonus scheme

All personnel are covered by a performance or commission-based bonus scheme. Rewards are based on the financial metrics of the Group, unit and the employee's team, and on either personal or team-specific operational metrics. The limit values for the indicators used in determining the rewards and their maximum amounts are confirmed semi-annually. Some of the Group's key people have the opportunity to receive an additional performance-based bonus that will be deposited for one year; the return on the deposit depends on the return on the Elisa share.

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), 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 Corporation and its 100% owned subsidiaries, provided the respective subsidiary's Board of Directors has decided to join Elisa Corporation's personnel fund. In 2006 the members of the personnel fund included the personnel of Elisa Corporation, the subsidiaries that merged with the company during the year and Ecosite Oy.

EUR 6.0 million was booked in the personnel fund on the basis of the 2006 earnings (EUR 0.5 million in 2005).

Share-based incentive plan for key personnel 2006

On 2 March 2006, Elisa Corporation's Board of Directors decided on a new share-based incentive plan for key personnel. The plan covers 46 people. The plan is described in detail under note 24, Share-based payments.

Information on employee benefits for related parties is presented under note 32, Related party transactions.

8. Research and development costs

EUR million	2006	2005
Research and development costs	**6.0**	8.0

9. Depreciation and amortisation

EUR million	2006	2005
Amortisation of intangible assets		
Customer base	**14.2**	3.8
Other intangible assets	**21.3**	18.3
Total	**35.5**	22.1
Depreciation of tangible assets		
Buildings and structures		
Owned buildings and structures	**8.9**	9.2
Buildings and structures on finance lease	**0.7**	0.6
Telecom devices, machines and equipment		
Owned telecom devices, machines and equipment	**150.5**	159.4
Assets on finance lease	**11.8**	18.1
Other tangible assets	**1.7**	3.8
Total	**173.6**	191.1
Total depreciation and amortisation	**209.1**	213.2

No impairments were made on the assets in 2005–2006.

10. 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.

	2006	2005
Profit for the period attributable		
to the equity holders of the parent (EUR million)	**160.3**	176.2
Weighted average number of shares		
during the financial year (1,000)	**165,417**	144,807
Undiluted earnings per share (EUR/share)	**0.97**	1.22

The calculation of earnings per share adjusted for dilution takes the diluting effect of the conversion of all potential ordinary shares into account in the weighted average number of shares. The Group does not have any instruments that would increase the number of ordinary shares.

	2006	2005
Profit for the period attributable to the equity holders of the parent (EUR million)	**160.3**	176.2
Profit for the period for the purpose of calculating EPS adjusted for dilution (EUR million)	**160.3**	176.2
Weighted average number of shares during the financial year (1,000)	**165,417**	144,807
Weighted average number of shares for the purpose of calculating EPS adjusted for dilution (1,000)	**165,417**	144,807
Earnings per share adjusted for dilution (EUR/share)	**0.97**	1.22

11. Financial income and expenses

EUR million	2006	2005
Financial income		
Dividend yield	**1.0**	0.1
Interest income	**6.8**	5.8
Other financial income	**2.0**	3.1
Capital gain from financial assets		
at fair value through profit or loss	**0.1**	0.4
Change in fair value of financial assets		
at fair value through profit or loss	**–0.1**	0.1
Total	**9.8**	9.5
Financial expenses		
Interest expenses	**–23.6**	–30.2
Other financial expenses		–1.4
Foreign currency translation loss		–0.1
Total	**–23.6**	–31.7

Exchange rate gains and losses included in EBIT have been minimal.

12. Income taxes

EUR million	2006	2005
Taxes for the period	**–46.1**	–30.1
Taxes for previous periods	**–0.3**	1.4
Deferred taxes	**–2.4**	–5.4
Deferred taxes for previous periods	**–1.6**	
Total	**–50.4**	–34.1

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	2006	2005
Profit before tax	**212.0**	211.9
Tax according to the domestic tax rate	**–55.1**	–55.1
Tax effects of the following:		
Tax-free gains/losses on the disposal of shares		13.7
Non-deductible expenses	**–0.6**	–0.1
Tax effects of foreign subsidiaries	**6.5**	5.3
Share of associated companies' profit		0.4
Other items	**0.7**	0.3
Taxes for previous periods	**–1.9**	1.4
Taxes in the income statement	**–50.4**	–34.1
Effective tax rate	**23,8%**	16,1%

13. Property, plant and equipment

2006 EUR million	Land and water areas	Buildings and structures	Telecom devices, machinery and equipmen	Other tangible asset	In progress and pre-payment	**Total**
Acquisition cost on 1 Jan 2006	6.6	185.4	1,687.8	55.5	30.7	**1,966.1**
Additions	0.4	13.8	113.2	0.9	44.4	**172.7**
Disposals	–0.5	–11.8	–62.3	–0.6	–0.4	**–75.6**
Reclassifications	0.0	20.6	26.5	–19.3	–28.3	**–0.5**
Acquisition cost on 31 Dec 2006	6.5	208.0	1,765.2	36.5	46.4	**2,062.7**
Accumulated depreciation and impairment on 1 Jan 2006		57.6	1,207.5	40.3		**1,305.4**
Depreciation for the period		9.6	162.3	1.7		**173.6**
Accumulated depreciation on disposals and reclassifications		6.7	–57.0	–11.5		**–61.8**
Accumulated depreciation and impairment on 31 Dec 2006		73.9	1,312.8	30.5		**1,417.2**
Book value on 1 Jan 2006	6.6	127.8	480.3	15.2	30.7	**660.7**
Book value on 31 Dec 2006	6.5	134.1	452.4	6.0	46.4	**645.5**

2005 EUR million	Land and water areas	Buildings and structures	Telecom devices, machinery and equipmen	Other tangible asset	In progress and pre-payment	**Total**
Acquisition cost on 1 Jan 2005	19.7	271.0	1,572.6	56.4	28.7	**1,948.5**
Additions	0.1	17.7	127.3	0.4	27.8	**173.3**
Acquisitions of subsidiaries	0.4	5.1	69.9	1.3	0.4	**77.1**
Disposals	–13.7	–109.9	–106.2	–2.6	–0.4	**–232.8**
Reclassifications	0.1	1.5	24.2		–25.8	**0.0**
Acquisition cost on 31 Dec 2005	6.6	185.4	1,687.8	55.5	30.7	**1,966.1**
Accumulated depreciation and impairment on 1 Jan 2005		103.4	1,082.8	38.1		**1,224.3**
Acquisitions of subsidiaries		2.5	45.1	0.9		**48.5**
Depreciation for the period		9.8	177.5	3.8		**191.1**
Accumulated depreciation on disposals and reclassifications		–58.1	–97.9	–2.5		**–158.5**
Accumulated depreciation and impairment on 31 Dec 2005		57.6	1,207.5	40.3		**1,305.4**
Book value on 1 Jan 2005	19.7	167.6	489.8	18.3	28.7	**724.2**
Book value on 31 Dec 2005	6.6	127.8	480.3	15.2	30.7	**660.7**

The additions include EUR 1.8 million (2005: EUR 9.6 million) of assets leased through a finance lease contract.

Property, plant and equipment include assets leased through a finance lease contract as follows:

2006 EUR million	Buildings and structures	Telecom devices, machinery and equipment	**Total**
Acquisition cost	29.3	105.3	**134.6**
Accumulated depreciation	3.2	90.0	**93.2**
Book value on 31 Dec 2006	26.1	15.3	**41.4**
2005			
Acquisition cost	29.3	155.8	**185.1**
Accumulated depreciation	2.5	129.4	**131.9**
Book value on 31 Dec 2005	26.8	26.4	**53.1**

14. Intangible assets

2006 EUR million	Goodwill	Customer base	Other intangible assets	In progress and pre-payments	**Total**
Acquisition cost on 1 Jan 2006	770.6	70.6	172.6	30.7	**1,044.5**
Additions	1.7	1.6	3.6	41.9	**48.8**
Disposals			–9.6		**–9.6**
Reclassifications			0.9	–1.0	**–0.1**
Acquisition cost on 31 Dec 2006	772.3	72.2	167.5	71.6	**1,083.6**
Accumulated amortisation and impairment on 1 Jan 2006		3.8	91.4		**95.2**
Amortisation for the period		14.2	21.3		**35.5**
Accumulated amortisation on disposals and reclassifications			–9.8		**–9.8**
Accumulated amortisation and impairment on 31 Dec 2006		18.0	102.9		**120.9**
Book value on 1 Jan 2006	770.6	66.8	81.2	30.7	**949.3**
Book value on 31 Dec 2006	772.3	54.2	64.6	71.6	**962.7**

2005 EUR million	Goodwill	Customer base	Other intangible assets	Keskeneräiset ja ennakkomaksut	**Total**
Acquisition cost on 1 Jan 2005	471.8	11.2	142.4	14.4	**639.8**
Additions	0.1		7.1	23.9	**31.1**
Acquisitions of subsidiaries	300.3	59.4	50.0		**409.7**
Disposals	–1.7		–34.5		**–36.2**
Reclassifications			7.6	–7.6	**0.0**
Acquisition cost on 31 Dec 2005	770.6	70.6	172.6	30.7	**1,044.5**
Accumulated amortisation and impairment on 1 Jan 2005			99.4		**99.4**
Acquisitions of subsidiaries			3.6		**3.6**
Amortisation for the period		3.8	18.3		**22.1**
Accumulated amortisation on disposals and reclassifications			–29.9		**–29.9**
Accumulated depreciation and impairment on 31 Dec 2005		3.8	91.4		**95.2**
Book value on 1 Jan 2005	471.8	11.2	43.0	14.4	**540.4**
Book value on 31 Dec 2005	770.6	66.8	81.2	30.7	**949.3**

Impairment testing of goodwill

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

EUR million	**2006**	2005
Mobile communications	**712.9**	712.8
Fixed network	**54.7**	54.2
Saunalahti	**4.7**	3.6
Total	**772.3**	770.6

The Fixed network CGU corresponds to the fixed network business according to primary segment reporting. Mobile communications corresponds to the mobile communications business according to primary segment reporting without Saunalahti Group Plc, which as a legal company is a separate CGU.

Elisa does not have any other intangible assets with an unlimited 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 uniform with information from external sources and reflect actual development. The discount rate used is 9.8–11.2% before tax, depending on the segment. Cash flows after five years have been projected by estimating the change in future cash flows either as zero or decreasing on a straight-line basis. 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 and investment needs.

Sensitivity analysis

	Mobile communications		Fixed network		Saunalahti	
Projection parameters applied	**2006**	2005	**2006**	2005	**2006**	2005
Amount in excess of book value, EUR million	**1,301**	295	**398**	462	**217**	n.a.
EBITDA margin on average, % (*	**31.9%**	28.3%	**31.3%**	28.7%	**11.2%**	n.a.
Investments on average, % of revenue (*	**9.9%**	11.9%	**15.2%**	14.3%	**1.3%**	n.a.
Horizon growth, %	**0.0%**	0.0%	**–2.0%**	–2.0%	**0.0%**	n.a.
General interest rate level	**3.7%**	3.1%	**3.7%**	3.1%	**3.7%**	n.a.

*) On average during five-year projection period

Percentage change in crucial projection parameters that makes the recoverable amount equal to book value (*	Mobile communications		Fixed network		Saunalahti	
	2006	2005	**2006**	2005	**2006**	2005
EBITDA margin on average, %	**–13.2%**	–3.7%	**–8.2%**	–7.8%	**–7.5%**	n.a.
Investments on average, % of revenue	**9.7%**	2.7%	**6.1%**	5.7%	**5.5%**	n.a.
Horizon growth, %	**–18.0%**	–3.0%	**–19.6%**	–11.5%	**–75.0%**	n.a.
General interest rate level	**10.0%**	2.3%	**10.0%**	7.0%	**19.7%**	n.a.

*) change in a single parameter while the others remain unchanged

15. Associates and joint ventures

Associates

EUR million	2006	2005
At beginning of period	**0.4**	11.7
Share of associated companies' profit	**0.1**	0.3
Additions		1.4
Disposals		–2.1
Changes in corporate structure		–11.1
Other changes	**–0.1**	0.2
At end of period	**0.4**	0.4

Goodwill of associates on the balance sheet on 31 December 2006 was EUR 0.1 million (EUR 0 million).

Elisa's holdings in associates are presented under note 32, Related party transactions.

Joint ventures

At the end of 2006 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 62% and in Kiinteistö Oy Brahenkartano 48%.

16. Available-for-sale investments

EUR million	2006	2005
Publicly listed shares	**38.3**	34.9
Unlisted shares	**10.1**	9.3
Total	**48.4**	44.2

EUR 0.8 million of capital gains were realised on available-for-sale investments during the period. Changes in the fair value reserve are presented in the statement of changes in consolidated equity. The change in unlisted shares is mainly due to the conversion of Sulake Oy's convertible bond into shares.

17. Non-current receivables

EUR million	2006	2005
Accruals from associates	**0.1**	0.1
Loans receivable	**0.1**	3.1
Accruals	**3.2**	2.7
Other non-current receivables	**1.4**	4.7
Total	**4.8**	10.6

Non-current receivables are categorised under Loans and other receivables.

The effective interest rate on receivables (current and non-current) was 0% (3.5%).

18. Deferred tax assets and liabilities

The change in deferred tax assets and liabilities during the 2006 period is divided as follows:

Deferred tax assets EUR million	31 Dec 2005	Reclassifications	Recognised in income statement	Acquired/ sold subsidiaries	31 Dec 2006
Provisions	3.4		–0.9		**2.5**
Unused tax losses	22.4		–7.8		**14.6**
Finance lease contracts	2.4		0.8		**3.2**
Negative depreciation difference	5.4		–2.9		**2.5**
Internal margins	8.4		1.8		**10.2**
Share-based incentive plan, part payable in cash			0.7		**0.7**
Other temporary differences	0.5		–0.5		**0.0**
Total	42.5		–8.8		**33.7**

Deferred tax liabilities EUR million	31 Dec 2005	Reclassifications	Recognised in income statement	Acquired/ sold subsidiaries	**31 Dec 2006**
Fair value measurement of tangible and intangible assets in acquisition	28.4		–4.8	0.5	**24.1**
Accumulated depreciation difference	11.1		–0.2		**10.9**
Finance lease contracts	0.3				**0.3**
Other temporary differences	0.8		0.2		**1.0**
Total	40.6		–4.8	0.5	**36.3**

The Group had EUR 5.8 million (EUR 6.2 million) of unused tax losses on 31 December 2006, which have not been recognised in tax receivables. These losses expire in 2009–2011. The Group did not have any avoir fiscal receivables on 31 December 2006 (EUR 19.2 million on 31 December 2005). No tax liability has been recognised for the untaxed retained earnings of the Estonian subsidiary as no plans for profit distribution exist for the time being.

The change in deferred tax assets and liabilities during the 2005 period is divided as follows:

Deferred tax assets EUR million	31 Dec 2004	Reclassifications	Recognised in income statement	Acquired/ sold subsidiaries	**31 Dec 2005**
Provisions	8.4		–5.0		**3.4**
Unused tax losses	3.6		–3.2	22.0	**22.4**
Finance lease contracts	1.6		0.8		**2.4**
Negative depreciation difference	23.3		–17.9		**5.4**
Internal margins	4.9	4.1	–0.6		**8.4**
Other temporary differences	0.7		–0.2		**0.5**
Total	42.5	4.1	–26.1	22.0	**42.5**

Deferred tax liabilities EUR million	31 Dec 2004	Reclassifications	Recognised in income statement	Acquired/ sold subsidiaries	**31 Dec 2005**
Fair value measurement of tangible and intangible assets in acquisition	4.5			23.9	**28.4**
Accumulated depreciation difference	28.0		–16.9		**11.1**
Finance lease contracts	0.3				**0.3**
Internal margins	–4.1	4.1			**0.0**
Other temporary differences	1.1		–0.3		**0.8**
Total	29.8	4.1	–17.2	23.9	**40.6**

19. Inventories

EUR million	2006	2005
Materials and supplies	11.3	10.3
Work in progress	0.7	2.2
Finished products/goods	26.4	7.8
Total	38.4	20.3

An impairment of EUR 4.6 million (EUR 0.7 million) on inventories was recognised during the period.

20. Trade and other receivables

EUR million	2006	2005
Trade receivables	317.3	225.3
Receivables from associates	0.1	0.0
Accruals	12.8	9.7
Loans receivable	0.1	0.4
Other receivables	4.3	7.7
Total	334.6	243.1

Concentrations of credit risks in trade receivables are minimal due to the Group's extensive customer base. The Group's previous experience in the collection of trade receivables corresponds to the recognised provisions. Based on these facts, the management is confident that the Group's trade receivables do not involve any credit risk in excess of the recognised impairment.

Accruals consist of interest receivables and other ordinary amortisation of sales and operating expenses.

21. Financial assets at fair value through profit or loss

EUR million	2006	2005
Money market funds		133.8
Commercial paper		43.5
Total		177.3

Investments in money market funds have solely been made in short-term fixed income funds. There were no investments in money market funds at the date of closing the accounts.

The Group had no investments in commercial paper at the date of closing the accounts.

22. Liquid assets

EUR million	2006	2005
Cash assets	21.1	27.1
Cash at bank	1.1	8.3
Total	22.2	35.4

The effective interest rate of bank deposits was 3.50% and the average maturity 4 days.

EUR million	2006	2005
Cash assets and cash at bank	22.2	35.4
Money market funds and commercial paper		177.3
Total	22.2	212.7

23. Equity

Share capital, share premium and treasury shares

EUR million	Number of shares (thousands)	Share capital	Share premium	Treasury shares	Total
1 Jan 2005	141,989	71.0	530.4	–3.1	**598.3**
Share issue	24,077	12.0			**12.0**
Treasury shares gained through acquisition				–0.2	**–0.2**
Disposal of treasury shares				0.8	**0.8**
31 Dec 2005	166,066	83.0	530.4	–2.5	**610.9**
Purchase of treasury shares				–79.4	**–79.4**
Disposal of treasury shares				0.8	**0.8**
Other changes				–0.2	**–0.2**
31 Dec 2006	166,066	83.0	530.4	–81.3	**532.1**

Notes to the consolidated financial statements

Other funds

EUR million	Contingency fund	Fair value reserve	Other funds	**Total**
1 Jan 2005	3.4	–0.4	31.5	**34.5**
Share issue			349.7	**349.7**
Available-for-sale investments		34.7		**34.7**
31 Dec 2005	3.4	34.3	381.2	**418.9**
Available-for-sale investments		3.4		**3.4**
Other changes			–0.2	**–0.2**
31 Dec 2006	3.4	37.7	381.0	**422.1**

The company's paid share capital registered in the Trade Register stood at EUR 83,033,008 at the end of the period (31 Dec 2005: EUR 83,033,008). According to the Articles of Association, the minimum capital is EUR 25,000,000 and the maximum capital is EUR 500,000,000. 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 (2005: 1,000 million shares). The nominal value of each share is EUR 0.50 (2005: EUR 0.50). All issued shares have been paid.

Treasury shares	Shares pcs	Nominal value EUR	Holding, % of shares and votes
Held by Lounet Oy on 31 Dec 2005	180,000	90,000	0.11
Treasury shares held by the Group on 31 Dec 2005	180,000	90,000	0.11
Lounet sold shares on 9 Jan and 15 Mar 2006	–55,000	–27,500	–0.03
Elisa Corporation acquired treasury shares from 27 Oct to 4 Dec 2006	4,000,000	2,000,000	2.41
Treasury shares held by the Group on 31 Dec 2006	4,125,000	2,062,500	2.48

Treasury shares include the acquisition cost of treasury shares held by the Group. Elisa Corporation's shares held by the Group do not have any significant effect on the distribution of ownership and voting power in the company. Elisa Corporation acquired a total of 4,000,000 treasury shares during 2006. The acquisition price was EUR 79.4 million, which is represented as a reduction of equity.

Other reserves

The EUR 3.4 million contingency fund 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 37.7 million includes changes in the fair values of the available-for-sale investments. The other reserves of EUR 381.0 million were formed through the use of an equity issue in acquisitions. Translation differences are minimal, less than EUR 0.1 million.

Statement of consolidated distributable funds

EUR million	**2006**	2005
Retained earnings	**307.5**	253.8
Distribution of dividend	**–116.2**	–123.2
Other adjustments	**1.8**	0.6
Net profit	**160.3**	176.2
Share of accumulated depreciation difference entered in shareholders' equity	**–31.0**	–31.2
Total distributable funds on 31 Dec	**322.4**	276.2

24. Share-based payments

Share incentive plan for 2006

On 2 March 2006, Elisa Corporation's Board of Directors decided on a new share-based incentive plan. Under the plan, key individuals designated by the Board of Directors are eligible to receive shares in the Elisa Corporation as a reward for their performance over an earnings period of two calendar years. The earnings periods are from 2 March 2006 to 31 March 2008 for Plan A and from 1 October 2007 to 31 March 2010 for Plan B. The amount of the award to be paid out of the share incentive plan is tied to the total return on the share over the earnings period.

The award payable on the share incentive plan shall be paid after the earnings period as a combination of shares and cash. The maximum aggregate award for Plan A is EUR 51.6 million, payable 50% in Elisa shares and 50% in cash. The Board of Directors is entitled to change the proportions in certain circumstances. The terms and conditions for Plan B have not been determined yet. The maximum award for Plan A will be achieved if Elisa's share price adjusted for dividends paid during the earnings period is EUR 32. The maximum amount of award corresponds to 1.0% of the number of shares outstanding at the end of the period.

No award will be paid if the individual's employment terminates before payment. Furthermore, members of the Executive Board must hold one-half of the shares received under the plan for a minimum of two years. The CEO must hold one-half of the shares received under the plan for as long as he serves as the CEO.

Amount of share incentives	A	B
Minimum level, pcs [1]	172,800	not determined
Maximum level, pcs	1,612,800	not determined
Share price at end of period, EUR	20.75	
Earnings period starts	2 Mar 2006	1 Oct 2007
Earnings period ends	31 Mar 2008	31 Mar 2010
Estimated realisation on closing date, pcs	727,375	
Fair value on closing date, EUR	13,365,516	
Distributed amount	80%	0%
Persons covered by plan	46	0

1) If the share price of the Elisa share adjusted by dividends paid during the earnings period is less than EUR 16, no share-based incentive shall be distributed.

Calculation of fair value of share incentives	A	B
Share price on closing date, EUR	20.75	
Estimated realisation, pcs	727,375	
share price, EUR	23.50	
total return, % [*]	51.3%	
Fair value of portion paid in shares, EUR	5,819,000	
Fair value of portion paid in cash, EUR	7,546,516	
Fair value of share incentive plan, EUR	13,365,516	

*) increase in value and dividends during the earnings period.

The cost for the share incentive plan shall be allocated in the income statement monthly as salary expenses over the earnings period. The portion settled in shares is recognised in equity, while the portion settled in cash is recognised in liabilities. The fair value of the share incentive plan at the time of granting was approximately EUR 7.6 million. The fair value of the portion settled in cash shall be reassessed on each reporting date until the end of the earnings period. Terms and conditions not based on market terms are not taken into account in fair valuation or expense recognition. Expenses recognised for the plan in 2006 amounted to approximately EUR 5.0 million. No payments were made out of the plan in 2006. Any payments will be determined on the basis of the average share price in March 2008 weighted by trading volume.

Elisa shall prepare an estimate of the realisation on the basis of the share price on the date of closing the accounts. The returns on the plan for the remaining earnings period are estimated using the CAP model. Should the estimate of the realised number of shares change, Elisa shall adjust the earlier allocation through profit and loss.

The estimated realisation 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.

25. Pension obligations

Pension cover for Elisa's personnel in Finland is arranged through pension insurance companies for both statutory pension insurance (TEL) and supplementary pension cover. The Finnish TEL system is a defined contribution plan. Some supplementary pension arrangements and pension arrangements under the responsibility of the companies themselves have been classified as defined benefit plans. The pension arrangements of foreign subsidiaries are defined contribution plans.

Prior to 1 July 2005, the personnel's pension cover in Finland was covered through the Elisa Group's Pension Fund and external pension insurance companies. The pension provision of the pension fund consisted of statutory pension cover (TEL) and supplementary pension cover.

The defined benefit pension liability recognised in the balance sheet is:

EUR million	**2006**	2005
Present value of unfunded obligations	**1.4**	2.3
Present value of funded obligations	**59.9**	66.5
Fair value of plan assets	**–58.1**	–64.2
Deficit/excess	**3.2**	4.6
Unrecognised actuarial gains (–) / losses(+)	**–1.0**	–0.1
Pension liability in the balance sheet	**2.2**	4.5

Changes in the present value of the obligation:

EUR million	**2006**	2005
Obligation at beginning of period	**68.8**	285.2
Service cost	**0.2**	4.9
Interest expenses	**2.8**	8.6
Actuarial losses (+) and gains (–)	**0.6**	–3.2
Benefits paid	**–3.5**	–5.6
Gains (–) and losses (+) on curtailment	**–7.6**	–221.2
Other changes		0.1
Obligation at end of period	**61.3**	68.8

Changes in the fair value of plan assets:

EUR million	**2006**	2005
Fair value of plan assets at beginning of period	**64.2**	271.8
Expected return on plan assets	**3.2**	1.5
Benefits paid	**–3.5**	–5.6
Actuarial gains (+) and losses (–)	**–0.2**	–0.1
Contributions paid by employer	**0.6**	2.6
Losses/gains on curtailment	**–6.2**	–205.7
Other changes		–0.3
Fair value of plan assets at end of period	**58.1**	64.2

The defined benefit pension expense recognised

EUR million	**2006**	2005
Current service cost	**–0.2**	–2.2
Interest costs	**–2.8**	–8.6
Expected return on plan assets	**3.2**	9.6
Past service cost		–0.4
Losses/gains on curtailment	**1.5**	11.9
	1.7	10.3

Actual return on plan assets was EUR 3.2 million in 2006 (EUR 1.5 million in 2005).

The main actuarial assumptions were as follows:

	2006	2005
Discount rate	**4.50%**	4.50%
Expected return on plan assets	**4.50%**	5.25%
Future salary increase assumption	**3.30%**	3.30%
Future pension increase assumption	**2.10%**	2.10%

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

EUR million	**2006**	2005
Present value of obligation	**61.3**	68.8
Fair value of plan assets	**–58.1**	–64.2
Excess (+)/deficit (–)	**–3.2**	–4.6
Experience-based adjustments to plan assets	**0.2**	0.2

The Group expects to contribute EUR 0.6 million to defined benefit pension plans in 2007.

26. Provision

EUR million	Restructuring	Other	**Total**
1 Jan 2006	6,5	1,7	**8,2**
Increases in provisions	10,6		**10,6**
Used provisions	–10,1		**–10,1**
31 Dec 2006	7,0	1,7	**8,7**

EUR million	**2006**	2005
Long-term provisions	**6,0**	4,8
Short-term provisions	**2,7**	3,4
Total	**8,7**	8,2

Restructuring provision

As part of the Group's rationalisation measures Elisa has carried out statutory employee negotiations leading to personnel reductions in 2006. The restructuring provision includes provisions for both unemployment pensions and other expenses due to redundancies. The provision associated with redundancies will be realised in 2007, and the provision associated with unemployment pensions will be realised in 2007–2009.

Other provisions

Other provisions consist of an environmental provision made for telephone poles in 2006.

27. Interest-bearing liabilities

	2006		2005	
EUR million	**Balance sheet values**	**Fair values**	Balance sheet values	Fair values
Non-current				
Loans from financial institutions	**0.2**	**0.2**	0.1	0.1
Bonds	**283.0**	**288.9**	347.7	359.3
Finance lease liabilities	**37.9**	**37.9**	45.9	45.9
	321.1	**327.0**	393.7	405.3
Current				
Bonds	**44.1**	**44.7**	98.2	98.5
Finance lease liabilities	**8.3**	**8.3**	10.4	10.4
Other current liabilities	**25.6**	**25.6**	3.8	3.8
	78.0	**78.6**	112.4	112.7
Total	**399.1**	**405.6**	506.1	518.0

The loans include a total of EUR 45.4 million (EUR 60.1 million) of secured liabilities (leasing liabilities and other current liabilities in 2005). In substance the finance lease liabilities are secured liabilities, since rights to the leased property will revert to the lessor if payments are neglected. The collateral for other short-term liabilities in 2005 consisted of guarantees issued by financial institutions.

All interest-bearing liabilities are denominated in euro. Interest-bearing liabilities are measured at amortised cost. The fair values of interest-bearing 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.

Maturity dates of non-current liabilities

EUR million	2007 [1]	2008	2009	2010	2011	2012–	**Total**
Bonds	44,1	30,0	36,0	0,0	225,9	0,0	**336,0**
Loans from financial institutions	0,0	0,0	0,0	0,0	0,0	0,0	**0,2**
Finance lease liabilities	8,3	5,5	3,3	0,9	0,8	27,4	**46,2**
Total	52,4	35,5	39,4	0,9	226,7	27,4	**382,4**

[1] The 2007 instalments are included in current liabilities.

Non-current liabilities are presented at nominal value.

The average maturity of non-current liabilities was 5.4 years and effective average rate of interest 4.95%.

Bonds

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

	31 Dec 2006 Fair value EUR million	31 Dec 2006 Balance sheet value EUR million	31 Dec 2006 Nominal value EUR million	Nominal interest rate	31 Dec 2006 Effective interest	Maturity date
Bond programme 1999/EUR 335 million						
I/1999	20.2	19.6	19.6	4.750%	4.956%	18.6.2007
EMTN programme 2001/EUR 1,000 million						
II/2002	20.0	20.0	20.0	6-month euribor + 0.91%	4.514%	8.4.2007
III/2002	20.0	20.0	20.0	6-month euribor + 1.02%	4.624%	8.4.2009
IV/2002	30.0	30.0	30.0	3-month euribor + 0.93%	4.412%	8.4.2008
V/2002	6.0	6.0	6.0	6-month euribor + 1.00%	4.621%	8.4.2009
VI/2002	10.0	10.0	10.0	6-month euribor + 1.00%	4.621%	8.4.2009
VII/2002	4.5	4.5	4.5	6-month euribor + 0.91%	4.514%	8.4.2007
IX/2004	222.9	217.0	225.9	4.375%	5.226%	22.9.2011
Total	333.6	327.1	336.0			

The bonds are measured at amortised cost in the balance sheet using the effective interest method.

Finance lease liabilities

EUR million	2006	2005
Finance lease liabilities –		
total of minimum lease payments		
Within one year	**11.3**	14.0
Later than one year and up to five years	**23.2**	29.3
Later than five years	**65.8**	77.1
	100.3	120.4
Future financial costs	**54.1**	63.6
Present value of minimum lease payments	**46.2**	56.8

EUR million	2006	2005
Finance lease liabilities –		
present value of minimum lease payments		
Within one year	**11.0**	13.4
Later than one year and up to five years	**18.8**	27.3
Later than five years	**16.4**	16.1
	46.2	56.8

Elisa has finance lease contracts concerning GSM and optic fibre networks, servers, telecom facilities and a business building in Jyväskylä. The conditions vary in terms of purchase options/redemption clauses, index clauses and lease periods.

28. Trade payables and other non-interest bearing liabilities

EUR million	2006	2005
Non-current		
Advances received	**5.8**	6.7
Other liabilities	**10.4**	6.1
	16.2	12.8
Current		
Trade payables	**169.8**	151.7
Advances received	**6.4**	7.4
Accrued employee-related expenses	**38.9**	41.2
Amounts owed to customers on long-term projects		0.4
Other accruals	**43.1**	39.2
Other liabilities	**29.3**	40.0
	287.5	279.9
Total	**303.7**	292.7

Other accruals consist of amortised interest expenses and other ordinary expenses.

29. Operating leases

Minimum lease payments payable on the basis of non-terminable operating lease agreements:

EUR million	2006	2005
Within one year	**21.5**	19.4
Later than one year and up to five years	**37.8**	36.8
Later than five years	**21.4**	21.4
Total	**80.7**	77.6

Elisa's operating leases include business premises, telecom facilities, office equipment, cars, etc. The lease periods range from 3 to 6 years for office equipment and cars to more than 50 years for telecom facilities.

30. Collateral, commitments and other liabilities

EUR million	2006	2005
Mortgages		
Mortgages to secure own commitments		18.6
Pledges given		
Bank deposits given for own debt	**0.7**	0.9
Guarantees given	**0.5**	3.1
Total	**1.2**	22.6
Other commitments	**0.0**	0.6

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 2006 (EUR 0.5 million).

Other commitments

Other commitments consist of standard assurances given in connection with corporate acquisitions and preparations for any claims for damages that might be presented in different judicial proceedings. These commitments totalled EUR 0.0 million (EUR 0.6 million) on 31 December 2006.

Liabilities related to the lease/leaseback agreement arrangement) (QTE arrangement)

EUR million	2006	2005
Total value of the arrangement	**154.1**	171.5
Risk of interruption	**18.6**	23.5

In September 1999, Elisa Corporation signed a leaseback agreement (a so-called QTE facility) with U.S.-based capital investors. The arrangement concerns certain parts of the telecommunication network to which Elisa Corporation group companies retain the title in accordance with the agreement. The overall leasing assets and liabilities arising from the arrangement were paid at the time the facility was arranged, and the companies received net compensation of approximately EUR 13 million. The overall value of the arrangement was approximately EUR 154 million (approximately USD 203 million). The Group capitalised EUR 1.3 million of the compensation as other financial income in 2006 (EUR 1.3 million in 2005). The compensation will be capitalised in full within ten years of the agreement having been signed.

The facility is in US dollars. Thus Elisa's euro-denominated liability also changes due to fluctuations in the euro/dollar exchange rate. The QTE facility is recognised in the balance sheet at net value on the basis of the interpretation SIC 27 issued by the IASB. Elisa is entitled to terminate the agreement free of cost in 2014 at the earliest.

The arrangement is not expected to generate cash flows to the company other than the aforementioned net compensation. The liability of the companies and the Group in this arrangement is restricted to a situation in which the financial institution operating within the EU with a credit rating of A2/A responsible for relaying the company's advance leases or the US-based guarantor with a credit rating of Aa2/AA fails to carry out its commitments.

Other contractual obligations

EUR million	2006	2005
Repurchase commitments	**0.4**	0.7

Repurchase commitments mainly concern telecom network terminals purchased with leasing financing by customers, such as corporate PBXs.

31. Financial risk management

The parent company is principally responsible for the Elisa Group's finance, and as a rule, subsidiaries' financing is done through intra-Group loans. The liquidity of group companies is centralised by means of corporate accounts. The accounting and finance department is in charge of investing liquidity surpluses. There were no changes in Elisa's risk management policy in 2006.

Interest rate risk

In order to manage the interest rate risk, the Group's loans and investments have been spread into fixed and floating rate instruments. Derivative financial instruments may be used in managing the interest rate risk. The aim is to hedge the negative effects caused by fluctuations in interest rates. Derivative instruments were not used in 2006.

Currency risk

A principal part of the Elisa group's cash flow is in euro. In this case the company's exposure to currency risk (economic risk and transaction risk) is small. The translation exposure of Elisa's equity, mainly due to Elisa's Estonian subdisiaries, was minimal at the end of 2006. The translation exposure is not hedged.

Liquidity risk

Management of the liqudity risk aims at ensuring the group's financing in all circumstances. The company's main finance arrangement is the EUR 1,000 million EMTN programme, in the framework of which bonds worth EUR 316.4 million have been issued. In addition, the company has a EUR 150 million commercial paper programme and EUR 170 million committed credit limit.

At the end of 2006 the Group's liquid assets and investments stood at EUR 22.2 million. At the balance sheet date, the available long-term committed credit limits amounted to EUR 170 million.

Credit risk

Financial instruments contain an element of risk of the respective parties not being able to meet their obligations. Investments of liquid assets are made within the framework of set limits in targets with high creditworthiness. Investments and the limits specified for them are reviewed annually, or more often if necessary. Investment activities are monitored, and the outstanding investments are not expected to result in credit losses. Foreign currency and foreign currency and interest derivative agreements are only signed with Finnish andforeign banks with good credit ratings.

The business units are liable for credit risk associated with accounts receivable.

Concentrations of credit risks in trade receivables are minimal due to the Group's extensive customer base. The Group's previous experience in the collection of trade receivables corresponds to the recognised provisions. Based on these facts, the management is confident that the Group's trade receivables do not involve any credit risk in excess of the recognised credit loss provision.

Credit ratings

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 have rated the company's long-term commitments as BBB (outlook stable) and short-term commitments as A–2.

32. Related party transactions

The Group's parent company and subsidiary relationships are as follows:

The parent company of the Group is Elisa Corporation.

The Group's subsidiaries	Domicile	31 Dec 2006 Group's ownership interest, %
Ecosite Oy	Espoo	100
Elisa Andmesideteenused As	Tallinn	100
LNS Kommunikation AB	Stockholm	100
Preminet Oy	Helsinki	100
OOO LNR	St. Petersburg	100
Elisa Ventures Ltd	Helsinki	100
Fiaset Oy	Jyväskylä	100
Fonetic Oy	Jyväskylä	100
JMS Group Oy	Helsinki	100
Lounet Oy	Turku	80
Lounet Oy Call Center	Turku	80
Kiinteistö Oy Paimion Puhelimenkulma	Paimio	62
Kiinteistö Oy Brahenkartano	Turku	48
Kiinteistö Oy Raision Luolasto	Espoo	100
Kiinteistö Oy Rinnetorppa	Kuusamo	80
Saunalahti Group Oyj	Espoo	100
Helsingin Netti Media Oy	Helsinki	100
Jippii UK Plc	Great Britain	100
Supertel Oy	Helsinki	100
SIA Radiolinja Latvija	Riga	100
Tampereen Tietoverkko Oy	Tampere	63
Kiinteistö Oy Tapiolan Luolasto	Espoo	100
UAB Radiolinja	Vilnius	100

The Group's associates		
City-Suvanto Oy	Joensuu	36
Joensuun Datalaite Oy	Joensuu	30
Kiinteistö Oy Herrainmäen Luolasto	Tampere	50
Kiinteistö Oy Lauttasaarentie 19	Helsinki	42
Kiinteistö Oy Runeberginkatu 43	Helsinki	30
Kiinteistö Oy Stenbäckinkatu 5	Helsinki	40
Pispalan Televisio Oy	Tampere	28
Suomen Numerot NUMPAC Oy	Helsinki	25
Vantaan Yhteisverkko Oy	Vantaa	24

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

Elisa Group has related party relationships with its Board of Directors, CEO and Executive Board. Furthermore, related parties include associates and joint ventures, as well as the Elisa Group Pension Fund until 1 July 2005.

The following transactions have been carried out with related parties:

Related party sales:

EUR million	**2006**	2005
Associates and joint ventures	**0.0**	7.4
Total	**0.0**	7.4

Related party purchases:

EUR million	**2006**	2005
Associates and joint ventures	**0.6**	3.2
Lease of sold and leaseback premises from the pension fund		1.2
Interest expenses to the pension fund		1.5
Total	**0.6**	5.9

Loans and receivables from associates have been itemised in the notes to the balance sheet items in question.

Employment benefits for key management

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

EUR million	**2006**	2005
Salaries and other short-term employment benefits	**3.7**	2.3
Termination benefits		0.2
Share-based incentive deposit (2004 plan)		0.4
Calculated cost recognised for share-based incentive plan under IFRS [1)]	**2.8**	
Total	**6.5**	2.9

[1)] The calculated cost recognised for the share-based incentive plan in 2006 in accordance with IFRS is approximately EUR 5 million, of which EUR 0.4 million is allocated to the CEO and a total of EUR 2.4 million is allocated to other members of Elisa's Executive Board. The terms and conditions of this share-based incentive plan are described under note 24, Share-based payments.

During the financial period, the CEO was paid a total salary of EUR 878,370.93. In addition to a regular monthly salary and a performance-based bonus, this sum also includes taxable benefits for the use of a telephone and a company-owned car. Moreover, in the framework of a deposit made under the 2003 incentive plan, the CEO was paid a reward of EUR 185,268.43. 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 equalling the total salary of 24 months minus his salary of the period of notice. Elisa's CEO is entitled to retire at the age of 60 on the basis of supplementary pension insurance.

The following compensation determined by the General Meeting was paid to the Members of the Board: monthly remuneration fee for the Chairman EUR 7,000 per month; monthly remuneration fee for the Deputy Chairman and chairman of the Committee for Auditing EUR 4.900 per month, monthly remuneration fee for the Members EUR 3.500 per month, and meeting remuneration fee EUR 500/meeting/participant. The monthly remuneration fees (less tax withheld at the rate of 60%) are used for purchases of Elisa shares every quarter. The shares are subject to a transfer restriction of four years.

Members of the Executive Board are entitled to retire at the age of 62 on the basis of group supplementary pension insurance.

Share options granted to the management

The members of the Board, the CEO and members of the Executive Board did not have valid option rights.

Elisa shares held by the management

The members of the Board of Directors, the CEO and the members of the Executive Board held a total of 60,913 shares and votes, corresponding to 0.04% of the shares and votes.

33. Events after the balance sheet date

The company's management does not have any knowledge of any significant events after the balance sheet date that would have had an impact on the financial statements.

Key Indicators

Key indicators describing the group's financial development

	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2003 [1]	FAS 2002 [1]
INCOME STATEMENT					
Revenue, EUR million	**1,518**	1,337	1,356	1,538	1,563
Change of revenue, %	**13.5%**	–1.4%	–11.8%	–1.6%	8.6%
EBITDA, EUR million	**434**	446	455	385	333
EBITDA as % of revenue	**28.6%**	33.4%	33.6%	25.0%	21.3%
EBIT, EUR million	**225**	233	242	–34	–49
EBIT as % of revenue	**14.8%**	17.4%	17.8%	–2.2%	–3.1%
Profit before tax, EUR million	**212**	212	213	–74	–100
Profit before tax as % of revenue	**13.9%**	15.8%	15.7%	–4.8%	–6.4%
Return on equity (ROE), %	**12.1%**	15.9%	19.2%	–1.8%	–12.1%
Return on investment (ROI), %	**13.2%**	14.7%	15.7%	–1.8%	–2.7%
Research and development costs, EUR million	**6**	8	17	24	36
Research and development costs as % of revenue	**0.4%**	0.6%	1.3%	1.6%	2.3%
BALANCE SHEET					
Gearing ratio, %	**28.7%**	21.7%	50.6%	87.5%	94.8%
Current ratio	**1.0**	1.4	1.7	1.1	0.9
Equity ratio, %	**63.1%**	61.7%	49.3%	40.4%	38.3%
Non-interest bearing liabilities, EUR million	**380**	347	324	407	467
Balance sheet total, EUR million	**2,091**	2,202	1,864	1,930	2,098
INVESTMENTS					
Purchases of shares, EUR million	**10**	415	61	28	16
of which paid in equity issue		361	47		
GROSS CAPITAL EXPENDITURES					
Gross investments, EUR million	**207**	204	182	194	269
Gross investments as % of revenue	**13.7%**	15.3%	13.4%	12.6%	17,2%
PERSONNEL					
Average number of employees during the period	**4,086**	4,989	5,590	7,172	8,115
Revenue/employee, EUR 1,000	**372**	268	242	214	193

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

[1] The figures for 2002 and 2003 were calculated according to the Finnish Accounting Standards (FAS)

Key indicators

Per-share indicators [1]

	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2003	FAS 2002
Share capital, EUR	**83,033,008.00**	83,033,008.00	70,994,554.50	69,005,878.50	69,005,878.50
Number of shares at year-end	**161,941,016**	165,886,016	141,778,437	137,230,194	137,230,194
Average number of shares	**165,416,720**	144,806,906	137,320,789	137,230,194	135,989,026
Number of shares at year-end, diluted	**161,941,016**	165,886,016	141,778,437	137,230,194	137,230,194
Average number of shares, diluted	**165,416,720**	144,806,906	137,320,789	137,230,194	135,989,026
Market capitalisation, EUR million [2]	**3,360**	2,596	1,682	1,455	785
Earnings per share (EPS), EUR	**0.97**	1.22	1.10	–0.12	–0.54
Dividend per share, EUR	*) **1.50**	0.70	0.80		
Payout ratio, %	**154.6%**	57.4%	72.7%		
Equity per share, EUR	**8.07**	8.06	6.23	5.09	5.21
P/E ratio	**21.4**	12.8	10.8	neg.	neg.
Effective dividend yield, %	**13.83%**	4.47%	6.75%		
Share performance on the Helsinki Stock Exchange					
Mean price, EUR	**17.06**	13.95	11.36	7.62	8.21
Closing price at year-end, EUR	**20.75**	15.65	11.86	10.60	5.72
Lowest price, EUR	**14.00**	10.56	8.80	4.67	4.46
Highest price, EUR	**20.76**	16.79	14.50	11.50	15.50
Trading of shares					
Total trading volume, 1,000 shares	**247,303**	248,290	121,447	87,873	66,127
Percentage of shares traded [3]	**150%**	172%	88%	64%	49%

The figures for 2002 and 2003 were calculated according to the Finnish Accounting Standards (FAS)

*) The Board of Directors proposes a dividend of EUR 1.50 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.

Formulae for financial summary indicators

EBITDA: EBIT + depreciation, amortisation and impairment

Return on equity (ROE), %

$$\frac{\text{Profit for the period}}{\text{Total shareholders' equity (on average during the year)}} \times 100$$

Return on investment (ROI), %

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

Gearing ratio, %

$$\frac{\text{Interest-bearing liabilities – liquid assets and financial assets recognised at fair value through profit or loss}}{\text{Total shareholders' equity}} \times 100$$

Current ratio

$$\frac{\text{Current assets}}{\text{Current liabilities – advances received}}$$

Equity ratio, %

$$\frac{\text{Total shareholders' equity}}{\text{Balance sheet total – advances received}} \times 100$$

The formulae for indicators in accordance with FAS are presented in the financial statements for the appropriate years.

Formulae for per-share indicators

Earnings per share (EPS)

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

Dividend per share

$$\frac{\text{Dividend adjusted for issues}}{\text{Number of shares on the balance sheet date adjusted for issues}}$$

Effective dividend yield

$$\frac{\text{Dividend per share}}{\text{Share price on the balance sheet date adjusted for issues}} \times 100$$

Payout ratio as percentage

$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Equity per share

$$\frac{\text{Equity attributable to equity holders of the parent}}{\text{Number of shares on the balance sheet date adjusted for issues}}$$

P/E ratio (Price/Earnings)

$$\frac{\text{Share price on the balance sheet date}}{\text{Earnings per share}}$$

The formulae for indicators in accordance with FAS are presented in the financial statements for the appropriate years.

Parent company’s income statement

EUR million	Appendix	**1 Jan–31 Dec 2006**	1 Jan–31 Dec 2005
Revenue	1	**1,315.2**	747.6
Change in finished and non-finished stocks		**–1.5**	1.3
Other operating income	2	**62.8**	112.1
Materials and services	3	**–611.5**	–299.0
Personnel expenses	4	**–183.5**	–188.4
Depreciation and amortisation	5	**–225.4**	–99.5
Other operating expenses		**–165.3**	–179.8
		–1,185.7	–766.7
EBIT		**190.8**	94.3
Financial income and expenses	6	**–6.1**	–16.9
Profit before extraordinary items		**184.7**	77.4
Extraordinary items	7	**–34.6**	127.4
Profit after extraordinary items		**150.1**	204.8
Appropriations	8	**6.0**	67.0
Income taxes	9	**–44.5**	–25.7
Profit for the period		**111.6**	246.1

Parent company's balance sheet

EUR million	Appendix	**31 Dec 2006**	31 Dec 2005
ASSETS			
Fixed assets			
Intangible assets	10	**781.6**	821.2
Tangible assets	10	**482.7**	466.8
Investments	11	**104.4**	131.9
		1,368.7	1,419.9
Current assets			
Inventories	12	**30.8**	17.9
Non-current receivables	13	**78.1**	26.7
Current receivables	14	**308.9**	283.1
Marketable securities	15		168.7
Cash and bank		**9.6**	3.2
		427.4	499.6
		1,796.1	1,919.5
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	16		
Share capital		**83.0**	83.0
Share premium		**530.4**	530.4
Treasury shares		**-79.4**	
Contingency fund		**3.4**	3.4
Retained earnings		**462.3**	332.4
Profit for the period		**111.6**	246.1
		1,111.3	1,195.3
Accumulated appropriations			0.0
Provisions for liabilities and charges	17	**8.7**	10.9
Liabilities			
Non-current liabilities	18	**299.1**	365.7
Current liabilities	19	**377.0**	347.5
		676.1	713.2
		1,796.1	1,919.5

Parent company's cash flow statement

EUR million	1 Jan–31 Dec 2006	1 Jan–31 Dec 2005
Cash flow from operating activities		
Profit before extraordinary items	**184.7**	77.4
Adjustments:		
Depreciation and amortisation	**225.4**	99.5
Other financial income and expenses	**6.1**	16.9
Gains and losses on the disposal of fixed assets (–/+)	**–5.0**	–31.5
Gains and losses on the disposal of shares (–/+)	**–53.9**	–73.0
Change in statutory provisions in the income statement	**–2.3**	0.7
Other adjustments	**4.9**	1.1
Cash flow before change in working capital	**359.9**	91.1
Change in working capital	**–12.0**	51.1
Cash flow from before financial items and taxes	**347.9**	142.2
Interest paid and interest and dividends received	**–8.1**	–13.4
Income taxes paid	**1.2**	–2.8
Net cash flow from operating activities	**341.0**	126.0
Cash flow from investments		
Capital expenditures	**–186.4**	–111.3
Disposal of fixed assets	**6.4**	53.6
Investments in shares and other financial assets	**–25.3**	–44.8
Proceeds from disposal of shares and other financial assets	**6.6**	86.2
Loans granted		–11.0
Repayment of loan receivables	**3.0**	58.4
Net cash flow from investments	**–195.7**	31.1
Cash flow after investments	**145.3**	157.1
Cash flow from financing		
Purchase of treasury shares	**–79.4**	
Repayment of non-current liabilities	**–122.4**	–98.5
Change in current liabilities	**40.1**	–34.8
Dividends paid	**–120.7**	–117.5
Group contributions given/received	**–30.0**	143.4
Net cash flow from financing	**–312.4**	–107.4
Change in liquid assets	**–167.1**	49.7
Liquid assets at beginning of period	**172.0**	119.6
Liquid assets transferred for merger/business transfer	**4.7**	2.7
Liquid assets at end of period	**9.6**	172.0

Notes to the financial statements of the parent company

Accounting principles
Elisa Corporation's financial statements have been prepared following the accounting principles based on Finnish accounting legislation.

Comparability with previous year
When the information for the financial year is compared with the previous financial year, it must be taken into account that mergers of Group companies with the parent company and several significant outsourcings have taken place. In addition, significant one-off items are included in the financial statements.

One-off items of the comparison year 2006:
– increase in business reorganisation provision consisting of expenses arising from redundancies EUR 10.1 million
– merger profits of EUR 7.7 million and merger losses of EUR 12.3 million
– Group contributions given EUR 30.0 million.

One-off items in the 2005 financial statements:
– sales profit of EUR 74.2 million from the sale of shares and business operations
– sales profit of EUR 30.9 million from the sale of fixed assets
– merger profits of EUR 24.8 million
– Group contributions received EUR 99.2 million
– merger assets of EUR 751.8 million booked on the balance sheet from the merger of Elisa Matkapuhelimet Oy, which will generate annual amortisation of EUR 75.2 million for the next ten years.

Items denominated in foreign currencies
Transactions denominated in a foreign currency are booked at the exchange rates quoted on the day the transaction took place. On the day of closing, the accounts balance sheet items denominated in a foreign currency are valued at the average rate quoted by ECB at the closing date.

Fixed assets
The acquisition cost less accumulated depreciation according to plan and value adjustments is presented on the balance sheet as the book value of intangible and tangible assets. Self-manufactured and built fixed assets are valued as variable costs.

The difference between depreciation according to plan and total depreciation made is shown under appropriations in the parent company's income statement and the accumulated depreciation difference is shown 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 calculated on the basis of financial service life as straight-line depreciation from the original acquisition cost.

The financial service 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 structures	25–40 years
Machinery and equipment in buildings	10 – 25 years
Telephone exchanges	6–10 years
Cable network	8–15 years
Telecommunication terminals (rented to customers)	3–5 years
Other machines and equipment	3–5 years

Valuation principles of current assets
Current assets are valued at variable costs, acquisition price or the likely assignment, or repurchase price if it is lower. A weighted average price is used in the valuation of current assets.

Revenue and other operating income
The sale of performances is recognised as income at the time of assignment and income from services is booked 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 sales 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 costs
Research and development costs are handled as an annual expense according to the time they arise.

Future expenses and losses
Future expenses and losses that are allocated to an ended or previous financial year, and the realisation of which is considered certain or likely and income corresponding to which is not certain or likely, are booked as expenses under the expense item in question on the income statement. On the balance sheet they are presented under provisions for liabilities and charges when their exact amount or realisation date is not known. In other cases they are presented under accruals and deferred income.

Extraordinary income and expenses
Given and received Group contributions and merger profits and losses have been booked under extraordinary items.

Income taxes
Income taxes belonging to the financial year are allocated and booked on the income statement. No deferred tax liabilities and receivables have been booked in the financial statements.

Notes to the financial statements of the parent company

EUR million	2006	2005

1. Invoiced sales and revenue

Invoiced sales	**1,392.6**	810.0
Interconnection fees and other adjustments	**–77.4**	–62.4
Total revenue	**1,315.2**	747.6
Geographical distribution		
Finland	**1,258.7**	726.4
Rest of Europe	**56.5**	21.2
Total	**1,315.2**	747.6

2. Other operating income

Proceeds from the disposal of fixed assets	**4.4**	30.9
Proceeds from the disposal of shares and business	**54.4**	74.2
Others [1]	**4.0**	7.0
Other operating income total	**62.8**	112.1

[1] Other income items mainly include rental income from residential units..

3. Materials and services

Materials, supplies and goods		
Purchases during the financial year	**117.4**	66.4
Change in inventories	**–13.7**	–5.0
	103.7	61.4
External services	**507.8**	237.6
Materials and services total	**611.5**	299.0

4. Personnel expenses

Wages and salaries	**147.0**	159.2
Pension costs	**25.8**	15.6
Other statutory employee costs	**10.7**	13.6
Personnel expenses total	**183.5**	188.4
Personnel on average	**3,425**	4,048

Management remuneration
CEO's remuneration, EUR

Mr Veli-Matti Mattila	**878,370.93**	502,698.80

Furthermore, the CEO was paid a reward of EUR 185,268.43 in 2006 from a deposit made under the incentive plan 2003.

The CEO is entitled to retire on the basis of supplementary pension insurance at the age of 60.

EUR million	2006	2005
The Board of Directors' remuneration, EUR		
Mr Keijo Suila	**20,100**	69,300
Mr Ossi Virolainen	**64,300**	52,100
Mr Matti Aura	**11,700**	42,000
Mr Pekka Ketonen	**79,800**	40,850
Mr Mika Ihamuotila	**59,900**	40,350
Mr Jussi Länsiö	**11,400**	41,200
Mr Lasse Kurkilahti	**47,700**	3,400
Mr Matti Manner	**49,100**	3,400
	344,000	292,600

The monthly remuneration fees (less tax withheld at the rate of 60%) are used for purchases of Elisa shares every quarter. The shares are subject to a transfer restriction of four years.

5. Depreciation and amortisation

Amortisation of intangible assets	**93.6**	12.0
Depreciation of tangible assets	**131.8**	87.5
Total	**225.4**	99.5

Specification of depreciation by balance sheet items is included in Non-current assets.

6. Financial income and expenses

Dividends received		
from Group companies	**4.3**	5.7
from others	**1.0**	0.1
Total dividends received	**5.3**	5.8
Other interest and financial income		
from Group companies	**1.7**	1.3
from others	**6.9**	6.0
Other interest and financial income, total	**8.6**	7.3
Interest income and other financial income, total	**13.9**	13.1
Interest costs and other financing expenses		
to Group companies	**–0.9**	–1.8
to others	**–19.1**	–28.2
Interest costs and other financing expenses, total	**–20.0**	–30.0
Financial income and expenses, total	**–6.1**	–16.9

EUR million	2006	2005

7. Extraordinary items

Extraordinary income		
Merger gain	**7.7**	24.8
Group contributions received		99.2
Other		3.8
Extraordinary expenses		
Merger loss	**–12.3**	
Group contributions paid	**–30.0**	
Other		–0.4
Extraordinary items, total	**–34.6**	127.4

EUR million	2006	2005

8. Appropriations

Change in depreciation difference	**5.9**	67.0
Appropriations, total	**5.9**	67.0

9. Income taxes

Income tax on extraordinary items		–25.8
Income tax on actual business	**–44.4**	–0.4
Income tax for previous periods	**–0.1**	0.5
Income taxes, total	**–44.5**	–25.7

10. Non-current assets/Intangible and tangible assets

	Intangible assets				
EUR million	Intangible rights	Goodwill	Other capitalised expenditures	Purchases in progress	**Total**
Acquisition cost on 1 Jan	8.0	759.8	120.7	30.4	**918.9**
Transferred in mergers	0.3	0.3	0.7	0.4	**1.7**
Additions	0.8	9.0	2.1	41.4	**53.3**
Disposals	–0.1		–8.2		**–8.3**
Reclassifications	0.5		0.5	–1.0	**0.0**
Acquisition cost on 31 Dec	9.5	769.1	115.8	71.2	**965.6**
Accrued depreciation and amortisation on 1 Jan	3.2	4.7	89.8		**97.7**
Transferred in mergers	0.2	0.3	0.6		**1.1**
Accrued depreciation of disposals and reclassifications	–0.1		–5.8		**–5.9**
Depreciation for the period	1.5	77.9	11.7		**91.1**
Accrued depreciation and amortisation on 31 Dec	4.8	82.9	96.3		**184.0**
Book value on 31 Dec 2006	4.7	686.2	19.5	71.2	**781.6**

Notes to the financial statements of the parent company

	Tangible assets					
EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Purchases in progress	**Total**
Acquisition cost on 1 Jan	5.6	72.9	1,349.3	34.8	26.6	**1,489.2**
Transferred in mergers	0.3	3.9	46.6		0.2	**51.0**
Additions		1.8	95.7	0.2	35.5	**133.2**
Disposals	–0.4	–4.7	–3.2			**–8.3**
Reclassifications		1.1	20.2		–21.3	**0.0**
Acquisition cost on 31 Dec	5.5	75.0	1,508.6	35.0	41.0	**1,665.1**
Accrued depreciation and amortisation on 1 Jan		39.7	954.5	28.2		**1,022.4**
Transferred in mergers		2.7	31.1			**33.8**
Accrued depreciation of disposals and reclassifications		–4.5	–1.2			**–5.7**
Depreciation for the period		3.5	126.8	1.6		**131.9**
Accrued depreciation and amortisation on 31 Dec		41.4	1,111.2	29.8		**1,182.4**
Book value on 31 Dec 2006	5.5	33.6	397.4	5.2	41.0	**482.7**

11. Investments

	Shares			Receivables		
EUR million	Group companies	Associated companies	Other companies	Group companies	Other companies	**Total**
Acquisition cost on 1 Jan	115.4	4.0	9.9	0.6	2.2	**132.1**
Transferred in mergers	12.8	1.9	0.7	1.8		**17.2**
Additions	10.2					**10.2**
Disposals	–63.9		–0.2	–0.6	–1.2	**–65.9**
Reclassifications			1.0	11.0	–1.0	**11.0**
Acquisition cost on 31 Dec	74.5	5.9	11.4	12.8	0.0	**104.6**
Impairment on 1 Jan			–0.3			**–0.3**
Impairment on 31 Dec			–0.3			**–0.3**
Book value on 31 Dec 2006	74.5	5.9	11.1	12.8		**104.3**

The repurchase price of publicly quoted shares on 31 December 2006 was EUR 38.1 million higher than the book value of the owner company (2005: EUR 35 million higher).

EUR million	2006	2005

12. Inventories

Materials and supplies	**10.8**	9.3
Work in progress	**0.7**	2.2
Finished products/goods	**19.3**	6.4
Inventories total	**30.8**	17.9

13. Non-current receivables

Receivables from Group companies		
Loan receivables [1]	**67.1**	9.8
Receivables from associates	**0.1**	0.1
Receivables from others		
Loan receivables [2]	**0.1**	3.0
Other receivables	**1.2**	2.2
Prepayments and accrued income [3]	**9.6**	11.6
Non-current receivables total	**78.1**	26.7

[1] Non-current loan receivables from Group companies in 2006 include interest-bearing loan receivables of EUR 67.1 million from Elisa Andmesideteenused As.

[2] Loan receivables in 2006 include a receivable of EUR 50,000 from Sofia Digital Oy. The loan receivable of EUR 3.0 million from Tropolys GmbH was repaid in 2006.

[3] Prepayments and accrued income in 2006 include EUR 6.4 million of bond issue loss (EUR 9.0 million in 2005).

14. Current receivables

Receivables from Group companies		
Trade receivables	**20.7**	27.5
Loans receivable	**43.1**	52.3
Other receivables	**0.0**	1.3
Prepayments and accrued income	**0.7**	1.3
	64.5	82.4
Receivables from associates		
Trade receivables	**0.1**	0.0
Receivables from others		
Trade receivables	**234.9**	166.7
Loans receivable	**0.0**	0.0
Other receivables	**1.3**	5.9
Prepayments and accrued income	**8.1**	28.1
	244.3	200.7
Total	**308.9**	283.1

15. Marketable securities

Securities mainly comprise investments in money market funds and short-term certificates of deposit and commercial paper. Investments in money market funds are recognised 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. On the balance sheet date 31 December 2006, the balance sheet value of marketable securities was zero.

EUR million	2006	2005

16. Shareholders' equity

Share capital on 1 Jan	**83.0**	71.0
Increase in share capital		12.0
Share capital on 31 Dec	**83.0**	83.0
Share premium on 1 Jan	**530.4**	530.4
Share premium on 31 Dec	**530.4**	530.4
Treasury shares on 1 Jan	**0.0**	
Purchase of treasury shares	**–79.4**	
Treasury shares on 31 Dec	**–79.4**	
Contingency fund on 1 Jan	**3.4**	3.4
Contingency fund on 31 Dec	**3.4**	3.4
Retained earnings on 1 Jan	**578.5**	455.7
Distribution of dividend	**–116.2**	–123.2
Retained earnings on 31 Dec	**462.3**	332.5
Profit for the period	**111.6**	246.1
Total shareholders' equity	**1,111.3**	1,195.4
Statement of distributable funds		
Retained earnings	**462.3**	332.5
Profit for the period	**111.6**	246.1
Distributable funds on 31 Dec, total	**573.9**	578.6

17. Provisions for liabilities and charges

Provision for unemployment pensions	**5.7**	5.4
Other provisions for liabilities and charges [1]	**3.0**	5.5
Provisions for liabilities and charges, total	**8.7**	10.9

[1] Other provisions for liabilities and charges mainly consist of salaries, including related statutory employee costs, for employees not required to work during their severance period.

Provisions of EUR 12.9 million were recognised as income in 2006 (EUR 1.4 million in 2005).

Notes to the financial statements of the parent company

EUR million	2006	2005
18. Non-current liabilities		
Interest-bearing		
Bonds	**291.9**	360.2
Non-interest bearing		
Other liabilities	**7.2**	5.5
	7.2	5.5
Non-current liabilities, total	**299.1**	365.7
Liabilities maturing after five years		
Bonds		250.0

EUR million	2006	2005
19. Current liabilities		
Interest-bearing		
Liabilities to Group companies		
Consolidated account payable	**24.8**	2.3
Other liabilities	**0.5**	4.1
	25.3	6.4
Liabilities to others		
Other liabilities	**69.7**	102.0
Interest-bearing, total	**95.0**	108.4
Non-interest bearing		
Liabilities to Group companies		
Trade payables	**7.1**	7.3
Other liabilities	**0.2**	0.0
Accruals and deferred income	**0.1**	0.2
	7.4	7.5
Liabilities to associates		
Trade payables	**0.0**	0.0
Liabilities to others		
Advances received	**2.6**	2.0
Trade payables	**160.2**	130.8
Other liabilities	**23.4**	34.1
Accruals and deferred income [1]	**88.3**	64.7
	274.5	231.6
Non-interest bearing, total	**282.0**	239.1
Current liabilities, total	**377.0**	347.5

[1] Major accruals and deferred income consist of the following amortisations: holiday pay, performance-based bonuses and related statutory employee costs, EUR 37 million (38), interest expenses, EUR 4 million (10), income taxes, EUR 28 million (0) and other ordinary amortisations, mainly expenses, EUR 19 million (17).

EUR million	2006	2005
20. Collateral, commitments and other liabilities		
Pledges given		
For own liabilities		
Consolidated account payable		1.4
Shares pledged		50.0
Other liabilities		
Bank deposits given	**0.7**	0.6
Pledges, total	**0.7**	50.6
Guarantees given		
for Group companies		4.1
for others	**0.5**	3.1
Guarantees, total	**0.5**	7.2
Total	**1.2**	57.8
Leasing and rental liabilities		
Leasing liabilities on telecom networks [1]		
due within one year	**5.2**	6.4
Leasing liabilities on telecom networks [1]		
due within 1–5 years	**10.0**	13.9
Leasing liabilities on telecom networks [1]		
due later	**2.3**	4.5
	17.5	24.8
Other leasing liabilities [2]		
due within one year	**4.9**	5.4
Other leasing liabilities [2]		
due within 1–5 years	**7.0**	6.6
	11.9	12.0
Repurchase commitments	**5.0**	5.2
Real estate leases [4]		
due within one year	**16.5**	16.9
Real estate leases [4]		
due within 1–5 years	**42.1**	47.0
Real estate leases [4]		
due later	**96.6**	119.3
	155.2	183.2
Leasing and rental liabilities, total	**189.6**	225.2

[1] Leasing liabilities for telecom networks consist of certain identified GSM network devices and access right charges for backbone connections. The comparison data for 2005 has been adjusted to correspond to the year 2006.

[2] Other leasing liabilities consist mainly of leases of cars, office and IT equipment.

[3] Repurchase liabilities mainly relate to telecom network equipment purchased with leasing financing and to terminal devices purchased with leasing financing by customers, such as corporate PBXs.

[4] Real estate leases comprise rental agreements relating to business, office and telecom premises. Real estate leases are presented at nominal prices.

Other commitments

Yomi Plc's previously owned main office in Jyväskylä was transferred to Elisa Corporation upon the merger. Based on a long-term rental agreement, the company is liable for the capital rent, totalling EUR 13.8 million, related to its office facilities. The capital rent is included in the rental liabilities. The company is also liable for all use and maintenance-related expenses concerning the facilities, as well as for its due share of the corresponding expenses of the building's other rented facilities. Furthermore, unless the company itself should exercise the right to purchase the facilities, the option agreement related to the rental agreement provides that, on request, the company is obliged to assign a third party to purchase the facilities no later than at the end of the lease period. The purchase price is 60 per cent of the facilities' original total cost.

Liabilities related to the lease/leaseback agreement (QTE facility)

EUR million	**2006**	2005
Total value of the arrangement	**154.1**	171.5
Risk of interruption, due later (more than 5 years)	**18.6**	23.5

Liabilities related to the lease/leaseback agreement (QTE arrangement)/Lease contracts

In September 1999 Elisa Corporation signed a leaseback agreement (a so-called QTE facility) with US-based capital investors. The arrangement concerns telecom network equipment to which Elisa Corporation retains the title in accordance with the agreement. The overall leasing assets and liabilities arising from the arrangement were paid at the time the facility was arranged, and the companies received net compensation of approximately EUR 13 million. The overall value of the arrangement was approximately USD 203 million. The Group capitalised EUR 1.3 million of the compensation as other financial income in 2006. The compensation will be capitalised in full within ten years of the agreement having been signed.

The arrangement is not expected to generate cash flows to Elisa other than the aforementioned net compensation. The company's liability in this arrangement is restricted to a situation in which the financial institution responsible for relaying the company's leases or the guarantor fails to carry out its commitments.

Environmental costs

Environmental costs did not have any material impact on the formation of the result and balance sheet position of the financial period.

Shares and shareholders

1. Share capital and shares

The company's paid 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 capital is EUR 25,000,000 and the maximum capital is EUR 500,000,000. The nominal value of the share is EUR 0.50.

At the end of the financial year the number of Elisa Corporation shares was 166,066,016, all within one share series.

2. Treasury shares

The Annual General Meeting held on 27 March 2006 authorised the Board of Directors to acquire and assign treasury shares. The authorisation applies to a maximum of 16,000,000 treasury shares. On the basis of the authorisation, Elisa Corporation acquired 4,000,000 treasury shares through stock exchange trading between 27 October and 4 December 2006.

Among Elisa Corporation's subsidiaries, Lounet Oy holds 125,000 Elisa shares.

The Elisa Corporation shares held by Elisa and its subsidiaries do not have any substantial impact on the distribution of holdings and votes in the company. They represent 2.48% of all shares and votes.

3. Authorisations of the Board of Directors

The Annual General Meeting on 27 March 2006 authorised the Board of Directors within one year from the Annual General Meeting to decide on increasing the company's share capital through one or more new issues, and one or more convertible bonds and/or warrants so that in a new issue or when issuing convertible bonds or warrants a maximum aggregate of 33.2 million of the company's shares can be issued for subscription, and the company's share capital can be increased by a maximum of EUR 16,600,000 in total.

Furthermore, the Annual General Meeting approved the Board of Directors' proposal that the authorisation allows the Board of Directors to decide on the parties allowed to subscribe for shares and deviate from the preemption rights of existing shareholders to subscribe for new shares, and convertible bonds and/or warrants, and to decide the determination principles, issue prices, the terms and conditions of subscribing for new shares and the terms of the convertible bond and/or warrants. The pre-emption rights of existing shareholders may be waived if there is an important financial reason for doing so, such as financing, implementing or enabling corporate acquisitions, strengthening or developing the company's financial or capital structure, or carrying out other arrangements related to developing the company's operations. The Board of Directors has the right to decide whether the shares issued in a rights issue, convertible bond or option can be subscribed for in kind or otherwise, subject to certain conditions or by using the right of set-off.

4. Management interests

The aggregate number of shares held by Elisa Corporation's Board of Directors and the CEO on 31 December 2006 was 37,874 shares and votes, which represented 0.02% of all shares and votes.

5. Share performance

The Elisa Corporation share closed at EUR 20.75 on 29 December 2006. The highest quotation of the year was EUR 20.76 and the lowest EUR 14.00. The average price was EUR 17.06.

At the end of the financial year the market capitalisation of Elisa Corporation's outstanding shares was EUR 3,360 million.

6. Quotation and trading

The Elisa Corporation share is quoted on the Main List of the Helsinki Stock Exchange with the ticker ELI1V. The aggregate volume of trading on the Stock Exchange between 1 January and 31 December 2006 was 247,303,007 shares for an aggregate price of EUR 4,218 million. The trading volume represented 150% of the average outstanding number of shares during the financial year.

7. Distribution of holding by shareholder groups on 31 December 2006

	Number of shares	Proportion of all shares %
1. Companies	26,492,044	15.95
2. Financial and insurance institutions	4,133,302	2.49
3. Public corporations	10,223,201	6.16
4. Non-profit organisations	2,133,481	1.28
5. Households	40,977,056	24.68
6. Foreign	230,936	0.14
7. Special accounts	345,679	0.21
Nominee registered	77,405,317	46.61
Elisa Group	4,125,000	2.48
Total	166,066,016	100.00

8. Distribution of holding by amount on 31 December 2006

Size of holding	Number of shareholders %	%	Number of shares	%
1–100	25,989	10.95	1,273,614	0.77
101–500	203,876	85.93	36,438,455	21.94
501–1,000	4,931	2.08	3,307,664	1.99
1,001–5,000	2,086	0.88	3,897,260	2.35
5,001–10,000	169	0.07	1,187,800	0.72
10,001–50,000	144	0.06	3,144,029	1.89
50,001–100,000	25	0.01	1,905,764	1.15
100,001–500,000	27	0.01	5,312,886	3.20
500,001–	12	0.01	105,127,865	63.30
Grand total	237,259	100.00	161,595,337	97.31

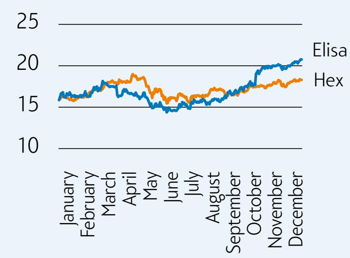
Total on waiting list	0	0.00%
In special accounts	345,679	0.21%
Elisa Group	4,125,000	2.48%
Issued amount	166,066,016	100.00%

9. Largest shareholders on 31 December 2006

	Name	Number of shares	%
1	Novator Finland Oy	17,105,583	10.30
2	Ilmarinen Mutual Pension Insurance Company	2,402,359	1.45
3	Varma Mutual Pension Insurance Company	2,299,163	1.38
4	Ajanta Oy	2,074,176	1.25
5	City of Helsinki	1,124,690	0.68
6	Government of Finland/ Ministry of Finance	1,085,642	0.65
7	State Pension Fund	700,000	0.42
8	Keskinäinen Vakuutusyhtiö Eläke-Fennia	584,358	0.35
9	OP-Delta Mutual Fund	559,703	0.34
10	Evli Bank Plc	407,761	0.25
11	Etera Mutual Pension Insurance Company	402,584	0.24
12	OMX Helsinki 25 Special Mutual Fund	350,232	0.21
13	Gyllenberg Finlandia Mutual Fund	350,000	0.21
14	Nordea Fennia Mutual Fund	313,249	0.19
15	Säästöpankki Kotimaa Mutual Fund	280,000	0.17
16	City of Vantaa	258,588	0.16
17	PSS-Trade Oy	213,758	0.13
18	Nordea Pro Suomi Mutual Fund	199,427	0.12
19	Evli-Select Mutual Fund	191,050	0.12
20	OP-Focus Special Mutual Fund	170,000	0.10
	Total	31,072,323	18.72
	Elisa Group total	4,125,000	2.48
	Nominee registered	77,405,317	46.61
	Shareholders not specified here	53,463,376	32.19
	Total	166,066,016	100.00

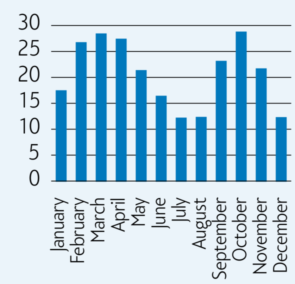
10. Daily price development

Closing price in EUR



11. Trading volume

Million shares per month



Proposal by the Board of Directors for the disposal of the distributable funds

According to the consolidated balance sheet of 31 December 2006, the parent company's shareholders' equity is EUR 1,111,298,479.76, of which distributable funds account for EUR 573,862,767.14.

The parent company's profit for the period 1 January to 31 December 2006 is EUR 111,569,189.14.

The Board of Directors proposes to the General Meeting of Shareholders that the distributable funds be used as follows:

– a dividend of EUR 1.50 per share shall be paid for a total of EUR 243,099,024.00
– no dividend shall be paid on shares in the parent company's possession
– EUR 330,763,743.14 shall be retained in shareholders' equity.

Helsinki, 7 February 2007

Pekka Ketonen
Chairman of the Board of Directors

Mika Ihamuotila

Lasse Kurkilahti

Matti Manner

Ossi Virolainen

Veli-Matti Mattila
President and CEO

Auditors´ report

To the shareholders of Elisa Oyj

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Elisa Oyj for the period January 1 – December 31, 2006. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of the distributable funds is in compliance with the Companies Act.

Helsinki, February 7, 2007
KPMG OY AB

Pekka Pajamo
Authorized Public Accountant

Corporate governance and structure. Elisa's core business organisation in Finland comprises four units: Consumers and Small Enterprise Customers, Business Customer, Production and Support Services.

Elisa reports its financial result according to its mobile and fixed network business areas. Elisa complies with the Corporate Governance Recommendation issued by the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industries EK.

Annual General Meeting

The Annual General Meeting is Elisa's highest decision-making body, which approves, among other things, the consolidated 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.

The 2007 Annual General Meeting of Elisa will be held at 2.00 pm on Monday, 19 March 2007, at the Finlandia Hall, Mannerheimintie 13 e, Helsinki, Finland.

Board of Directors

Composition and term of office

In accordance with 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 following members of the Board were appointed at the Annual General Meeting on 27 March 2006: Mr Pekka Ketonen (Chairman), Mr Mika Ihamuotila (Deputy Chairman), Mr Lasse Kurkilahti, Mr Matti Manner and Mr Ossi Virolainen.

Tasks

The Board of Directors is responsible for the administration and proper arrangement of the company's operations. The Board of Directors has confirmed its rules of procedure including meeting practices and Board tasks. The general task of the Board of Directors is to focus the Group's operations in order to generate the greatest possible added value on invested equity, keeping the interests of Elisa's various stakeholders in mind.

In order to achieve its objectives, the Board of Directors:

- confirms Elisa's ethical values and procedures and monitors their implementation;
- monitors the corporate management's disclosure of information to the shareholders and securities market and, if necessary, discusses the formation of shareholder interest and market attitudes;
- defines Elisa's dividend policy and makes a dividend proposal at the Annual General Meeting in accordance with the dividend policy;
- annually confirms Elisa's core strategy and the business targets based thereon for the planning period;
- annually approves the financial and operating plan and the business targets based thereon;
- approves the total sum of annual investments and makes separate decisions on large and strategically significant investments, divestments and acquisitions;
- approves significant entries into new business areas or foreign countries;
- annually studies the technical development of the industry and the general situation regarding demand and competition, and assesses the company's crucial risks on the basis of an analysis prepared by the CEO;
- reviews and approves any interim accounts and interim reports, as well as the annual accounts and the report by the Board of Directors;
- confirms the main characteristics of Elisa's organisational structure;
- appoints and, if necessary, discharges the CEO and his/her immediate subordinates, and decides on their employment terms and incentive schemes;
- if necessary, prepares proposals for the Annual General Meeting regarding bonus schemes for the management and personnel;
- annually assesses its own operations.

Elisa's operational model

Committees

In its organising meeting, the Board of Directors annually decides upon committees, their chairmen and members. In 2006, the acting committees were: the Committee for Remuneration Evaluation and Appointments and the Committee for Auditing. The committees do not make actual resolutions, but prepare issues, which fall under the respective committee's duties, for the decision of the Board of Directors. The minutes of the committees are distributed to all members of the Board of Directors.

The Committee for Remuneration Evaluation and Appointments prepares the following issues: appointing and discharging persons within the management; matters associated with long-term incentive schemes and remuneration for the management. The Chairman of the committee discusses with the largest shareholders the proposal on Board members and their remuneration for the Annual General Meeting.

In 2006, the Chairman of the Board of Directors, Mr Pekka Ketonen, served as the Chairman of the Committee for Remuneration Evaluation, the members being Mr Mika Ihamuotila and Mr Lasse Kurkilahti.

The task of the Committee for Auditing is to ensure that financial reporting, accounting and asset management as well as external and internal auditing have been duly organised. To fulfil its duties, the committee reviews the contents of the annual accounts and interim reports before their actual handling by the Board of Directors. Internal auditing presents an auditing plan and auditing report for the previous year. The external auditors present an auditing plan for the forthcoming year and an auditing report for the previous year. The organising of risk management is also presented, and the Committee reviews a report on major risks.

The principal auditor also attends Committee meetings.

In 2006, Mr Ossi Virolainen acted as the chairman of the Committee for Auditing, with Mr Matti Manner as member.

In 2006, the Committee for Remuneration Evaluation and Appointments convened 6 times and the Committee for Auditing convened 5 times.

Meetings and remuneration

As a rule, the Board of Directors generally convenes monthly, except during the summer. The CEO of Elisa Corporation acts as the reporting official at the meeting.

In 2006, 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 7,000 per month
– monthly remuneration fee for the Deputy Chairman and chairman of the Committee for Auditing EUR 4,900 per month
– monthly remuneration fee for the Members EUR 3,500 per month
– meeting remuneration fee EUR 500/meeting/participant

The monthly remuneration fees (after withholding tax of 60%) are used for purchases of Elisa shares every quarter. The shares are subject to a transfer restriction of four years.

In 2006, a total of 1,641 Elisa shares were issued to the Chairman of the Board, 1,203 shares to Deputy Chairman, 1,277 shares to the Chairman of the Committee for Auditing and 911 shares to Board members.

The shares purchased for the members of Elisa's Board of Directors on 29 December 2006 were entered in the members' book-entry accounts on 2 January 2007. This amount is therefore not included in the number of shares mentioned in the details provided on each member below.

The holdings of Elisa's Board of Directors in Elisa	Number of shares, 31 Dec 2006
Mr Pekka Ketonen, Chairman of the Board of Directors	5,595
Mr Mika Ihamuotila, Deputy Chairman of the Board of Directors	3,401
Mr Lasse Kurkilahti, Board member	1,271
Mr Matti Manner, Board member	771
Mr Ossi Virolainen, Board member	7,464

In 2006, the Board of Directors convened 15 times. The average participation percentage in the Board meetings was 95 per cent.

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 the Finnish Companies Act. The CEO is appointed by the Board of Directors. Mr Veli-Matti Mattila served as CEO in 2006.

Remuneration of the Chief Executive Officer

During the financial period, Mr Veli-Matti Mattila was paid a total salary of EUR 878,370.93. In addition to a regular monthly salary and a performance-based bonus, this sum also includes taxable benefits for the use of a telephone and a company-owned car. Moreover, within the framework of the 2003 bonus and incentive scheme for management, a fee of EUR 185,268.43 was paid to the CEO.

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 equalling the total salary of 24 months minus his salary of the period of notice.

Elisa's CEO is entitled to retire at the age of 60 on a supplementary pension.

Elisa's Executive Board

Elisa's Executive Board prepares the company strategy, 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.

The holdings of Elisa's Executive Board in Elisa	Number of shares, 31 Dec 2006
Mr Veli-Matti Mattila, Chief Executive Officer	19,372
Mr Matti Vikkula, Executive Vice President, Consumer and Small Enterprise Customers	17,964
Mr Jukka Valtanen, Executive Vice President, Consumer and Small Enterprise Customers, Elisa	–
Mr Panu Lehti, Executive Vice President, Consumer and Small Enterprise Customers, Saunalahti	300
Mr Asko Känsälä, Executive Vice President, Business Customers	1,562
Mr Pasi Mäenpää, Executive Vice President, Sales, Business Customers	–
Mr Tapio Karjalainen, Executive Vice President, Production	1,570
Mr Matias Castrén, Executive Vice President, Services, Development and IT, Production	–
Mr Jukka Peltola, Executive Vice President, Development	–
Mr Jari Kinnunen, CFO	86
Mr Hannu Laakso, Executive Vice President, Marketing	–
Mr Sami Ylikortes, Executive Vice President, Administration	1,557

Risk management

Risk management is part of Elisa's internal auditing system. It aims at ensuring that risks affecting the company's business are identified, influenced and monitored. The company classifies risks into strategic, operative, insurable and financial risks.

The Board of Director's Committee for Auditing ensures that risk management has been duly organised. The company's strategy process includes risk monitoring as well as assessing the scale, potential and feasibility of accepting the identified risks. Strategic goals are achieved by steering operative activities through both a company and unit-specific basis and by setting personal objectives.

Operational policies, instructions and risk monitoring ensure that measures conform to the goals. Risks to be insured by Elisa are managed via an external insurance broker.

Internal supervision

Internal supervision is an integral part of corporate administration and management. Responsibility for organising internal supervision is vested in the Board of Directors and the Chief Executive Officer. The chain of responsibilities covers the entire organisation. This means that each Elisa employee always reports to his/her supervisor for supervision concerning the employee's own area of responsibilities. Internal auditing also provides support in internal supervision issues.

Internal auditing

The purpose of internal auditing is to assist the organisation in achieving its goals by evaluating and investigating its functions and by monitoring compliance with corporate regulations. For this purpose, it produces analyses, assessments, recommendations and information for use by the company's senior management. Internal auditing is independent of the rest of the organisation. The starting point for internal auditing is business management and work is conducted in close cooperation with financial auditing. An annual auditing plan and auditing report are presented to the Board of Director's Committee for Auditing. Internal auditing carries out separate audits on specific issues at the request of the Board of Directors.

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 main targets are to ensure that internal auditing and risk management has been duly organised and the organisation operates in compliance with instructions and within the framework of issued authorizations. The mutual division of labour between external and internal auditing is organised so that internal auditing will ensure that the organisation operates in accordance with the company's internal guidelines.

The company employed one external authorised auditing company in 2006. The auditing company must be duly authorised 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, authorised public accountants, with Mr Pekka Pajamo (APA) serving as principal auditor.

For the 2006 financial period, the auditing fees of the Finnish group companies totalled EUR 184,000 of which the share of the parent company accounted for EUR 115,000. The auditing fees for the foreign group companies were EUR 20,000.

The auditing firm has been paid fees of EUR 415,000 for services not associated with auditing. These remunerations are related to regulation accounting, tax counselling and corporate arrangements.

Corporate insiders

Elisa has adopted the Insider Guidelines prepared by the Helsinki Stock Exchange, which entered into force on 1 January 2006.

Elisa's permanent insiders and insider register

In accordance with the Securities Markets Act, Elisa's public insiders include the members of Elisa's Board of Directors and Chief Executive Officer, and the principal auditor for the company within the auditing firm. 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 in which they exercise an influence. Information about the holdings of public insiders is available on the Internet and can be accessed from Elisa's Web site at www.elisa.com.

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

Insider administration

Elisa's Legal Affairs monitors compliance with the insider regulations and maintains the company's insider registers together with the Finnish Central Securities Depository Ltd. 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 recommended that insiders 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.

Members of the Board of Directors in 2006.

1 Pekka Ketonen (1948),

D.Tech. (h.c.), Chairman of the Board of Directors, member since 2001.

– Main employment history: President and CEO, Vaisala Corporation from 1992 to 2006

– Main Board memberships and public duties currently undertaken: Chairman of the Board of Directors of VTT Technical Research Centre of Finland and member of the Board of Directors of the Technology Industries in Finland.

2 Mr Mika Ihamuotila (1964),

D.Sc. (Econ.), Deputy Chairman of the Board of Directors, Member of Sampo plc's Group Executive Committee, member since 2003.

– Main employment history: President and CEO, Sampo Bank plc, from 2005–31 Jan 2007, CEO and Executive Vice President of Mandatum Bank from 1994 to 2000.

– Main Board memberships and public duties currently undertaken: Deputy Chairman of the Board of Directors of The Finnish Bankers' Association, member of the Board of Directors of HYY Group Ltd and the Confederation of Finnish Industries EK.

3 Mr Lasse Kurkilahti (1948),

B.Sc.(Econ.), President and CEO of Kemira Oyj, member since December 2005.

– Main employment history: CEO of Elcoteq Network Corporation from 2001 to 2004, CEO of Raisio Group Plc from 2000 to 2001 and CEO of Nokian Tyres Plc from 1988 to 2000.

– Main Board memberships and public duties currently undertaken: Chairman of the Board of Chemical Industry Federation of Finland until 31 December 2006 and member of the Board as of 1 January 2007. Kurkilahti was also a member of the Board of Directors of Lassila & Tikanoja Plc and the Confederation of Finnish Industries EK.

4 Mr Matti Manner (1953),

LL.M, attorney-at-law, member since December 2005.

– Main employment history: Partner in Brander & Manner Attorneys at Law Ltd. since 1980. Manner has served as a judge and referendary in the Turku District Court and Turku Court of Appeal, as an assistant in the University of Turku's Faculty of Law, as a bailiff and as a registrar.

– Main Board memberships and public duties currently undertaken: Chairman of the Board of Directors of Ruissalo Säätiö, member of the Board of Directors of Turun Osuuskauppa, Länsi-Suomi Yhtymä Oy and YH Länsi-Suomi Oy. Member of the Board of Directors of the Finnish Bar Association since 1996, Vice President from 1998 to 2001 and President from 2001 to 2004.

5 Mr Ossi Virolainen (1944),

M.Sc. (Econ), LL.M, member since 1997.

– Main employment history: CEO of Avesta-Polarit Oyj from 2001 to 2003. Employed by Outokumpu Oyj from 1967 to 2001; Deputy Chief Executive from 1992 to 2001 and member of the Management Group from 1983 to 2001.

– Main Board memberships and public duties currently undertaken: Chairman of the Board of Directors of Kemira GrowHow Oyj and member of the Board of Directors of Oy Langh Ship Ab.

Each member of Elisa's Board of Directors in 2006 is independent of the company's major shareholders.

Elisa's Executive Board 2006.

1 Mr Veli-Matti Mattila (1961),

M.Sc. (Tech.), MBA, President and CEO, joined the company in 2003.

– Main employment history: CEO of Oy L M Ericsson Ab from 1997 to 2003. Has held various positions in the Ericsson Group in Finland and the USA since 1986. Mr Mattila's previous career also includes expert advisory tasks in SwissAscom Hasler AG.

– Main Board memberships and public duties currently undertaken: Member of the Board of Directors of the Federation of Finnish Industries EK, chairman
of the Board of Directors of the Confederation of Telecommunications and Information Technology (FiCom ry) as of 1 January 2007, deputy chairman of the Board of Employers' Association TIKLI, and member of the Board of Directors of the Central Chamber of Commerce.

2 Mr Matti Vikkula (1960),

M.Sc. (Econ. & Bus. Adm.), Executive Vice President, Consumer and Small Enterprise Customers, joined the company in 2005.

– Main employment history: CEO of Saunalahti Group Oyj since 2001. Mr Vikkula has also worked in management consulting duties at PwC Consulting as a partner.

– Main Board memberships and public duties currently undertaken: Chairman of the Board of Directors of Kristina Cruises Oy and Ruukki Group Oyj, member of the Board of Directors of Satama Interactive Plc.

3 Mr Jukka Valtanen (1961),

M.Sc. (Econ. & Bus.Adm.), Executive Vice President, Consumer and Small Enterprise Customers, Elisa; joined the company in 2005.

– Main employment history: Managing Director of Varesvuo Partners Oy from 2001 to 2005, Managing Director of Crea Video Oy from 1998 to 2000, Division Director and Sales Director for L'Oreal Finland Oy from 1991 to 1997, Product Manager and Group Accounting Manager at Vaasan Mylly, Cultor Group from 1987 to 1990.

4 Mr Panu Lehti (1970),

technology and M.A. student, Executive Vice President, Consumer and Small Enterprise Customers, Saunalahti, joined the company in 2005.

– Main employment history: Joined Saunalahti Group Oyj in 2000 as Chief Technology Officer, since July 2002 Chief Operating Officer of the Internet and Teleoperator Unit. Previously, Managing Director of NIC Data Networks Ltd and Sales Manager for Nortel Networks Oy.

5 Mr Asko Känsälä (1957),

M.Sc. (Tech.), Executive Vice President, Business Customers, joined the company in 2003.

– Main employment history: Sales Director for the Nordic and Baltic sales unit of the Ericsson Group, member of the management group from 2001 to 2003, Sales Director of Oy LM Ericsson Ab from 1996 to 2001, Tekes, the Finnish Funding Agency for Technology and Innovation, Head of Japan's industrial secretariat from 1993 to 1996, Sales Manager at Hewlett Packard Oy from 1987 to 1993.

6 Mr Pasi Mäenpää (1965),

Vocational Qualification in Business Information Technology, MBA; Executive Vice President, Sales, Business Customers; joined the company in 2006.

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

– Main Board memberships and public duties currently undertaken: Member of the Board of Directors of Affecto-Genimap Plc.

7 Mr Tapio Karjalainen (1959),

M.Sc. (Tech), Executive Vice President, Production, employed by the company from 1985 to 1992 and since 2003.

– Main employment history: Several managerial tasks in Nokia Networks and its predecessors from 1992 to 2001, Member of the management group of Nokia Networks and its predecessor Nokia Telecommunications from 1998 to 2001. Various positions in Helsinki Telephone Corporation (HPY) from 1985 to 1992, including Sales Director and Departmental Director.

8 Mr Matias Castrén (1963),

M.Sc. (Tech.), eMBA, Executive Vice President, Services, Development and IT, Production, joined the company in 1995.

– Main employment history: Vice President, Customer Support Services, 2005, Vice President, Customer Care and Billing, from 2004 to 2005, Vice President, Mobile Portal Solutions, from 2000 to 2003, IT Director and Vice President of Oy Radiolinja Ab from 1995 to 2000, Digital Equipment Corporation, expert assignments from 1989 to 1995.

9 Mr Jukka Peltola (1970),

M.A. student, Executive Vice President, Development, joined the company in 2005.

– Main employment history: Managing Director and Member of the Board of Directors of PSS-Trade Oy, Director of Internet and Teleoperator business of Saunalahti Group Oyj since 2002.

– Main Board memberships and public duties currently undertaken: Member of the Board of Directors of Finnish Commuter Airlines Oy, Seicapital Oy and SmartIT Finland Oy.

10 Mr Jari Kinnunen (1962),

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

– Main employment history: CEO and President of Yomi Plc in 2004, CFO of Elisa Kommunikation GmbH in Germany from 1999 to 2004, Managing Director of Polar International Ltd from 1996 to 1999 and Controller from 1990 to 1996, Controller in Oy Alftan Ab from 1989 to 1990.

11 Mr Hannu Laakso (1963),

M.Sc. (Econ & Bus. Adm.), Executive Vice President, Marketing, joined the company in 2004.

– Main employment history: Previously Marketing Director for MTV Corporation from 2000 to 2004, Marketing Manager at the McDonald's chain from 1997 to 2000 and Product Manager at Olvi from 1994 to 1997. Mr Laakso's earlier career includes sales positions in Nokia Data and ICL from 1989 to 1994.

12 Mr Sami Ylikortes (1967),

M.Sc (Econ. & Bus. Adm.), LL.M, Executive Vice President, Administration, joined the company in 1996.

– Main employment history: Executive Vice President, Administration, since 2000. Secretary to the Board of Directors since 1998. Positions in accounting management in Unilever Finland Oy from 1991 to 1996.

On 2 March 2006, the Board of Directors passed a resolution on the adoption of an incentive share option plan. Under the plan, key individuals designated by the Board of Directors are eligible to receive shares in the Elisa Corporation as a reward for their performance over an earnings period of two calendar years. In 2006, the plan included a total of 46 people.

The earnings periods are from 2 March 2006 to 31 March 2008 for Plan A and from 1 October 2007 to 31 March 2010 for Plan B. The amount of the award to be paid out of the share option plan is tied to the total return on the share over the earnings period.

The aim of the system is to provide an incentive for key individuals to make a lasting commitment to developing the company's profitability and increasing its market capitalisation by offering a reward for achieving the agreed goals while at the same time increasing the percentage of shares held by management.

Elisa's Stock exchange announcements and releases in 2006.

January

2 Jan	Merger of Elisa Matkapuhelinpalvelut Oy recorded in trade register
16 Jan	Elisa's redemption offer for Saunalahti – preliminary result
18 Jan	Elisa's redemption offer for Saunalahti – final result
20 Jan	Pasi Mäenpää appointed Elisa´s Executive Vice President Sales, Business Customers
23 Jan	Saunalahti Group Oyj's preliminary information for year 2005

February

9 Feb	Financial statements 2005

March

3 Mar	An incentive plan for key Elisa personnel
3 Mar	Invitation to Elisa's Annual General Meeting
20 Mar	Elisa's annual report for 2005 published
21 Mar	Proposal for the members of Elisa's Board of Directors and their emoluments at the Annual General Meeting
27 Mar	Decisions of the Annual General Meeting of Elisa corporation
27 Mar	Pekka Ketonen is the Chairman of the Board of Directors of Elisa Corporation
28 Mar	Elisa's holding in Saunalahti reaches 100 per cent

April

4 Apr	Court of appeal resolution on action for annulment regarding former Radiolinja's AGM decision
5 Apr	Saunalahti sells part of broadband network in line with terms set by the Finnish Competition Authority
25 Apr	Elisa's interim report for January–March 2006

May

9 May	Redemption price for Tikka Communications Oy's minority shares eur 1,940 per share
9 May	Prosecutor's stand concerning Jippii's disclosure of information in 2001
16 May	Redemption price for Saunalahti Group Oyj's minority shares eur 2.56 per share
31 May	Saunalahti's mobile interconnection fee changes

June

9 Jun	Elisa makes a tender offer to the shareholders of Lounet Oy
13 Jun	Elisa outsources financial administration processes to Pretax
20 Jun	Elisa's tender offer to the shareholders of Lounet Oy

July

25 Jul	Elisa's interim report for April–June 2006
31 Jul	Sale of shares held in Elisa's joint book-entry account

September

1 Sept	Elisa's outsourcing agreements with Relacom and Pretax take effect on 1 September 2006

October

20 Oct	Elisa starts share repurchases
20 Oct	Elisa's interim report for July–September 2006
24 Oct	Elisa corporation's AGM and earnings releases in 2007
26 Oct	Standard & Poor's changed Elisa's rating outlook stable

November

10 Nov	Resolution of supreme court on action for annulment regarding former Radiolinja's AGM decision

December

5 Dec	Share repurchases completed

Shareholder information.

Annual General Meeting

Elisa's 2007 Annual General Meeting will be held at the Finlandia Hall, Mannerheimintie 13 e, Helsinki, at 2.00 pm on Monday, 19 March 2007.

Shareholders must announce their intention to attend the meeting by 8.00 pm (Finnish time) on Sunday 11 March 2007. This should be done either by writing to Elisa, Contact Center Services/Sö A 6201, P.O. Box 30, FI-00061 ELISA, Finland; by telephone: +358 8000 6242 any day of the week from 8.00 am to 9.00 pm; by fax: +358 10 262 2727; or by e-mail: yhtiokokous@yhteyspalvelut.elisa.fi.

Shareholders registered in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd by Friday 9 March 2007, are eligible to attend the Annual General Meeting. Shareholders are entitled to make proposals at the Annual General Meeting and to address the meeting. Shareholders will exercise their voting rights according to their number of shares. Each share carries one vote, and final decisions at the Annual General meeting are made by voting.

Distribution of profit

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

The Board of Directors will propose that a dividend of EUR 0.50 per share plus an extra dividend of EUR 1.00 per share, which totals EUR 1.50 per share, be distributed for 2006. The dividend approved by the Annual General Meeting will be paid to shareholders listed in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd on the record date. The record date for the dividend payment is 22 March 2007. The dividends will be paid out starting on 29 March 2007.

Financial information

Elisa will publish interim reports on 24 April 2007, 31 July 2007 and 26 October 2007. The annual reports and interim reports will be published in Finnish and English, and they may be ordered by phone on +358 50 305 1605.

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

The contact person for Elisa's Investor Relations

Vesa Sahivirta
Director, IR and Financial Communication
Tel. +358 10 262 3036, +358 50 520 5555
Fax +358 10 262 5723
e-mail vesa.sahivirta@elisa.fi

125 years.
A good start.

Elisa
Registered domicile Helsinki
Business ID 0116510-6
Kutomotie 18, Helsinki
PO Box 1, 00061 ELISA, Finland
Telephone +358 102 6000
www.elisa.com