Annual Report 2009








Elisa delivers user experiences and enhances organisational productivity online.

Content

Shareholder information

Annual General Meeting

Elisa's Annual General Meeting 2010 will be held at the Helsinki Fair Centre, Congress entrance, Messuaukio 1, Helsinki, at 2:00 pm on Thursday, 18 March 2010.

Shareholders registered in the company's shareholder register maintained by Euroclear Finland Ltd by Monday, 8 March 2010, are eligible to attend the Annual General Meeting.

Shareholders must register with the company on 10 March 2010 by 6:00 pm by net: www.elisa.com/annualgeneralmeeting; by regular mail to Elisa Corporation, Contact Center Services/Sö A 6223, P.O. Box 30, FI-00061 ELISA, Finland; by telephone: +358 8000 6242 from Monday to Friday at 8:00 am–6:00 pm; by telefax: +358 10 262 2727; or by e-mail: elisa.yhtiokokous@yhteyspalvelut.elisa.fi.

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

Profit distribution policy

In accordance with Elisa's profit distribution policy, profit distribution is 40–60 per cent of the profit for the financial period. Distribution of additional profit to shareholders is also an option. When preparing a proposal or making a decision regarding profit distribution, the Board of Directors will consider the company's financial position, future financing needs and the financial targets set for the company. Distribution of profit includes dividend payment, capital repayment and purchase of treasury shares.

The Board of Directors proposes to the Annual General Meeting a capital repayment of EUR 0.92 per share based on the adapted financial statements 2009. Shareholders listed in the company's register of shareholders maintained by Euroclear Finland Ltd on 23 March 2010 are entitled to funds distributed according to the decisions made at the AGM. The Board of Directors proposes that the payment date be 31 March 2010. The profit for the period shall be added to retained earnings.

Financial information

In addition to an annual report in electronic format Elisa will publish interim reports on 23 April 2010, 16 July 2010 and 22 October 2010 in Finnish and in English.

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

The contact person for Elisa's Investor Relations:

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Elisa in brief

The weakening of the general economic conditions in 2009 affected the telecom operator business to some extent. The competitive situation in Finland was stable.

Elisa is the leading Nordic communications services provider and it is listed on NASDAQ OMX Helsinki's Large Cap list. Elisa has operations in the Nordic countries, the Baltics and Russia. We offer a wide range of subscriptions with a multitude of services to about 2 million consumer customers regionally, and about 150,000 corporate customers globally. Our global alliance partners are Vodafone and Telenor.

Elisa's business operations comprise consumer customer business, corporate customer business and Estonian business.

Elisa is the market leader in fixed and mobile broadband as well as new-generation 3G mobile communications services in Finland. Our services are provided under the Elisa and Saunalahti brands.

Elisa in 2009

The weakening of the general economic conditions in 2009 affected the telecom operator business to some extent. The impact has been felt mainly in equipment sales, roaming revenues and in corporate customer business. Although the global economy is already showing signs of improvement, the short-term trend remains uncertain.

The competitive situation in Finland was stable. The number of mobile subscriptions and the use of data services saw favourable development in Finland. Data services enabled by faster 3G network increased proportionally. Other factors contributing to the growth included the use of multiple terminal devices for different purposes and mobile broadband services. Churn in mobile subscriptions has been at a normal level, and competition mainly reflected on services and campaigning.

Elisa's profit distribution in 2009 included dividend payment and capital repayment. Elisa paid a dividend of EUR 0.60 per share. Shareholders also received a capital repayment of EUR 0.40 per share in November.

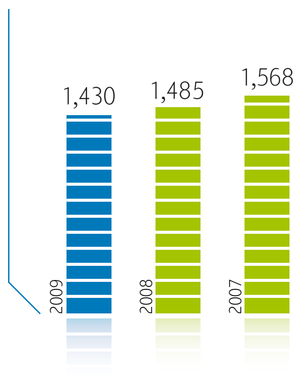
No material changes took place in Elisa's shareholder base during the year. In June, the Finnish Government transferred all Elisa Corporation shares in its possession to the fully state-owned company Solidium Oy. In December BlackRock Inc announced that its proportion of Elisa shares was 6.6 per cent.

The auction for the LTE 2.6 GHz spectrum ended on 23 November 2009. LTE is the evolution for the third generation (3G) mobile network. Elisa won the targeted spectrums. The license is valid until 2029.

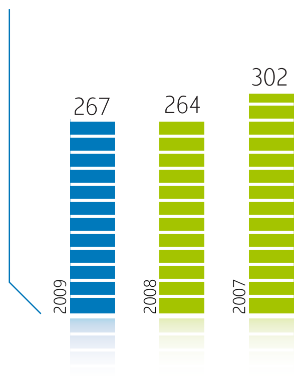
Key figures

EUR million	2009	2008	2007
Revenue	1,430	1,485	1,568
EBITDA	484	472	499
EBIT	267	264	302
Profit before tax	235	228	285
Net result	177	177	220
Earnings per share, EUR	1.13	1.12	1.38
Research and product development	10	11	8
Investments in shares	6	15	12
Capital expenditures	171	184	206
Equity ratio, %	46	43	48
Gearing, %	80	93	71
Employees on 31 Dec.	3,331	3,017	3,015

Revenue
EUR million



EBIT
EUR million



Report of the CEO

Veli-Matti Mattila, CEO:

Market situation and demand for services

Elisa performed well in 2009 as the steep decline of the Finnish economy only had a minor impact on communications services. The recession primarily affected our corporate customer business, hardware sales and roaming revenues. Meanwhile, in Estonia, the recession had a much stronger impact on our business. Elisa's competitive environment in 2009 was tight but stable. Despite the challenging conditions, we were able to strengthen our market position in our key markets.

The number of mobile subscriptions and the use of data services saw favorable development in Finland. Other factors contributing to the growth included mobile broadband services and the use of multiple terminal devices for different purposes. In 2009, Elisa passed the three million mobile subscription milestone, with the use of services available through 3G subscriptions showing powerful growth. In the traditional fixed network business the number and use of traditional subscriptions decreased from the previous year. The fixed broadband market has matured while at the same time the strong growth in mobile broadband subscriptions has continued.

We followed our strategy and offered our customers more than just the traditional online services; the use of new services showed sustained growth. Some of our increasingly popular services included the new TV service offered to our consumer and corporate customers, the Elisa Viihde service, and the internet-based home security service Elisa Vahti. At the same time, corporate customers showed growing interest in productivity-enhancing solutions. These included various ICT solutions such as customer service outsourcing, field work management and virtual conferencing.

The use of the Internet for a range of different services continued to grow, both in Finland and worldwide. According to estimates, more than 200 billion e-mails and text messages are sent per day. Social media have seen their popularity skyrocket; Facebook alone already has more than 350 million active users. According to Statistics Finland, 87 per cent of Finnish Internet users conduct banking online, 77 per cent read online newspapers or magazines, 47 per cent access Internet radio or television, and 37 per cent have made purchases online. As many as 86 per cent look for information on products and services on the Internet before making a purchase decision. The development of Internet-based services provides excellent business opportunities for Elisa.

Strategy-compliant business development

We followed our strategy and pursued long-term efforts to enhance productivity and service quality, which improved Elisa's competitiveness despite the recession. Development efforts included centralizing information systems and shortening delivery and repair times. We were able to shorten the average repair time for broadband failures by 50 per cent. We were also able to significantly shorten customer service queuing times. In addition, our popular online channels Oma Elisa and Oma Saunalahti were further improved.

We continued investments to develop an extensive high-speed 3G network. In 2009, we multiplied the capacity of our 3G network and doubled its geographic coverage to almost 300 locations, and the network now delivers a maximum mobile broadband speed of 10 Mbps in all locations. The Market Court confirmed that Elisa's 3G network is the most extensive in Finland. The 3G network provides a solid foundation on which to build our service offering.

Elisa will continue to invest in network-building in the future. The auction for the LTE 2.6 GHz spectrum ended on 23 November 2009. LTE is the evolution of the third generation (3G) mobile network. In the auction, Elisa won the desired spectrum range. Our strong involvement in the government's broadband project provides us with a good opportunity to utilize the fixed network for our customers' benefit.

We pursued our successful training and coaching programs to support personnel competence development. Different virtual solutions allowed simultaneous coaching of Elisa personnel working in different locations. We invested in leadership that inspires people and delivers results, and these efforts produced results: there was a marked improvement in job satisfaction.

Elisa maintained a healthy profitability in 2009. Steady and solid financial performance, healthy equity ratio and strong cash flow secured our ability to pay dividends.

Our strategy to build an integrated Elisa, improve profitability and provide new services has produced results. We will continue to pursue these efforts with determination. We will also continue to seek innovations to introduce new services to the markets. As stated in our strategy, we want to offer customers a wider range of relevant services. Elisa is now more than just a network.

Outlook for 2010

It is estimated that the recession has now passed its low point, and there are signs of positive development in the Finnish economy. Nonetheless, it is likely that unemployment figures will rise and the growth of GDP is expected to be small. This general economic situation creates a fair amount of uncertainty, and competition in Finland's telecommunications market will continue to be challenging. The circumstances in the business environment may have a slight impact on Elisa's business. However, Elisa will continue to stimulate demand for its services and continue to drive productivity improvements of its operations.

Productivity improvement measures in line with our strategy, an expanding service range and our investment ability based on strong cash flow create a good base for the future. I believe that our business will show positive development in 2010, too.

I would like to thank our customers for the trust they have shown and our shareholders' for their confidence in Elisa's success. I would also like to thank each Elisa employee for their commitment and contribution to the company's success in 2009.

Veli-Matti Mattila
CEO

Consumer Customers

We want to offer subscriptions with world-class performance as well as superior user experience online.




The demand for the Elisa Viihde launched in spring 2009 was a positive surprise.

Elisa's subscription business is conducted under the Saunalahti brand while user experience services are delivered under the Elisa brand.

Elisa's Consumer Customers unit offers services to private consumers and households nationwide. We provide our customers with the most lucrative subscriptions on the market, as well as new services delivering unrivalled user experiences with new ideas and meanings.

For the Consumer Customers unit, 2009 was successful. We were able to improve our cost-efficiency, boost our sales, and bring our business back on a growth track. Despite the economic recession, we were able to secure our position as the market leader in communications services to consumers, as stated in our strategy. We are the market leader in mobile subscriptions, fixed broadband subscriptions and fixed network voice services. Similarly, in cable TV services we are among the top players.

Continued success in the subscription business

During the year, we redefined our brand strategy and focused all of our subscription business under the Saunalahti brand. We offer our customers affordable subscriptions with world-class performance and the best value for money available on the market.

Our subscription sales showed excellent development in 2009. We serve approximately 1.5 million households that own approximately 3.1 million Elisa mobile and fixed network subscriptions. Mobile subscriptions represent about 2.2 million of the total, fixed network subscriptions approximately 250,000, and broadband subscriptions about 350,000. In addition, we have around 250,000 cable TV customers.

Superior user experiences online

Our large subscription clientele allows us to successfully develop and offer to our subscription customers relevant services. Our service business is organised under the Elisa brand.

In spring 2009 we rolled out the Elisa Viihde (Elisa Entertainment) service available in the broadband network. Elisa Viihde is a new-age IPTV service. Due to the high demand for the service, we extended the regional availability of Elisa Viihde, made it available to our cable TC customers, and significantly increased the content with new channels and films. We have gained clear market leadership in the powerfully growing IPTV services market.

We launched the Elisa Vahti home security service to make everyday routines easier. Based on customer feedback, we have been working on the concept for more than a year.

Higher customer satisfaction

In 2009, we increased our customer service resources and invested in training in order to meet the growing demand our new services have generated. In addition to customer service, we made successful investments in the Oma Elisa and Oma Saunalahti self-service channels. Our operations rely on satisfied customers, which is why we are happy to say our determined focus on customer service has produced results. For example, the studies conducted by the IROResearch market research agency showed that Saunalahti enjoyed the country's highest rate of customer satisfaction.

> ” An affordable subscription is a universal right. ”

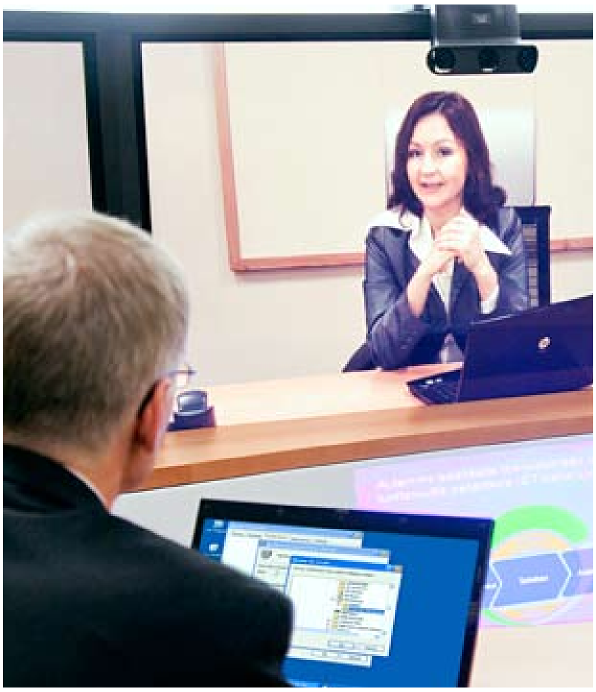
Input into relevant services for our customers

In 2010 we will continue to deploy our strategy. We aim to strengthen our position in the subscription business and continue the efforts to consolidate our market leadership. Our key objective is to improve customer satisfaction by developing the quality of our products and services. To improve the conditions for our subscription and service business, we will continue to make investments to increase the availability and coverage of our mobile broadband network. We will make considerable investments in our service business, and we roll out new services.

Corporate Customers

We want to provide organizations of all sizes the opportunity for productivity improvement with ICT services.






The demand for virtual services increased in 2009.

We focused on developing new ICT services to facilitate interaction and to increase productivity.

The Elisa Corporate Customers unit offers complete productivity-enhancing ICT service packages. We have customized our service range to deliver an optimal fit with our customers' processes and business requirements. Our service offering includes solutions for the office as well as for production and customer service environments.

The Elisa Corporate Customers unit provides nationwide services to more than 150,000 Finnish entrepreneurs and large and medium-sized organisations in different industries and in the public sector. The Corporate Customers unit employs approximately 800 sales, service development, consultation and customer service production professionals.

Direct online access to services

In 2009, we focused on developing new ICT services to facilitate interaction and continued our efforts to make our services even easier to use. Customers have direct online access to all of our ICT services and applications.

We continued to develop the OIWA (Online Interface with Applications) service package launched in 2008, which involves delivering communications solutions and applications as a service. We also launched a virtual desktop solution, which provides the user with online access to a desktop including the operating system. Data security services provided over the network were expanded. Furthermore, we are currently the largest SaaS provider for Microsoft's corporate e-mail services in the Nordic region.

The new potential of communications

Video solutions are revolutionising corporate communications, as evidenced by their growing and increasingly diverse use as a communications medium. To respond to growing demand, we took measures to expand our offering by launching the Digital Signage service. This service enhances communications and advertising material management and allows contents to be centrally distributed to various locations.

A dramatic change is taking place in the way we work. Elisa's Telepresence virtual presence solution offers entirely new opportunities for customer meetings, training sessions, customer service, and business meetings and conferences.

At Elisa, we have seen virtual conferencing services significantly boost our productivity. We are one of the biggest users of virtual conferencing services in Finland, and we operate more than ten Telepresence conference rooms in Finland and in the Baltic countries. In 2009, with our solutions we generated working hour savings equivalent to more than 8,500 man-days.

We lead the way as a provider of Cloud Computing services available on the Internet. We continued to develop our Cloud Computing services and are now able to deliver centralized server capacity and data security services that offer full scalability to the customer's needs.

The demand for mobile work solutions is growing at a steady rate. During the year, we introduced several new services that enable our customers to improve their productivity in mobile and field work.

The investments we have made allow us to offer a wider variety of services to our customers in the changing business environment and to respond to the increasingly fierce competition in the Finnish ICT markets.

> ” Elisa gained a stronger position as an ICT player. ”

More strength from acquisitions and global growth

Acquisitions were also conducted to consolidate our position as a provider of innovative ICT services. The acquisition of Xenetic Oy strengthened our position as a provider of versatile infrastructure services while the acquisition of Trackway Oy increased our competence in productivity solutions for logistics and production processes.

In line with our strategy, we invested in international operations and took determined measures to expand our services in Russia and Estonia. The SaaS services we produce in Finland were localized to meet local customers' needs.

Strong investment in quality and service

In 2010, we will place more emphasis on long-term work to foster quality and deeper customer understanding. We will strengthen and expand our market position by introducing ICT services enabled by new technologies to improve productivity and to provide enhanced user experiences. We will expand our application services, invest in new video services, and strengthen our position in the Cloud Computing markets. Action will also be taken to promote our customer service, enhance the efficiency of our own operations, and develop self-service by diversifying our Oma Elisa online service.

Elisa Estonia

The new Pling! social network service was popular among prepaid subscription holders.

During the year, Elisa Estonia continued investments with the objective of further developing and expanding an extensive high-speed 3G network.

First-class customer service

Elisa Estonia offers mobile services to private consumers and households across Estonia and complete ICT service packages to corporate customers.

Estonia enjoyed several years of rapid economic growth, which turned to a decline during 2008 following the global recession. The recession continued in 2009. Economy is expected to take an upward turn if Estonia's accession process to the European Economic and Monetary Union EMU is launched during spring 2010.

Despite the recession, Elisa was able to maintain sound business profitability in Estonia in 2009. Elisa's share of the Estonian mobile communications market is more than 20 per cent. EBITDA amounted to 34 per cent, while revenue declined by 15 per cent. This could be attributed to the decrease in mobile and fixed network service use, a decline in interconnection fees and lower terminal sales volumes. Furthermore, roaming revenues fell due to EU directives.

> "Elisa Estonia's Zen prepaid service is the market leader among young people."

Growth in mobile subscriptions

The number of Elisa mobile phone subscriptions grew by 6 per cent, to 358,000 subscriptions at year-end. Mobile services are available nationwide, and fixed network services are available in the three largest cities. Elisa is the only company to offer all telecommunications services under a single brand and from a single service point.

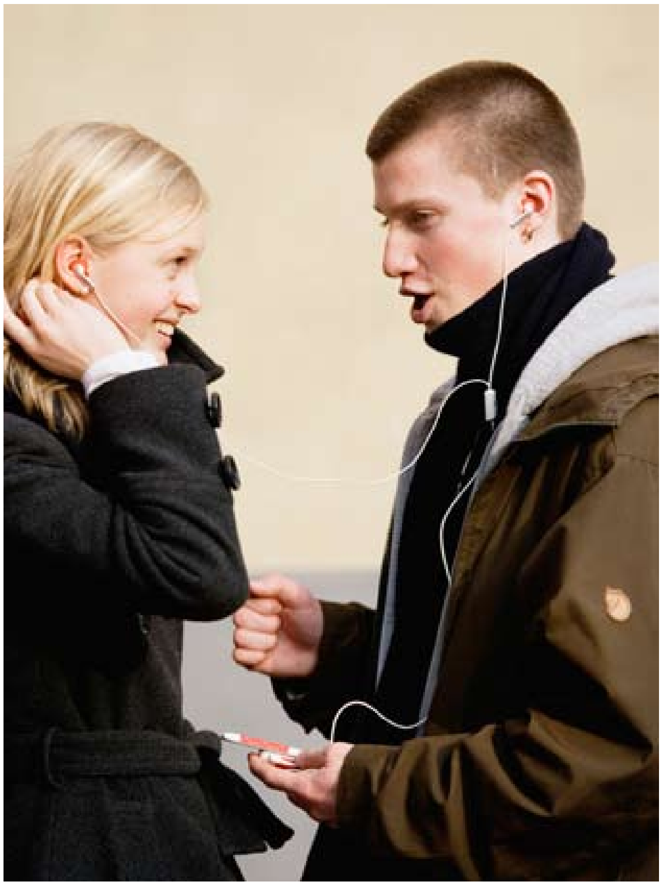
Elisa Estonia's Zen prepaid service is the market leader among young people. Prepaid subscriptions account for approximately 30 per cent of all mobile subscriptions in Estonia. In 2009, the number of prepaid subscriptions exceeded 100,000.

Elisa Estonia developed new user experience services for its subscription customers. During 2009, a new mobile Internet-based social network service called Pling! was launched, and it immediately gained immense popularity. The service became particularly popular among prepaid subscription holders; one out of three was an active Pling! service user.

A mobile certificate was introduced in Estonia in 2009. It offers a secure way for service log-in, digital signature, Internet service log-in and banking transaction authentication. Estonia is a forerunner in mobile certification.

During the year, Elisa Estonia continued investments with the objective of further developing and expanding an extensive high-speed 3G network. Large areas in the vicinity of Tarto and Pärnu are now served by a high-speed 3.5G network.

The Estonian economy is expected to get back on a growth track in 2010. At the same time, the use of Elisa Estonia's services is expected to increase, which will improve the company's financial performance.



One out of three was an active mobile social network service user.

Personnel and the environment

A key driver of well-being for employees is the opportunity to influence their work.

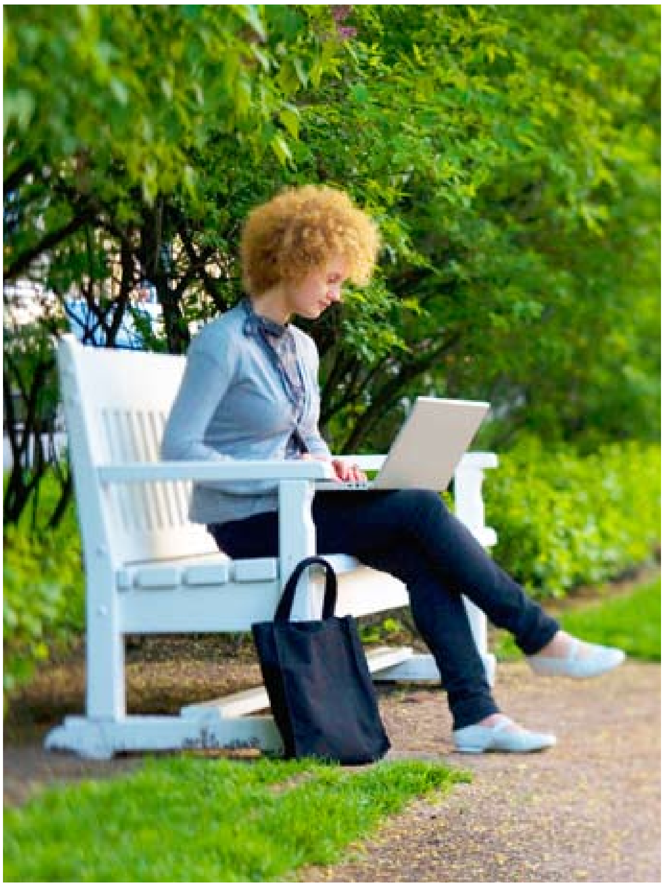
Elisa's focus areas in 2009: leadership, productivity, and work community and operating policy development.

Elisa's personnel, supervisors and management work together to build a goal-oriented, high-performance workplace that attracts skilled, innovative and committed people, and encourages these people to strive for excellence in their profession. Elisa has shared company-wide HR practices in several fields, including recruitment, promotion of well-being at work, work community development, competence development, remuneration and incentives.

Work community development and well-being

A personnel survey conducted in September 2009 showed that employee satisfaction had improved considerably in almost all of the areas covered by the survey. Based on the results of the survey, personnel and supervisors jointly planned development measures targeting the necessary areas. Development in the most critical areas is monitored quarterly using a resource index.

In 2009, special emphasis was placed on improving the well-being of personnel at work. Co-operation with the occupational health care organization was enhanced, and regional recreational activities as well as industrial safety operations were reorganized. Some of the most popular team activities included team sports, going to the gym, employees' exercise breaks and instructed walking and exercise classes. Long-term coaching programs geared to improve employee well-being continued. Employees participating in the program focused on getting physically fitter and on adopting a healthier life style.



Elisa utilizes technology solutions for mobile work.

> "The equality plan for 2009 addressed issues such as compensation, career development, and well-being at work."

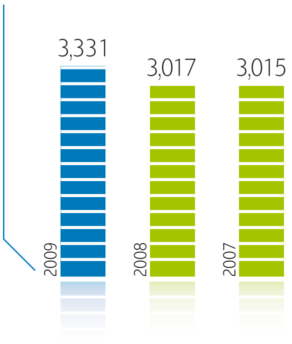
One of the key drivers of well-being for employees was the opportunity to influence their work. Measures taken in 2009 towards this end included expanding small group activities into new organizations and new locations, particularly in customer service organizations.

Elisa employees aged over 50 held eight meetings at four locations in which they discussed current issues related to well-being at work. They also attended fitness improvement programs and meetings where health-related issues were discussed with the objective of increasing their awareness and understanding of health.

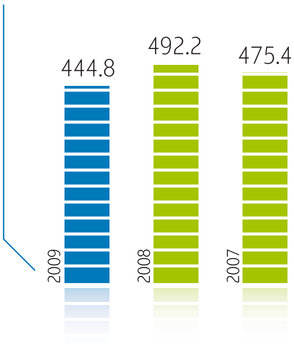
Developing the work environment, tools, and processes

Rapid changes and new working methods present a challenge to the entire personnel. With these challenges in mind, a new concept and network were created to support the well-being of Elisa's personnel. The work environment and well-being working group discussed various matters, such as coping at work and psychological stress, while the business premises steering group focused on the physical side of work environment management. Regional recreational committees were responsible for boosting the community spirit and for organizing recreational activities at the local level.

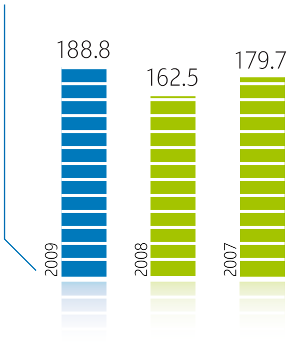
Number of employees



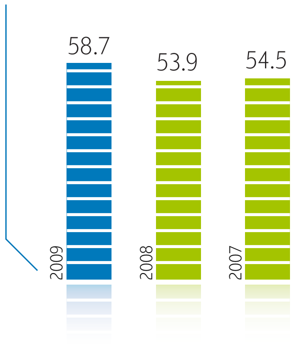
Revenue per employee
EUR 1,000



Personnel costs
EUR million



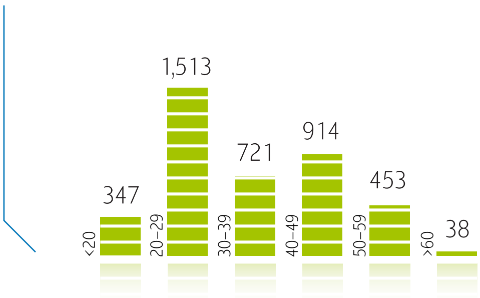
Personnel costs per employee EUR 1,000



Number of employees, gross capacity and gender distribution

	2009	2008	2007
Total number of the employees	3,331	3,017	3,015
Gross capacity	3,986	3,589	3,364
Male	2,394	2,050	1,906
Female	1,592	1,539	1,458

Personnel age structure



Elisa's multi-space working environment features virtual tools and solutions that support the Elisa brand and mobile working, enabling working anywhere and at anytime. The virtual solutions increased the popularity of teleworking in 2009, which was considered an efficient and productive working method. Teleworking facilitated the coordination of work, leisure time, and family life, which contributed to enhanced personnel well-being.

Industrial safety and work environment operations

Elisa's operating model applied in industrial safety was revised to better meet the current business, and at the same time the industrial safety organization was simplified. Elisa's joint work environment committee discussed matters such as shared policies for occupational health care and issues related to personnel development and well-being at work. Unit-specific work environment groups assessed industrial safety issues from the business perspective, and they are the most important users of reports such as workplace surveys. Site-specific work environment teams deal with matters related to business premises, security, and order. They also make observations on well-being on site and report their findings to line management.

Promoting equality

According to the legislation that came into force on 1 June 2005, employers must take action to promote equality in accordance with a designated equality plan. Elisa has prepared an equality plan annually since 2006. The equality plan for 2009 addressed compensation, career development, group formation, the weight of equality issues and well-being at work.

Women were encouraged to seek better career opportunities, and general awareness of equality was increased by including more questions on equality in the personnel survey. To promote equal well-being at work, support was offered for personal growth and development, and for clubs and other recreational activities.

This year marked the first time Elisa conducted a survey based on the recommendations of the Finnish Business and Policy Forum EVA's 'Women to the Top!' project. Based on the survey, an objective was set to raise the number of women in executive groups by the end of 2011.

Personnel development

Elisa's personnel development efforts consist of on-the-job learning, support to supervisors, managers and coaches, and in-house and external training sessions. The units and HR both organized training sessions.

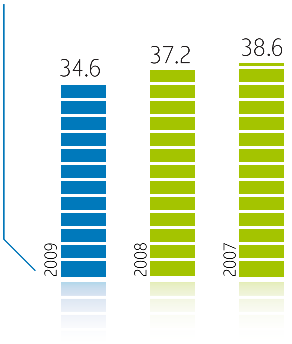
In 2009, one of the key focus areas included leadership that inspires people and delivers results. A range of management training sessions at different levels were organized for supervisors. The investment in management and leadership produced results: based on the results of the personnel survey, Elisa's management style is of a consistently high quality and ranks in the best quarter in the reference group.

Elisa's traditional long-term training programs included training for new supervisors and the Elisa Pro for distinguished salespersons and customer service personnel at the customer interface. Competence-based vocational qualifications included the Specialist Qualification in Management (JET), the Specialist Qualification in Product Development and the Further Qualification in Sales. A new program leading to a Qualification in Technology was launched. These training programs, which take more than six months to complete, were attended by almost 150 Elisa employees.

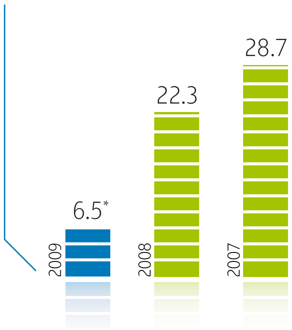
About 200 short-term training events of a half day to two days were arranged internally on a variety of topics. The customer service and sales teams were provided with continuous training on products, systems, and operating methods. Units also arranged technology training, sales coaching, and their own advanced training sessions for supervisors.

Personnel and the environment

Average age structure

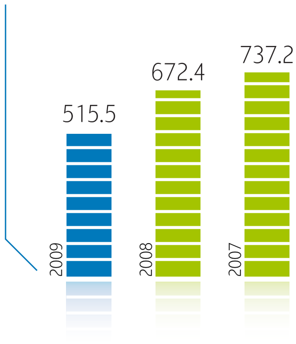


Staff turnover rate %

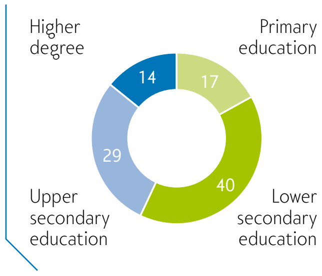


* Only applies to the parent company.

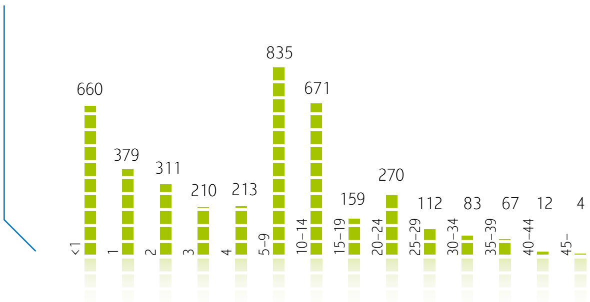
Training expenditure per employee EUR



Educational structure, %



Distribution according to length of employment



Training organized in the online learning environment gained popularity in 2009. Elisa Meeting Center was used very actively, also as a venue for virtual meetings. Elisa subsidizes its personnel's independent studies, and in 2009 this subsidy was granted to 25 Elisa employees.

Cooperation with educational institutions

Elisa is actively involved in cooperation with several educational institutions, providing students with different kinds of opportunities for becoming familiar with today's working life. Closer cooperation was conducted with the Helsinki University of Technology and the Helsinki School of Economics, and a few universities of applied sciences.

Employer-employee cooperation

In terms of employer-employee cooperation, conditions in 2009 were normal. Collective labor contracts will be in effect until the end of June 2010. No major acquisitions or divestments were carried out during the year.

Elisa introduced a change planning model two years ago and continued to apply this model in 2009. Negotiations regarding personnel reductions under the Act on Co-operation within Undertakings were not conducted in 2009. The approximately 150 employees displaced due to the organizational restructuring measures were offered relocation services. The majority of these employees were employed elsewhere in Elisa either permanently or in temporary project assignments. Elisa continued to provide support in excess of the statutory requirements for employees who were unable to find a new job in Elisa.

Implementation of the Productivity Program jointly planned and prepared by the employer and personnel representatives continued in 2009. Projects within the program were able to achieve substantial improvement in efficiency and productivity without any cutbacks in personnel. The most active stage of the productivity program ended in September 2009 and the results on process development were put to use in the line organization.

Environmental responsibility

Elisa is a provider of high-quality and environmentally friendly telecommunications services. The use of these services reduces the need to move people and goods, which helps reduce the environmental burden caused by traffic.

Elisa monitors the environmental impact of its operations and continuously strives for more ecological operations. Elisa evaluates suppliers and subcontractors according to environmental criteria.

Basic principles for Elisa's environmental operations:

1) The objective of Elisa's environmental operations is to promote sustainable development on local, national, and international levels as part of competitive business operations.
2) Elisa is committed to protecting the environment in areas where its actions may have an impact, and observes environmental, quality, and safety considerations in its decision-making and management systems.
3) Elisa complies with national and international environmental regulations.

Elisa's environmental group collected data on the environmental load, followed the development in environmental legislation as well as other areas, and increased environmental awareness among personnel by arranging competitions and providing instructions for operations that involve environmental burden. Subcontractors were given more responsibility for recycling materials returned from the network.

The design and implementation of a standardized environmental management system continued in 2009. Other measures included further development of the environmental load data reporting system and improving waste sorting in business premises. Consumption of office supplies and paper was reduced to an excellent level. The switchover to multi-space solutions in business premises helped cut back electricity consumption considerably.

Multifaceted cooperation with environmental management companies continued. In environmental issues, Elisa is partnered with Vodafone, the Association for Environmental Management (www.yjy.fi) and the Ekokumppanit Klubi association (based in Pirkanmaa). Elisa is also included in the Environmental Register of Packaging PYR Ltd, and is a member of the ICT Producer Co-operative.

The report of Board of Directors and financial statements

The report of Board of Directors for the year 2009

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

Market situation

The general economic downturn has had only a marginal impact on the telecom operator business. The impact has been felt mainly in equipment sales, roaming revenues and corporate customer business. Elisa's Estonian business has also suffered more than the Finnish business. Although there have been some positive signs in the general economic environment, future development still includes uncertainty. For example, the unemployment rate is expected to increase and the corporate business environment may deteriorate further, both of which could have a negative impact on the telecom sector.

The competitive environment has been keen but stable in Finland. The number of mobile subscriptions and the use of data services have evolved favourably in Finland with 3G subscriptions comprising a significant proportion of new subscriptions. The use of data services made available through 3G subscriptions has also increased. Another factor contributing to the growth has been the use of multiple terminals for different purposes and especially mobile broadband services. Churn in mobile subscriptions has been at a normal level, and competition has been mainly in services and campaigning.

The number and usage of traditional fixed network subscriptions decreased at the same rate as the previous year. The fixed broadband market has matured, while the strong subscription growth in mobile broadband continued.

Revenue, earnings and financial position

Revenue and earnings:

EUR million	2009	2008	2007
Revenue	1,430	1,485	1,568
EBITDA	484	472	499
EBITDA-%	33.8	31.8	31.8
EBITDA excluding non-recurring items	484	478	491
EBITDA-% excluding non-recurring items	33.8	32.2	31.3
EBIT	267	264	302
EBIT-%	18.7	17.8	19.3
Return on equity, %	19.9	18.5	18.8
Equity ratio, %	46.1	43.3	47.9

January–December 2009

Revenue decreased by 4 per cent on last year mainly due to lower equipment sales volumes, lower interconnection fees both in Finland and Estonia, and a decrease in traditional fixed business.

EBITDA improved by 3 per cent and EBITDA excluding non-recurring items by 1 per cent on the previous year. EBITDA margin improved from 31.8 per cent to 33.8 per cent. The improvement was mainly due to efficiency improvement measures. Additionally, in 2008 extra implementation costs of the billing and CRM system, as well as revenue correction affected EBITDA negatively.

Financial income and expenses totalled EUR –33 million (–37). The decrease in financial expenses was mainly attributed to a decrease in net debt and lower interest rates. Income taxes in the income statement amounted to EUR –58 million (–51). Elisa's earnings after taxes were EUR 177 million (177). The Group's earnings per share (EPS) amounted to EUR 1.13 (1.12).

Fourth quarter 2009

Revenue decreased by 2 per cent from EUR 372 million to EUR 365 million mainly for the same reasons as in January–December.

EBITDA decreased by 6 per cent from EUR 129 million to EUR 121 million. This was mainly due to lower revenue and increased market activities during the fourth quarter, such as sales and marketing costs, and new service launches.

Financial income and expenses totalled EUR –8 million (–7). Income taxes in the income statement amounted to EUR –15 million (–17). Elisa's earnings after taxes were EUR 41 million (54). The Group's earnings per share (EPS) amounted to EUR 0.26 (0.34).

Financial position:

EUR million	31.12.2009	31.12.2008	31.12.2007
Net debt	719	812	738
Net debt / EBITDA [1)]	1.5	1.7	1.5
Gearing ratio, %	79.8	92.8	71.3
Equity ratio, %	46.1	43.3	47.9

EUR million	2009	2008	2007
Cash flow after investments	252	260	114

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

January–December 2009

Net debt contracted by 11 per cent due to positive cash flow. Cash flow after investments remained at about the same level as the previous year.

Fourth quarter 2009

Elisa's financial position and liquidity remained good. October–December cash flow after investments was EUR 74 million (84). The decline was mainly due to lower EBITDA and change in net working capital.

Changes in corporate structure

January–December 2009

In February, Elisa acquired the entire share capital of Xenetic Oy. Xenetic is a hosting service company, the business of which consists of data centres, monitoring, data communications and data security services and equipment, and application leasing among other things. In February, Elisa also acquired the business operations of Trackway Oy, which provides e.g., solutions for asset tracking.

There were no changes in the corporate structure in the fourth quarter 2009.

Consumer Customer business

EUR million	10–12/ 2009	10–12/ 2008	1–12/ 2009	1–12/ 2008
Revenue	217	217	848	882
EBITDA	71	72	284	267
EBITDA-%	32.8	33.4	33.5	30.3
EBIT	39	43	161	149
CAPEX	33	36	92	102

January–December 2009

Revenue decreased by 4 per cent. The decrease was mainly a result of lower equipment sales volumes, lower interconnection fees both in Finland and Estonia, and a decline in the traditional fixed voice business. EBITDA grew by 6 per cent. It was positively affected by productivity improvement measures and decreased interconnection costs. The decrease in the Estonian business due to the general economic downturn had a negative effect on EBITDA.

Fourth quarter 2009

Both revenue and EBITDA remained at the previous year's level. Revenue was impacted by lower equipment sales volumes, lower interconnection fees both in Finland and Estonia and a decline in the traditional fixed voice business. On the other hand, the growth in subscriptions and usage affected revenue positively. EBITDA was negatively affected by increased market activities, but compensated for by productivity improvement measures. The decrease in the Estonian business due to the general economic downturn had also a negative effect on EBITDA.

Corporate Customer business

EUR million	10–12/ 2009	10–12/ 2008	1–12/ 2009	1–12/ 2008
Revenue	148	155	583	603
EBITDA	50	57	200	204
EBITDA-%	33.9	36.6	34.3	33.9
EBIT	25	34	107	116
CAPEX	28	28	79	82

January–December 2009

Revenue fell by 3 per cent and EBITDA by 2 per cent. The fall in revenue was mainly due to lower interconnection fees, decreased equipment sales volumes and a decline in the traditional fixed business. Growth in ICT services increased revenue. The decrease in EBITDA was mainly attributable to lower revenue.

Fourth quarter 2009

Revenue fell by 5 per cent and EBITDA by 12 per cent. The fall in revenue was mainly due to lower interconnection and roaming revenues, a decrease in mobile usage and a decline in the traditional fixed business. Growth in ICT services increased revenue. EBITDA was negatively affected by decreased revenue in particular.

Personnel

In January–December, the average number of personnel at Elisa was 3,216 (2008 average 2,946 people, 2007 average 3,299 people). Employee benefit expenses in 2009 totalled EUR 189 million (2008 EUR 162 million and 2007 EUR 181 million). Personnel at the end of 2009 were 3,331 (3,017).

Personnel by segment at the end of the period:

	31.12.2009	31.12.2008
Consumer Customers	1,975	1,522
Corporate Customers	1,356	1,495
Total	3,331	3,017

In 2009, the number of personnel grew from the corresponding period last year mainly as a result of increased staffing needs in call centres to meet the growing demands in the customer service business.

In 2008, Elisa's Board of Directors decided on a new share-based incentive plan for the Elisa Group key personnel. The detailed terms and conditions of the plan can be found in Elisa's 2009 Annual Report. The plan includes three earning periods, which are the calendar years 2009, 2010 and 2011.

On 16 December, Elisa's Board of Directors decided that the potential reward from the earning period 2010 will be based on the Elisa Group's earnings per share and revenue in 2010. The plan is directed to approximately 50 people. The maximum reward payable in the earning period 2010 on the basis of the plan is 766,000 Elisa shares.

Investments

EUR million	10–12/ 2009	10–12/ 2008	1–12/ 2009	1–12/ 2008
Capital expenditures, of which	61	64	171	184
- Consumer Customers	33	36	92	102
- Corporate Customers	28	28	79	82
Shares	0	2	6	15
Total	61	66	178	199

In 2009, the main capital expenditures relate to the mobile network, especially 3G, the fixed network including broadband and corporate networks, and IT investments.

Financing arrangements and ratings

Valid financing arrangements:

EUR million	Maximum amount	In use on 31.12.2009
Committed credit limits	300	0
Commercial paper program [1]	250	74
EMTN program [2]	1,000	600

[1] The program is not committed

[2] European Medium Term Note program, not committed

Long-term credit ratings:

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

The Group's cash and undrawn committed credit lines totalled EUR 331 million at 31 December 2009 (EUR 258 million at the end of 2008). There are no major refinancing needs expected before the year 2011.

In connection to the counterparty risk hedging, Elisa provided a maximum USD 60 million guarantee for a credit derivative portfolio (CDO) in 2007. The risk of the guarantee being called increased due to the credit crisis in 2008 and further during 2009. A detailed description is provided in the "Financial risks" section.

Share

Trading of shares	10–12/ 2009	10–12/ 2008	1–12/ 2009	1–12/ 2008
Shares traded, millions	35.6	76.1	180.6	338.8
Volume, EUR million	508.6	881.4	2,170.0	5,041.1
% of shares	21.4	45.8	116.1	217.7

Shares and market values	31.12.2009	31.12.2008
Total number of shares	166,307,586	166,307,586
Treasury shares	10,688,629	10,688,629
Outstanding shares	155,618,957	155,618,957
Closing price, EUR	15.96	12.30
Market capitalisation, EUR million	2,484	1,914
Treasury shares, %	6.4	6.4

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

In March, Elisa distributed an ordinary dividend of 0.60 euro per share, totalling EUR 93.4 million, in accordance with the decision of the Annual General Meeting.

In June, the Government of Finland transferred its Elisa shares to its fully-owned company Solidium Oy. Following this transfer, the Government of Finland has no direct ownership in Elisa. The number of shares transferred to Solidium Oy was 16,006,000, representing 9.62 per cent of the share capital and votes.

In June, Solidium Oy announced that it has exceeded 10 per cent ownership in Elisa. Solidium Oy's ownership increased to 16,631,000 shares, or 10.00 per cent of the share capital and votes.

On 28 September 2009, Elisa was notified of a change in the company's ownership as follows: DNA Oy, Lännen Teletieto Oy and Oulun Puhelin Holding Oyj sold all their Elisa shares, and PHP Liiketoiminta Oyj´s, KPY Sijoitus Oy´s, Kuopion Puhelin Oy´s aggregate ownership in Elisa shares and votes decreases below 5 per cent.

On 23 October, Elisa's Board of Directors decided on the extraordinary distribution of a capital repayment per share of EUR 0.40. This decision was based on the favourable development of the company's result and financial position as well as maintaining the company's capital structure in line with the set financial targets.

Capital repayment also affected the Elisa 2007 stock options by reducing the strike price of the series 2007A stock options to EUR 18.04 and series 2007B stock options to EUR 10.89.

The listing of the Elisa 2007A stock options on the NASDAQ OMX Helsinki Ltd started on 1 December 2009. The total number of outstanding 2007A stock options is 850,000. Each 2007A stock option entitles its holder to subscribe for one Elisa share. A total of 372,150 2007A stock options are in the possession of Elisa's subsidiary, which is not permitted to subscribe for shares with the stock options.

The present share subscription price of the 2007A stock option is EUR 18.04 per share. Future dividends and capital repayments will be deducted from the subscription price upon payment. The share subscription period for 2007A stock options began on 1 December 2009 and ends on 31 May 2011.

On 9 December 2009, Elisa was notified, in accordance with Chapter 2, Section 9 of the Finnish Securities Market Act that BlackRock Inc.'s proportion of the total number of Elisa shares and voting rights has exceeded 5 per cent (6.64 per cent).

Elisa's Board of Directors decided to distribute 2007C stock options to Elisa Group's key personnel. The maximum number of 2007C stock options is 850,000 and of that, 471,500 have been distributed to the Elisa's key personnel. The strike price for series 2007C stock options is EUR 13.99 per share and the subscription period is 1 December 2011–31 May 2013.

Research and development

The Group invested EUR 10 million, of which EUR 2.8 million has been capitalised in research and development in 2009 (EUR 11 million in 2008 and EUR 8 million in 2007), corresponding to 0.7 per cent of revenue (0.7 per cent in 2008 and 0.5 per cent in 2007).

The Annual General Meeting

On 18 March 2009, and in accordance with the proposal of the Board of Directors, Elisa's Annual General Meeting decided on a dividend to shareholders in the amount of EUR 0.60 per share on the basis of the 31 December 2008 balance sheet approved by the Annual General Meeting.

The Annual General Meeting adopted the financial statements for the period in question. The members of the Board of Directors and the CEO were discharged from liability for 2008.

The number of the members of the Board of Directors was confirmed at six (6). The following members were re-elected to the Board of Directors: Mr Risto Siilasmaa, Mr Ossi Virolainen, Mr Pertti Korhonen and Ms Eira Palin-Lehtinen. Mr Ari Lehtoranta (Executive Vice President, Kone Corporation) and Raimo Lind (Executive Vice President, CFO and Deputy to the President, Wärtsilä Corporation) were elected as new members.

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

The Annual General Meeting accepted the proposal to amend the Operations of the Company in the articles of association. The main change was the addition of ICT services to the Operations of the Company.

The report of Board of Directors for the year 2009

The Board of Directors' authorisations

The Annual General Meeting accepted the proposal to authorise the Board of Directors to decide on the distribution of funds from the unrestricted equity to a maximum of EUR 150,000,000. The authorisation is effective until the beginning of the following Annual General Meeting.

The Annual General Meeting decided on the authorisation to repurchase or accept as pledge the company's own shares. The repurchase may be directed. The maximum amount of shares under this authorisation is 15,000,000. The authorisation is effective until 30 June 2010.

The Annual General Meeting approved the proposal of the Board of Directors on the issuance of shares as well as the issuance of special rights entitling to shares. The issue may be directed. The authorisation is effective until 30 June 2013. A maximum aggregate of 50.0 million of the company's shares can be issued under the authorisation.

Regulatory issues

On April 2009, Elisa was handed a decision made by the Finnish Communications Regulatory Authority, that Elisa was allocated more frequencies in both the 1,800 MHz and 2,100 MHz spectrums. In the 1,800 MHz spectrum, the radio license is valid until November 2017 and in the 2,100 MHz spectrum, the licence is valid to March 2019. The 1,800 MHz spectrum can be used for the LTE (Long Term Evolution technology, i.e. the fourth generation, 4G mobile network). LTE enables faster than current mobile broadband connections. LTE can be utilized either in the auctioned 2.6 GHz or in the lower 1,800 MHz spectrum.

The auction for the LTE 2.6 GHz spectrum ended on 23 November 2009. Elisa won the competitive 50 MHz spectrum. The fee for the license is EUR 834,700 and it is valid until 2029.

The Finnish Communications Regulatory Authority has, in its decision on 23 December 2009, appointed Elisa to provide universal service obligation services for internet connection covering the area of 25 named municipalities in Finland. The universal service obligation constitutes a provision of internet connection with a 1 Mbps speed in the named area from 1 July 2010 onwards.

Significant legal issues

Elisa and TeliaSonera reached a settlement on the disagreement relating to the claim of unjust enrichment due to miscoding of traffic.

On 28 May 2009, The Helsinki Court of Appeal rendered its verdict in the proceedings concerning the stock exchange disclosures of the Jippii Group in 2001. Jippii is Saunalahti Group's predecessor, which Elisa acquired in 2005. The Court has ordered Elisa to pay a corporate fine of EUR 200,000 and a forfeiture of EUR 85,000 concerning the events of 2001. The decision is under appeal.

The Finnish Competition Authority has made a decision to remove the matter concerning the pricing of Elisa's broadband from the agenda.

The arbitration processes between Elisa and IBM on disputes relating to the implementation and maintenance of Elisa´s billing and CRM system has ended in December 2009.

The Estonian Communications Authority has, in 2007, issued a decision on the level of interconnection fees. Elisa has appealed against the decision and the proceedings are still pending. Elion Ettevõtted AS has presented a claim for refunding the excess fees of approximately EUR 1.8 million. Elisa disputes the refunding obligation.

Substantial risks and uncertainties associated with Elisa's operations

Risk management is part of Elisa's internal control system. It aims to ensure that risks affecting the company's business are identified, influenced and monitored. The company classifies risks into strategic, operational, accidental and financial risks.

Strategic and operational risks:

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

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

Elisa's main market is Finland, where the number of mobile phones per inhabitant is among the highest in the world, and growth in subscriptions is thus limited. Furthermore, the volume of phone traffic in Elisa's fixed network has decreased in the past few years. These factors may limit the opportunities for growth.

The deterioration of the economic environment may impact the demand for Elisa's services and products, and therefore growth prospects. However, a good demand for communication services is expected to continue also during a recession.

Accident risks:

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

Financial risks:

In order to manage interest rate risk, the Group's loans and investments are diversified in fixed- and variable-rate instruments. Interest rate swaps are used to manage interest rate risk.

As most of Elisa Group's cash flow is denominated in Euros, the exchange rate risk is minor. Elisa's Estonian business, which is approximately 6 per cent of the consolidated revenue is denominated in Estonian crowns.

The objective of liquidity risk management is to ensure the Group's financing in all circumstances. The Group's cash and undrawn committed credit lines totalled EUR 331 million at 31 December 2009 (EUR 258 million at the end of 2008). Elisa has cash reserves, committed credit facilities and a sustainable cash flow to cover its foreseeable financing needs.

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

In connection to the counterparty risk hedging, Elisa provided a maximum USD 60 million guarantee for a credit derivative portfolio (CDO) in 2007. The risk of the guarantee being called increased due to the credit crisis in 2008 and further during 2009. Possible further credit default events in the portfolio may result in partial or full demands being made under the guarantee already in 2010. There is a dispute between Elisa and the arranger bank as to the extent and scope of Elisa's obligations under the guarantee and legal proceedings have been commenced to resolve the dispute. At the year end, no guarantee liability was realised nor expenses accounted. Possible guarantee liability expense realisation is evaluated constantly and booked if materialised. The guarantee is valid until 15 December 2012. The maximum liability of USD 60 million, if realised, would mean cash payments of USD 33 million in 2011 and USD 27 million in 2012.

A detailed description of the financial risk management can be found in note 34 of the Annual Report.

Environmental issues

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

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

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

The design and implementation of a standardized environmental management system continued in 2009. Other measures included further development of the environmental load data reporting system and improving waste sorting in business premises. Consumption of office supplies and paper was reduced to an excellent level. The switchover to multi-space solutions in business premises helped cut back electricity consumption considerably.

2009 Annual Report and corporate governance statement

Elisa will publish the 2009 Annual Report, which contains the report by Board of Directors and the financial statements for 2009, and a separate Corporate Governance Statement on week 8 on its website at www.elisa.com.

Events after the financial period

There are no major events after the financial period.

Outlook for 2010

There have been some positive signs in the general economic environment. However, the unemployment rate is expected to increase and the corporate business environment may deteriorate further. These factors could continue to have a negative impact on the telecom sector. Competition in the Finnish telecommunications market remains challenging.

The general economic downturn has so far mainly impacted Elisa's Estonian business and the Corporate Customer segment. The main risks still relate to the development of the Estonian economy and the corporate customer business.

Full year revenue is estimated to be at the same level as last year. The use of mobile communications and mobile broadband products is continuing to rise. Full year EBITDA, excluding non-recurring items, is expected to be at the same level as last year. Full-year capital expenditure is expected to be 10 to 12 per cent of revenue.

The ICT and on-line service industry is in a dynamic development phase. In addition to its strong position as a network service provider, Elisa is transforming itself to be able to provide its customers with exciting and relevant new services. Among the factors contributing to long-term growth and profitability improvement is 3G market growth. Elisa continues determinedly to employ its efficiency measures. Elisa's financial position and liquidity are good. There are no major refinancing needs expected before the year 2011.

Profit distribution

The Board of Directors proposes to the General Meeting as profit distribution a capital repayment of EUR 0.92 per share, of which EUR 0.68 is an ordinary profit distribution and EUR 0.24 as extraordinary profit distribution. The payment corresponds to 81 per cent of the financial period's earnings.

Shareholders who are listed in the company's register of shareholders maintained by the Euroclear Finland Ltd on 23 March 2010 are entitled to funds distributed by the General Meeting. The Board of Directors proposes that the payment date be 31 March 2010. The profit for the period shall be added to accrued earnings.

The Board of Directors also decided to propose to the General Meeting that the Board of Directors be authorised to distribute funds out of the retained earnings account or the reserve for invested non-restricted equity to a maximum of EUR 100 million.

Furthermore, the Board of Directors decided to propose to the General Meeting that the Board of Directors be authorised to acquire a maximum of 10 million treasury shares, which corresponds to 6 per cent of the entire stock.

The parent company's distributable funds at year-end amounted to EUR 339 million.

BOARD OF DIRECTORS

Consolidated income statement

EUR million	Note	2009	2008
Revenue	4	1,430.4	1,485.0
Other operating income	5	4.2	6.5
Materials and services	6	–576.3	–652.4
Employee expenses	7	–188.8	–162.5
Other operating expenses		–185.6	–205.0
EBITDA		483.9	471.6
Depreciation and amortisation	9	–216.4	–207.1
EBIT		267.5	264.5
Financial income	11	10.5	17.1
Financial expense	11	–43.1	–54.0
Share of associated companies' profit		0.0	0.0
Profit before tax		234.9	227.6
Income taxes	12	–57.9	–50.6
Net profit		177.0	177.0
Attributable to:			
Equity holders of the parent		176.3	176.3
Minority interest		0.7	0.7
		177.0	177.0
Earnings per share (EUR/share) calculated from the profit attributable to equity holders of the parent:			
Basic and diluted		1.13	1.12
Diluted		1.13	1.12
Average number of outstanding shares (1,000 shares):			
Basic		155,619	157,450
Diluted		155,809	157,450

Consolidated statement of comprehensive income

Profit for the period		177.0	177.0
Other comprehensive income, net of tax:			
Available-for-sale investments	19	1.2	–10.4
Total comprehensive income		178.2	166.6
Total comprehensive income attributable to:			
Owners of the parent		177.5	165.9
Non-controlling interests		0.7	0.7
		178.2	166.6

Consolidated balance sheet

EUR million	Note	31 Dec. 2009	31 Dec. 2008
ASSETS			
Non-current assets			
Property, plant and equipment	14	617.9	630.5
Goodwill	15	782.0	778.6
Other intangible assets	15	148.2	177.5
Investments in associated companies	16	0.1	0.1
Available-for-sale investments	19	30.7	29.0
Receivables	20	19.4	12.4
Deferred tax assets	21	25.7	28.3
		1,624.0	1,656.4
Current assets			
Inventories	22	31.2	21.7
Trade and other receivables	23	278.0	318.9
Tax receivables		0.4	0.5
Cash and cash equivalents	24	31.0	33.0
		340.6	374.1
TOTAL ASSETS		1,964.6	2,030.5
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		83.0	83.0
Treasury shares		–202.0	–202.0
Contingency reserve		3.4	3.4
Fair value reserve		10.3	9.1
Other funds		381.0	381.0
Reserve for invested non-restricted equity		188.6	250.8
Retained earnings		434.9	348.1
Equity attributable to equity holders of the parent	26	899.2	873.4
Minority interest		0.8	1.6
Total shareholders' equity		900.0	875.0
Liabilities			
Non-current liabilities			
Deferred tax liabilities	21	26.6	30.9
Pension obligations	28	0.8	1.3
Provisions	29	3.7	4.3
Interest-bearing liabilities	30	592.3	672.3
Other liabilities	31	13.4	14.0
		636.8	722.8
Current liabilities			
Trade and other payables	31	263.3	255.5
Tax liabilities		6.4	3.4
Provisions	29	0.9	1.5
Interest-bearing liabilities	30	157.2	172.3
		427.8	432.7
Total liabilities		1,064.6	1,155.5
TOTAL EQUITY AND LIABILITIES		1,964.6	2,030.5

Consolidated cash flow statement

EUR million	Note	2009	2008
Cash flow from operating activities			
Net profit		234.9	227.6
Adjustments			
Depreciation and amortisation	9	216.4	205.8
Financial income and expense		32.5	36.9
Gains and losses on the disposal of fixed assets		–0.9	–0.7
Change in provisions in the income statement		–2.7	–4.3
Other adjustments		0.6	0.2
		245.9	237.9
Change in working capital			
Change in trade and other receivables		36.3	132.5
Change in inventories		–9.4	6.7
Change in trade and other payables		10.1	–56.2
		37.0	83.0
Dividends received		1.1	1.0
Interest received		8.9	9.8
Interest paid		–39.6	–49.6
Taxes paid		–57.2	–59.5
Net cash flow from operations		431.0	450.2
Cash flow from investing activities			
Acquisition of subsidiaries net of cash acquired		–9.2	–2.9
Capital expenditure		–170.3	–179.2
Acquisition of available-for-sale investments		–0.5	–8.7
Proceeds from sale of associated companies			0.1
Proceeds from sale of property, plant and equipment		0.9	0.6
Proceeds from available-for-sale investments			0.1
Net cash flow used in investing activities		–179.1	–190.0
Cash flow from financing activities			
Purchase of treasury shares	26		–43.3
Proceeds from long-term borrowings			80.0
Repayment of long-term borrowings		–36.1	–30.0
Change in short-term borrowings		–56.6	38.6
Repayment of finance lease liabilities		–4.5	–4.0
Dividends paid		–156.7	–285.4
Net cash used in financing activities		–253.9	–244.1
Change in cash and cash equivalents		–2.0	16.1
Cash and cash equivalents at beginning of period		33.0	16.9
Cash and cash equivalents at end of period	24	31.0	33.0

Consolidated statement of changes in equity

	Equity attributable to equity holders of the parent							
EUR million	Share capital	Treasury shares	Other reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Minority interest	Total share-holders' equity
Shareholders' equity at 1 Jan. 2008	83.0	–165.8	403.9	535.7	176.6	1,033.4	2.0	1,035.4
Capital repayment				–284.9		–284.9		–284.9
Dividends							–1.1	–1.1
Purchase of treasury shares		–43.3				–43.3		–43.3
Share-based compensation		7.1			–4.8	2.3		2.3
Total comprehensive income			–10.4		176.3	165.9	0.7	166.6
Shareholders' equity at 31 Dec. 2008	83.0	–202.0	393.5	250.8	348.1	873.4	1.6	875.0
Shareholders' equity at 1 Jan. 2009	83.0	–202.0	393.5	250.8	348.1	873.4	1.6	875.0
Capital repayment				–62.2		–62.2	–0.7	–62.9
Dividends					–92.7	–92.7	–0.8	–93.5
Share-based compensation					3.2	3.2		3.2
Total comprehensive income			1.2		176.3	177.5	0.7	178.2
Shareholders' equity at 31 Dec. 2009	83.0	–202.0	394.7	188.6	434.9	899.2	0.8	900.0

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. The parent company of the Group is Elisa. The domicile of the parent company is Helsinki, and its registered address is Ratavartijankatu 5. The shares of the parent company, Elisa, have been listed on the NASDAQ OMX Helsinki since 1999.

A copy of the consolidated financial statements is available from Elisa's head office at Ratavartijankatu 5, Helsinki, or on the company's website www.elisa.com.

Accounting principles

Basis for accounting

Elisa's consolidated financial statements have been prepared according to the International Financial Reporting Standards, the IAS and IFRS standards and the SIC and IFRIC interpretations valid on 31 December 2009 have been followed in their preparation. The International Financial Reporting Standards refer to standards and interpretations that have been approved for application in the EU in the Finnish Accounting Act and the provisions issued pursuant to it according to the procedures provided for in EU regulation (EC) No. 1606/2002. 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, share-based payments and derivatives. 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.

As of 1 January 2009, the Group applies the following new or revised standards or interpretations:

- Reformed IAS 1 Presentation of Financial Statements. The revision has changed the manner in which the income statement and shareholders' equity are presented in the consolidated financial statements.
- Revised IFRS 7 Financial Instruments. Disclosures. The revision has changed the manner in which the Group's notes are presented. Items valuated at their fair value are categorized in notes using a three-tiered hierarchy of fair values.
- IFRS 8 Operating Segments. The standard requires the given segment information to be based on internal reporting presented to the management. Elisa's organizational and management structure is based on a customer-oriented operational model. After the implementation of the standard, the segment structure and reporting system were completely revised. New reported operating segments are Consumer Customers and Corporate Customers. The change also influenced the goodwill amortization testing procedure; goodwill has been reallocated in the reportable operating segments. Operating segments are the lowest level at which the company management monitors the goodwill. The comparative information for 2008 for the new segment reporting system was published in a stock exchange release on 17 April 2009.

The following implemented revised or reformed standards and new interpretations have not influenced the consolidated financial statements:

- Annual improvements of IFRS standards
- Revised IFRS 2 Share-based payment. The revisions refer to the terms and conditions of vesting as well as reversals.
- Revised IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements. The revisions refer to puttable financial instruments and liabilities generated when an entity is dissolved.
- Revised IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement. The revisions refer to embedded derivatives.
- Revised IAS 23 Borrowing Costs. The revised standard no longer provides the opportunity to immediately book as an expense any borrowing costs which are directly related to the acquisition, construction, or production of an asset item whose restoration to operational or marketable condition will take appreciably long. By the date of the financial statements, Elisa did not have any borrowing costs to be activated complying with these conditions.
- IFRIC 12 Service Concession Arrangements. The interpretation refers to the manner in which public to private service concession arrangements are handled in the accounting of the operator.
- IFRIC 13 Customer Loyalty Programmes. The revision of the interpretation has not changed the Group's recognition practices.
- IFRIC 15 Agreements for the Construction of Real Estate. The interpretation may change the manner in which long-term construction projects of founder contracting developers are recognized.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation. The interpretation provides guidelines on the hedging of a net investment in a foreign operation.

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 assets and impairment testing.

Subsidiaries

The consolidated financial statements include the parent company, Elisa, and those subsidiaries where the parent company has, directly or indirectly, more than 50 per cent of voting rights or where the parent company otherwise exercises authority.

Subsidiaries are consolidated from the time of acquisition. Similarly, divested companies are consolidated on the day of disposal.

The acquisition cost method is used in the elimination of internal ownership. All intra-group transactions, balances and gains on transactions between Group companies have been eliminated.

The profit for the financial year to the shareholders of the parent company and minority interests is presented separately in the income statement, and the share of the minority interest in shareholders' equity is presented as its own component in the consolidated balance sheet.

The acquisition of minority interests is subject to the principle of 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 has more than 20 per cent of the voting rights 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 on the date of disposal.

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.

Conversion of items denominated in a foreign currency

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 at 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 in the income statement. The exchange profits and losses from business operations are included in the corresponding items above operating profit. The exchange profits 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 at 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 other comprehensive income items.

Recognition principles

Revenue includes normal sales income from business operations deducted by taxes related to sales and discounts granted. Sales are recognised once the service has been rendered to the customer or once the significant risks and benefits related to the ownership of the goods have been transferred to the buyer. Income from services is recognised when it is probable that economic benefit will arise to the Group and when the income and costs associated with the transaction can be reliably determined.

The consolidated revenue consists mainly of voice and data traffic income, periodic fees, opening fees and maintenance fees, as well as equipment sales income. Sales are recognised as income once the service has been rendered either on the basis of realised traffic volumes or the validity of a contract. Opening fees are recognised at connection time. The sales of prepaid mobile phone cards are recognised in accordance with the estimated use of the cards. Service fees invoiced from a customer on behalf of a third-party content service provider are not recognised in income.

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

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

Customers belonging to loyalty programmes are entitled to certain discounts on services and products provided by Elisa. The discounts earned by customers are recognised as the deductions of income.

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 economic benefit is expected from the product. In other cases, development costs are recorded as an expense. Development costs previously recognised as expenses are not capitalised later.

Income taxes

The tax expenses in the income statement include current taxes and deferred taxes. The taxes for the financial year are calculated from the taxable profit 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 arising between carrying amount in consolidated financial statement and tax bases of assets and liabilities. Principal temporary differences arise from tax losses carried forward, depreciation difference and the measurement at fair value in subsidiary 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 insofar 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. Deferred tax liabilities are recognized in the balance sheet in full.

Interest and dividends

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

Notes to the consolidated financial statements

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. The Group tests the goodwill balance sheet value annually, or more often if indications towards potential impairment of an asset item exist. For the purpose of testing, goodwill is allocated to cash-generating units (CGU) which, as of 2009, include Consumer Customers and Corporate Customers. The Consumer Customers CGU comprises fixed-network voice and data communications services offered to Elisa's consumer customers. The Corporate Customers CGU comprises fixed-network voice and data communications services as well as other ICT solutions and contact center services offered to Elisa's corporate customers. Goodwill is valued at original acquisition cost deducted by impairment.

Other intangible assets

An intangible asset is only recognised in the balance sheet if it is probable that the expected economic benefit due to the asset will flow to 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 that 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	4–5 years
Brand	10 years
Development expenses	3 years
IT software	5 years
Other intangible assets	5–10 years

Property, plant and equipment

Property, plant and equipment are recognised in the balance sheet at original acquisition cost. Property, plant and equipment are measured on the balance sheet at acquisition cost less accumulated depreciation and impairment. Depreciation 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 probable that future economic benefit will flow to the Group. Ordinary repair, service and maintenance costs are booked as expenses in the financial year during which they arise.

Depreciation periods for property, plant and equipment:

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	3–8 years
Telecommunication terminals (rented to customers)	2–5 years
Other machines and equipment	3–5 years

No depreciation is made on land areas.

Public government grants

Government grants related to the acquisition of property, plant and equipment, have been recognised as a deduction in the book value of property, plant and equipment. The grants are recognised as income in the form of smaller depreciations over the useful life of the asset.

Grants for product development projects and the like are recognised under other operating income when the product development costs are recognised as annual expenses. Grants associated with capitalised product development costs reduce the capitalised acquisition cost.

Financial assets and liabilities

Financial assets

The Group's financial assets are classified according to standard IAS 39 Financial Instruments: Recognition and Measurement, upon which financial assets are classified as financial assets recognised at fair value through profit or loss, loans and other receivables, and financial assets available-for-sale. This classification takes place on the basis of the purpose of the acquisition of the financial assets and they are classified at initial recognition. 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 flow 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 in the income statement in the financial year during which they arise.

Derivatives are recognised in 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 in 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.

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. To the extent that accounts receivable are sold, the impairment loss is reduced.

Investments available-for-sale are included in non-current assets. Equity investments, excluding investments in associated companies and mutual real estate companies, are classified as available for sale and are generally measured at fair value. Unlisted equities for which their values cannot be measured reliably are reported at acquisition cost less impairment. Available-for-sale investments are fair valued either on the basis of the value of comparable companies, the discounted cash flow method or by using quoted market rates. Changes in the fair value of available-for-sale investments are recognised in other comprehensive income items. Changes in the fair value of shares are recognized in other comprehensive income items. When an investment is disposed, accumulated changes in fair value are released from shareholders equity and recognised in profit or loss.

Items measured at fair value are categorized using the three-tier value hierarchy. Level 1 includes financing instruments for which prices have been specified in the active market. Listed shares owned by Elisa are categorized at level 1. Level 2 includes instruments whose prices are based on verifiable market information. The Group's interest rate swap is categorized at level 2. Level 3 includes instruments whose prices are not based on verifiable market information but the company's own information, for example. Unlisted shares are categorized at level 3. See Note 17.

Cash and cash equivalents

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

Financial liabilities

Financial liabilities are initially recognised at an amount equal to proceeds received net transaction costs incurred. Later, financial liabilities are measured by the effective interest method at amortised cost. Financial liabilities are separated in non-current and current liabilities and they may be interest-bearing or interest-free.

Impairment

Elisa assesses whether there are any indications towards 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 and incomplete intangible assets. The Group does not have any intangible assets with an indefinite 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 carrying amount exceeds its recoverable amount. An impairment loss is recognised 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 as goodwill is not cancelled in any situation.

Inventories

Inventories are stated at the lower of cost or net realisable value. A weighted average price is used in determination of cost.

Treasury shares

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

Provisions

A provision is recognised when the company has an existing (legal or factual) obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of the amount can be made. A restructuring provision is recognised once the Group has prepared a detailed restructuring plan and disclosed it.

Employee Benefits

Pension obligations

Pensions are classified as either defined contribution or defined benefit plans. In a defined contribution plan, the Group has no legal or 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 in 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 exceeding 10 per cent of total of the present value of defined benefit obligations or the fair value of plan assets (which ever is higher) are recorded in the income statement over the employees' excepted average remaining working lives. The liability recognised in the balance sheet is defined benefit obligation at the closing date less the fair value of plan assets, the share of unrecognised actuarial gains and losses, and past service costs.

Performance-based bonus scheme and personnel fund
All personnel are included in a performance or commission-based bonus scheme. Elisa also has a personnel fund. The costs for the performance-based bonus scheme and personnel fund are recognised in accordance with the accrual principle based on the best available estimate of realised amounts.

Share-based incentives
Elisa has a share-based incentive system with the aim of making top management commit to the long-term development of the company's value. Any rewards will be based on the accomplishment of the targets set. The share-based incentive system is measured at fair value at the time of granting, the cash portion of the reward is allocated at the end of the month preceding the reward payment month, and the share portion of the reward is allocated at the commitment period. The proportion settled in shares is recognised in equity, while the proportion settled in cash is recognised as a liability. Elisa estimates the realised number of shares on the basis of the share price at the closing date. The return of the system's remaining commitment period is estimated utilizing the so-called CAP model. If the assumption of the realised number of shares changes, an adjustment is made through profit and loss. The fair value of the portion settled in cash shall be reassessed on each date of the financial statements until the end of the month preceding the month during which the reward was paid. Transfer restrictions related to the scheme are not taken into account in fair valuation or expense recognition. The scheme does not involve any other terms and conditions not based on market terms.

Stock options
On 18 December 2007, Elisa's Board of Directors decided to grant stock options to the Group's key employees and a fully-owned subsidiary of Elisa Corporation. Stock options are measured at fair value at the time of granting and are recognised as expenses in the income statement in equal instalments allocated over the period between the time of granting to the time when the right arises. The expense determined at the time of granting is based on the Group's assessment of the number of options that are expected to become vested at the end of the vesting period. The fair value of options is determined on the basis of the Black-Scholes option pricing model. Estimates of the final number of options are updated on each balance sheet date, and the effects of changes in these estimates are recognised in the income statement. When options are exercised, monetary payments received for share subscriptions adjusted by any transaction costs shall be recognised in the reserve for invested non-restricted equity in accordance with the terms and conditions of the scheme.

Leases

Leases where the risks and benefits related to ownership remain with the lessor are classified as operating leases. Lease payments on operating leases are recognised as expenses in the income statement on a straight-line basis over the lease term.

Leases on tangible assets in which the Group has substantially all risks and rewards of ownership are classified as finance leases. Assets acquired on finance leases are recognised in 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 the 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 Group has primarily leased telecommunications networks and facilities and IT servers through finance leases.

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.

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 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.

Guarantee liability
Elisa has provided a guarantee related to the CDO derivative. Changes in the global financial market have further increased the guarantee-related risk. See Note 33.

Share incentive plans
The expense recognition for the share incentive plans is based on an estimate of the realisation of the share incentive plan criteria and the development of the Elisa share price as well as the calculated value of the granting date of the option. The estimate may deviate from the actual total return for the period. See Note 27.

Income and expenses
The measurement and allocation of income and expenses to the correct financial period is partially based on experienced assessments.

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.

New accounting pronouncements under IFRS

On 1 January 2010, Elisa will adopt the following new or amended standards and new interpretations, if they are approved by the EU by the planned date of adoption.

- Revised IFRS 3 Business Combinations. The revision enables valuation of minority interest and goodwill at fair value. The method to be used is selected on a case-by-case basis. In case of successive acquisitions, the previously acquired share of ownership is revaluated at the fair value on the acquisition date, and this influences the recognized goodwill. Changes in contingent purchase price and costs related to the acquisition are recognized through profit or loss.
- Revised IAS 27 Consolidated and Separate Financial Statements. The manner in which increases and decreases in the shares of ownership of the Group's subsidiaries are handled will change. Losses of the subsidiaries are allocated as minority interest, including the share exceeding the investment made by the subsidiary in question.

The following reforms to be implemented are not expected to influence the Group's reported financial statements:

- Annual improvements of IFRS standards
- Revised IFRS 2 Share-based Payment. The revisions refer to share-based transactions settled in cash within the Group.
- Revised IAS 39 Financial Instruments: Recognition and Measurement. The revision refers to items approved as hedged items.
- IFRIC 17 Distributions of Non-cash Assets to Owners. Non-cash dividends must be measured at fair value.
- IFRIC 18 Transfers of Assets from Customers. An asset received from a customer must be capitalized in the balance sheet if the company exercises authority over the asset. A liability recognized as a counterpart must be recognized as income based on delivered products or services.

1. Operating Segments

The adoption of IFRS 8 Operating Segments changed the Group's reportable segments in 2009. The standard requires that segment information be presented on the basis of internal reporting provided to management. Elisa's internal organizational and management structure is based on a customer-oriented operating model. The new operating segments to be presented are Consumer Customers and Corporate Customers. The former segments were Mobile Communications and Fixed Network. Information about products and services is now reported based on these businesses.

The segments are controlled by the segment-specific performance reporting that includes external revenue, EBITDA, EBIT and investments. Financial items, share of associated companies' profit and income taxes are not allocated to operating segments. The costs of production and support functions are allocated to operating segments on the matching principle. Operations in Estonia are divided into the Consumer Customers and Corporate Customers operating segments on the basis of customer accounts.

Segment assets consist of intangible and tangible assets, inventories, trade and other receivables. Deferred taxes, investments in associated companies, available-for-sale investments, interest-bearing receivables, financial items and income tax receivables are not included in segment assets. Management reporting does not include segment liabilities.

The reporting used as the basis for segment information complies with the Group's accounting principles.

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

The reported geographical areas are Finland, Rest of Europe and Other countries. The revenue for the geographical areas is presented on the basis of the customer's country. The assets and liabilities are presented by country.

Operating Segments

2009 EUR million	Consumer Customers	Corporate Customers	Unallocated items	**Group total**
Revenue	847.7	582.7		**1,430.4**
EBITDA	283.8	200.1		**483.9**
Depreciation and amortisation	–123.1	–93.3		**–216.4**
EBIT	160.7	106.8		**267.5**
Financial income			10.5	**10.5**
Financial expense			–43.1	**–43.1**
Share of associated companies' profit			0.0	**0.0**
Profit before tax				**234.9**
Investments	91.9	79.5		**171.4**
Assets	1,059.5	766.3	138.8	**1,964.6**

2008 EUR million	Consumer Customers	Corporate Customers	Unallocated items	Group total
Revenue	881.5	603.5		1,485.0
EBITDA	267.3	204.3		471.6
Depreciation and amortisation	–118.7	–88.4		–207.1
EBIT	148.6	115.9		264.5
Financial income			17.1	17.1
Financial expense			–54.0	–54.0
Share of associated companies' profit			0.0	0.0
Profit before tax				227.6
Investments	101.8	82.1		183.9
Assets	1,143.3	780.8	106.4	2,030.5

Product and service information

2009 EUR million	Mobile Communications	Fixed Network	Group total
Revenue	872.4	558.0	**1,430.4**

2008 EUR million	Mobile Communications	Fixed Network	Group total
Revenue	904.6	580.4	1,485.0

Geographical information

2009 EUR million	Finland	Rest of Europe	Other countries	Eliminations	Group total
Revenue	1,307.9	128.8	3.8	–10.1	**1,430.4**
Assets	1,874.7	89.9			**1,964.6**

2008 EUR million	Finland	Rest of Europe	Other countries	Eliminations	Group total
Revenue	1,342.3	150.7	5.1	–13.1	1,485.0
Assets	1,960.6	69.9			2,030.5

2. Acquisitions

Acquisitions in 2009

The Group did not make any significant acquisitions in 2009.

Acquisition of Xenetic Oy and the business operations of Trackway Oy in 2009

Elisa acquired all shares of Xenetic Oy in February 2009. Xenetic is a hosting service company, the business of which consists of data centres, monitoring, data communications and data security services and equipment, and application leasing among other things. Xenetic was consolidated with the Group since March 2009.

In February, Elisa also acquired the business operations of Trackway Oy, which provides e.g., solutions for asset tracking.

Additional purchase prices of EUR 1.5 million have been paid relating to acquisitions during the previous financial period. The additional purchase prices have been recognized as goodwill increases.

If the acquisitions had been made as of the beginning of the financial period 2009, it would not have had any major impact on Group's revenue or earnings for the period.

Components of acquisition cost

EUR 2.4 million of the acquisition costs in 2009 was allocated to customer base, and EUR 0.3 million to the immaterial rights. The business combinations resulted in goodwill of EUR 3.5 million. The goodwill resulted from the acquisition of a business concept.

EUR million	
Cash paid	6.6
Total cost of acquisition	6.6
Fair value of net assets acquired	3.1
Goodwill	3.5

Analysis of net assets acquired	Recognised fair values	Book values before consolidation
Intangible assets	2.8	0.1
Tangible assets	2.2	2.2
Receivables	1.1	1.1
Cash and cash equivalents	–1.1	–1.1
Liabilities	–1.9	–1.3
Net assets acquired	3.1	1.0

Effects of acquisitions on cash flow

Cash paid	–6.6
Credit limit paid on behalf of acquired subsidiary	–1.1
Cash flow	–7.7

Acquisitions in 2008

The Group did not make any significant acquisitions in 2008.

Acquisition of Kuntokompassi Oy, Electur Oy, Doneto Oy and Elisa Links Oy in 2008

Elisa acquired 50.98 per cent of Kuntokompassi Oy in February 2008. Kuntokompassi is a Finnish fitness training company founded in year 2000. Kuntokompassi was consolidated with the Group since February 2008. The new name for the company is Excenta Oy.

Elisa acquired all shares of Electur Oy in June 2008. Electur was founded in year 2001 and its core business consists of identity management, one-off registration and entry management. Electur Oy was consolidated with the Group since July 2008.

Elisa acquired all shares of Doneto Oy in October 2008. Doneto Oy's business comprise contact centre services. Doneto Oy was consolidated with the Group since November 2008.

Elisa acquired all shares of Telenor Oy in November 2008. The new name for the company is Elisa Links Oy. Elisa Links Oy's business comprises customer, services and network in Finland. Elisa Links was consolidated with the Group since November 2008.

If the acquisitions had been made as of the beginning of the financial period 2008, it would not have had any major impact on Group's revenue or earnings for the period.

Components of acquisition cost

EUR 1.2 million of the acquisition costs in 2008 was allocated to immaterial rights, and EUR 0.5 million to the customer base. The business combinations resulted in goodwill of EUR 4.6 million and in negative goodwill of EUR 1.3 million. The negative goodwill has been recognised within the acquisition as other operating income. The goodwill resulted from the purchase of know-how.

EUR million	
Cash paid	6.0
Fair value of issued shares	0.1
Total cost of acquisition	6.1
Fair value of net assets acquired	2.8
Goodwill	3.3

Analysis of net assets acquired	Recognised fair values	Book values before consolidation
Cash and cash equivalents	1.7	0.0
Intangible assets	0.7	0.7
Tangible assets	2.1	2.1
Receivables	0.7	0.7
Liabilities	–2.4	–1.9
Net assets acquired	2.8	1.6

Effects of acquisitions on cash flow	
Cash paid	–3.0
Expenses allocated to the acquisition	–0.1
Cash and cash equivalents of the acquired subsidiary	0.7
Cash flow	–2.4

3. Disposals

Disposals in 2009 and 2008

There were no disposals in 2009 and 2008.

4. Revenue

EUR million	2009	2008
Rendering of services	1,373.7	1,403.3
Sale of goods	56.7	81.7
Total revenue	1,430.4	1,485.0

5. Other operating income

EUR million	2009	2008
Gain on disposals of property, plant and equipment	0.9	0.7
Public subsidies	0.4	0.3
Others [1]	2.9	5.5
Total	4.2	6.5

[1] Other income items include rental income of real estate and mixcellaneous other operating income.

6. Materials and services

EUR million	2009	2008
Purchases of materials, supplies and goods	101.8	118.4
Change in inventories	–9.8	6.6
External services	484.3	527.4
Total	576.3	652.4

7. Employee expenses

EUR million	2009	2008
Salaries and wages	149.1	130.3
Share-based compensation expenses	5.2	0.6
Pension expenses – defined contribution plans	23.9	20.9
Pension expenses – defined benefit plans	0.2	0.1
Other statutory employee costs	10.4	10.6
Total	188.8	162.5

A more detailed analysis of defined benefit plans are shown in Note 28, Pension obligations.

Management remuneration

EUR million	2009	2008
Managing Directors and deputies [1]	1.7	0.9
Members and deputy members of Boards of Directors	0.5	0.5

[1] The salary cost includes EUR 0.4 million of share-based compensation expenses in 2009 (EUR –0.0 million).

Managing Directors' pension commitments

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

Personnel of the Group on average	3,216	2,946

Employment benefits for key management

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

EUR million	2009	2008
Board of Directors	0.5	0.5
Managing Director	0.8	0.7
Executive Board	2.0	1.4
Share-based compensation expenses [1]	1.6	–0.4
	4.9	2.2

[1] The share-based compensation expenses in 2009 is EUR 3.2 million (EUR –0.5 million), of which EUR 1.6 million (EUR –0.4 million) is allocated to the CEO and Executive Board. The terms and conditions of share-based incentive plans are described under Note 27, Share-based payments.

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

The period of notice for the CEO is six months from 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. The period of notice for other members of the Executive Board is six months from Elisa's side. Besides the salary of the period of notice the members of the Executive Board are entitled to receive the severance payment equalling the total salary of 9 months.

Elisa's CEO is entitled to retire at the age of 60 on the basis of supplementary pension insurance. Other members of the Executive Board are entitled to retire at the age of 62 on the basis of group supplementary pension insurance.

Share-based compensation granted to the management

The maximum award granted for the Executive Board within the share-based compensation 2009 equals 290,000 shares, of which 80,000 shares is the maximum award of the CEO. The award will be paid during the month following the publication of the 2009 financial statements. The maximum award granted within the share-based compensation 2010 equals 290,000 shares for the Group Executive Board, of which the maximum award for the CEO equals 80,000 shares.

Elisa shares held by the key management

The members of Elisa's Board of Directors, the CEO, the members of the Executive Board and their family members held a total of 176,987 shares and votes, corresponding to 0.11% of all shares and votes.

Employee bonus and incentive schemes

Performance-based bonus scheme

All personnel is included in performance, incentive or commission-based bonus scheme. Rewards are based on the financial and operational metrics of the Elisa and units. Targets are set and the maximum amount of reward is confirmed semiannually. Some of the Group's key personnel were within the share-based compensation and stock option plan in 2009.

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 except the Group's key personnel, who are included in the scope of either the share incentive plan or the stock option plan.

EUR 1.8 million was booked in the personnel fund on the basis of the 2009 earnings (no bookings in 2008).

Share-based incentive plan

On 18 December 2008, Elisa's Board of Directors decided on a share-based incentive plan for key personnel for 2009–2011. At the same time the share incentive plan for 2006 was reversed. The plans are described under Note 27, Share-based payments.

Stock option plan

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

8. Research and development costs

EUR million	2009	2008
Research and development costs recognised as expenses	7.7	8.4
Capitalised development costs	2.8	2.5

Focus areas for research and development in 2009 included service solutions improving networking electronic business and services, new communication methods enabled by ubicom, as well as new service opportunities related to the home security, health and the positioning ability of the mobile network.

9. Depreciation and amortisation

EUR million	2009	2008
Amortisation of intangible assets		
Customer base	15.4	14.7
Other intangible assets	38.9	28.5
Total	54.3	43.2
Depreciation of tangible assets		
Buildings and constructions		
Owned buildings and constructions	9.1	8.7
Buildings and constructions on finance lease	0.4	0.4
Telecom devices, machines and equipment		
Owned telecom devices, machines and equipment	147.8	150.3
Assets on finance lease	4.0	3.4
Other tangible assets	0.8	1.1
Total	162.1	163.9
Total depreciation and amortisation	216.4	207.1

No impairments were made on the assets in 2008–2009.

10. Auditor's fee

EUR million	2009	2008
Auditing	0.3	0.2
Tax advisory services	0.1	0.0
Other services	0.4	0.8
	0.8	1.0

11. Financial income and expense

EUR million	2009	2008
Financial income		
Dividend income from available-for-sale investments	1.1	1.0
Interest and financial income from loans and other receivables	1.4	2.3
Interest and financial income from assets recognised at fair value through profit or loss		0.4
Interest income from derivatives	7.1	7.1
Financial income from QTE arrangement		2.7
Other financial income	0.4	0.6
Gains/losses of financial assets at fair value through profit or loss, derivatives not in hedge accounting	0.5	3.0
Total	10.5	17.1

EUR million	2009	2008
Financial expense		
Interest expenses on financial liabilities measured at amortised cost	–34.0	–44.3
Other financial expenses on financial liabilities measured at amortised cost	–0.9	–1.2
Interest expenses on derivatives	–7.1	–7.7
Other interest expenses	–0.7	–0.3
Financial expense from QTE arrangement		–0.4
Other financial expenses	–0.4	–0.1
Total	–43.1	–54.0

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

12. Income taxes

EUR million	2009	2008
Taxes for the period	–60.5	–50.9
Taxes for previous periods	0.4	–0.8
Deferred taxes	3.0	1.1
Deferred taxes for previous periods	–0.8	
Total	–57.9	–50.6

Other comprehensive income items do not include taxes. The other comprehensive income items consist of changes in the value of investments available for sale. The change of value is tax-free because Elisa Corporation owns more than 10% of the company share capital.

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	2009	2008
Profit before tax	234.9	227.6
Tax according to the domestic tax rate	–61.1	–59.2
Tax effects of the following:		
Tax-free gains/losses on the disposal of shares		1.8
Non-deductible expenses	–0.8	–0.2
Tax effects of foreign subsidiaries	5.1	7.0
Other items	–0.7	0.8
Taxes for previous periods	–0.4	–0.8
Taxes in the income statement	–57.9	–50.6
Effective tax rate	24.6%	22.2%

13. Earnings per share

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

	2009	2008
Profit for the period attributable to the equity holders of the parent (EUR million)	176.3	176.3
Weighted average number of shares during the financial year (1,000)	155,619	157,450
Undiluted earnings per share (EUR/share)	1.13	1.12

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.

	2009	2008
Profit for the period attributable to the equity holders of the parent (EUR million)	176.3	176.3
Profit for the period for the purpose of calculating EPS adjusted for dilution (EUR million)	176.3	176.3
Weighted average number of shares during the financial year (1,000)	155,619	157,450
Impact of stock options (1,000 pcs)	190	
Weighted average number of shares for the purpose of calculating EPS adjusted for dilution (1,000)	155,809	157,450
Earnings per share adjusted for dilution (EUR/share)	1.13	1.12

14. Property, plant and equipment

2009 EUR million	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	In progress and pre-payments	Total
Acquisition cost at 1 Jan. 2009	6.6	195.4	2,053.1	36.7	28.5	**2,320.3**
Additions	0.1	5.6	121.7		20.1	**147.5**
Acquisitions of subsidiaries			2.2			**2.2**
Disposals	–0.1	–1.3	–5.1			**–6.5**
Reclassifications		4.4	18.4		–21.9	**0.9**
Acquisition cost at 31 Dec. 2009	6.6	204.1	2,190.3	36.7	26.7	**2,464.4**
Accumulated depreciation and impairment at 1 Jan. 2009		70.3	1,586.5	33.0		**1,689.8**
Depreciation		9.5	151.8	0.8		**162.1**
Accumulated depreciation on disposals and reclassifications		–1.3	–4.1			**–5.4**
Accumulated depreciation and impairment at 31 Dec. 2009		78.5	1,734.2	33.8		**1,846.5**
Book value at 1 Jan. 2009	6.6	125.1	466.6	3.7	28.5	**630.5**
Book value at 31 Dec. 2009	6.6	125.6	456.1	2.9	26.7	**617.9**

2008 EUR million	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	In progress and pre-payments	Total
Acquisition cost at 1 Jan. 2008	6.3	185.9	1,913.1	36.7	29.8	2,171.8
Additions	0.2	6.5	128.8		23.3	158.8
Acquisitions of subsidiaries			0.8			0.8
Disposals		–0.8	–10.4			–11.2
Reclassifications	0.1	3.8	20.8		–24.6	0.1
Acquisition cost at 31 Dec. 2008	6.6	195.4	2,053.1	36.7	28.5	2,320.3
Accumulated depreciation and impairment at 1 Jan. 2008		61.7	1,440.9	31.9		1,534.5
Depreciation		9.1	153.7	1.1		163.9
Accumulated depreciation on disposals and reclassifications		–0.5	–8.1			–8.6
Accumulated depreciation and impairment at 31 Dec. 2008		70.3	1,586.5	33.0		1,689.8
Book value at 1 Jan. 2008	6.3	124.2	472.2	4.8	29.8	637.3
Book value at 31 Dec. 2008	6.6	125.1	466.6	3.7	28.5	630.5

Commitments to purchase property, plant and equipment and intangible assets at 31 Dec. 2009 were EUR 30.7 million (2008: EUR 2.3 million). The additions in 2009 include EUR 1.1 million (2008: EUR 4.7 million) property, plant and equipment leased under finance lease agreements.

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

2009 EUR million	Buildings and constructions	Machinery and equipment	Total
Acquisition cost	17.4	89.9	107.3
Accumulated depreciation	2.8	85.9	88.7
Book value at 31 Dec. 2009	14.6	4.0	18.6
2008			
Acquisition cost	17.4	89.4	106.8
Accumulated depreciation	2.3	82.0	84.3
Book value at 31 Dec. 2008	15.1	7.4	22.5

15. Intangible assets

2009 EUR million	Goodwill	Customer base	Other intangible assets	In progress and pre-payments	Total
Acquisition cost at 1 Jan. 2009	778.6	73.7	266.2	39.4	1,157.9
Additions	0.5		12.4	10.7	23.6
Acquisitions of subsidiaries	3.0	2.4	0.4		5.8
Disposals	–0.1				–0.1
Reclassifications			37.1	–38.0	–0.9
Acquisition cost at 31 Dec. 2009	782.0	76.1	316.1	12.1	1,186.3
Accumulated amortisation at 1 Jan. 2009		47.2	154.6		201.8
Amortisation		15.4	38.9		54.3
Accumulated amortisation at 31 Dec. 2009		62.6	193.5		256.1
Book value at 1 Jan. 2009	778.6	26.5	111.6	39.4	956.1
Book value at 31 Dec. 2009	782.0	13.5	122.6 [1)]	12.1	930.2

2008 EUR million	Goodwill	Customer base	Other intangible assets	In progress and pre-payments	Total
Acquisition cost at 1 Jan. 2008	773.6	73.2	227.7	52.2	1,126.7
Additions	0.4		8.8	15.8	25.0
Acquisitions of subsidiaries	4.6	0.5	1.2		6.3
Reclassifications			28.5	–28.6	–0.1
Acquisition cost at 31 Dec. 2008	778.6	73.7	266.2	39.4	1,157.9
Accumulated amortisation at 1 Jan. 2008		32.5	126.1		158.6
Amortisation		14.7	28.5		43.2
Accumulated amortisation at 31 Dec. 2008		47.2	154.6		201.8
Book value at 1 Jan. 2008	773.6	40.7	101.6	52.2	968.1
Book value at 31 Dec. 2008	778.6	26.5	111.6 [1)]	39.4	956.1

[1)] Includes IT software for a book value of EUR 94.7 million (EUR 78.2 million) and brand for a book value of EUR 23.3 million (27.3 million).

Impairment testing of goodwill

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

EUR million	2009
Consumer Customers	479.9
Corporate Customers	302.1
Total	782.0

Implementation of the IFRS 8 Operating Segments standard changed the goodwill allocation. The reported operating segments based on the Elisa organisational and management structure are Consumer Customers and Corporate Customers. Goodwill has been reallocated in these cash-generating units since the beginning of 2009. Furthermore, the operating segments are the lowest level at which the company management monitors the goodwill.

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 9.48% to 9.85% depending on the segment. Cash flows after five years have been projected by estimating the change in future cash flows as zero. As a result of the performed impairment tests, there is no need for impairment of the segments' goodwill. Use of the DCF model requires forecasts and assumptions concerning market growth, prices, volume development, investment needs and general interest rate. The major sensitivities in the performance are associated with the forecast revenue and profitability levels and investment needs.

Sensitivity analysis

Projection parameters applied	Consumer Customers 2009	Corporate Customers 2009
Amount in excess of book value, EUR million	1,641	759
EBITDA margin on average, % [*)]	37.5%	34.6%
Investments on average, % of revenue [*)]	11.2%	13.9%
Horizon growth, %	0.0%	0.0%
General interest rate level, %	3.3%	3.3%

[*)] On average during five-year projection period

Changed projection parameter level at which fair value equals book value	Consumer Customers 2009	Corporate Customers 2009
EBITDA margin on average, %	–17.7%	–11.1%
Investments on average, % of revenue	13.2%	8.2%
Horizon growth, %	–33.8%	–16.2%
General interest rate level, %	13.5%	8.8%

16. Associates and joint ventures

Associates

EUR million	2009	2008
At beginning of period	0.1	0.1
Share of associated companies' profit	0.0	0.0
At end of period	0.1	0.1

Goodwill of associates in the balance sheet at 31 Dec. 2009 was EUR 0.1 million (EUR 0.1 million).

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

Joint ventures

At the end of 2009 Elisa had two mutual real estate companies, which have been consolidated corresponding to the Group's ownership interest. Elisa's holding in Kiinteistö Oy Paimion Puhelinkulma was 77% and in Kiinteistö Oy Brahenkartano 60%.

17. Financial assets recognised at fair value

EUR million	2009	Level 1	Level 2	Level 3
Financial assets recognised at fair value	1.5		1.5	
Available-for-sale financial assets	30.7	11.2		19.5
Total	32.2	11.2	1.5	19.5

EUR million	2008	Level 1	Level 2	Level 3
Financial assets recognised at fair value	1.0		1.0	
Available-for-sale financial assets	29.0	9.9		19.1
Total	30.0	9.9	1.0	19.1

Level 3 reconciliation

Available-for-sale investments

EUR million	2009	2008
Balance at the beginning	19.1	10.6
Purchases	0.5	8.6
Sales	–0.1	–0.1
Balance at the end	19.5	19.1

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

18. Book values of financial assets and liabilities by measurement groups

2009 EUR million	Financial assets available for sale	Loans and receivables	Financial assets/liabilities recognised at fair value through profit or loss [1]	Financial liabilities measured at amortised cost	Book values	Fair values	Note
Non-current financial assets							
Available-for-sale investments	30.7				30.7	30.7	19
Receivables		17.9	1.5		19.4	19.4	20
Current financial assets							
Trade and other receivables		278.0			278.0	278.0	23
	30.7	295.9	1.5		328.1	328.1	
Non-current financial liabilities							
Interest-bearing liabilities				592.3	592.3	609.7	30
Other liabilities				13.4	13.4	13.4	31
Current financial liabilities							
Interest-bearing liabilities				157.2	157.2	157.0	30
Trade and other payables				263.3	263.3	263.3	31
				1,026.2	1,026.2	1,043.4	

[1] Assets defined as such at initial recognition

2008 EUR million	Financial assets available for sale	Loans and receivables	Financial assets/liabilities recognised at fair value through profit or loss [1]	Financial liabilities measured at amortised cost	Book values	Fair values	Note
Non-current financial assets							
Available-for-sale investments	29.0				29.0	29.0	19
Receivables		11.4	1.0		12.4	12.4	20
Current financial assets							
Trade and other receivables		318.9			318.9	318.9	23
	29.0	330.3	1.0		360.3	360.3	
Non-current financial liabilities							
Interest-bearing liabilities				672.3	672.3	638.9	30
Other liabilities				14.0	14.0	14.0	31
Current financial liabilities							
Interest-bearing liabilities				172.3	172.3	172.3	30
Trade and other payables				255.5	255.5	255.5	31
				1,114.1	1,114.1	1,080.7	

[1] Assets defined as such at initial recognition

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

19. Available-for-sale investments

EUR million	2009	2008
Publicly listed shares	11.2	9.9
Unlisted shares	19.5	19.1
Total	30.7	29.0

Changes in the fair value of listed shares EUR 1.2 million (EUR –10.4 million) have been recognised in equity.

20. Non-current receivables

EUR million	2009	2008
Loan receivable	0.1	0.1
Trade receivables	9.7	3.8
Prepayments and accrued income	6.7	6.6
Defined benefit pension plan	1.1	
Derivatives	1.5	1.0
Other non-current receivables	0.3	0.9
Total	19.4	12.4

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

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

21. Deferred tax receivables and liabilities

The change in deferred tax receivables and liabilities during the 2009 is divided as follows:

Deferred tax receivables EUR million	1 Jan. 2009	Recognised in income statement	Acquired/sold subsidiaries	31 Dec. 2009
Provisions	1.6	–0.8		0.8
Unused tax losses	7.1	–0.1		7.0
Finance lease agreements	3.2	–0.2		3.0
Negative depreciation difference	5.8			5.8
Internal margins	8.9	–1.0		7.9
Share-based incentive plan	1.3	–0.5		0.8
Other temporary differences	0.4	0.0		0.4
Total	28.3	–2.6		25.7

Deferred tax liabilities EUR million	1 Jan. 2009	Recognised in income statement	Acquired/sold subsidiaries	31 Dec. 2009
Fair value measurement of tangible and intangible assets in acquisition	15.2	–5.5	0.6	10.3
Accumulated depreciation difference	14.1	1.2		15.3
Other temporary differences	1.6	–0.6		1.0
Total	30.9	–4.9	0.6	26.6

The Group had EUR 13.8 million (EUR 5.8 million) of unused tax losses at 31 December 2009, which have not been recognised in tax receivables. These losses expire in 2010–2018. No tax liability has been recognised for the untaxed retained earnings of the Estonian subsidiary as no profit distribution decision or plans for profit distribution exist for the time being.

The change in deferred tax receivables and liabilities during the 2008 is divided as follows:

Deferred tax receivables EUR million	1 Jan. 2008	Recognised in income statement	Acquired/sold subsidiaries	31 Dec. 2008
Provisions	2.9	–1.3		1.6
Unused tax losses	7.1			7.1
Finance lease agreements	3.2			3.2
Negative depreciation difference	4.8	1.0		5.8
Internal margins	10.0	–1.1		8.9
Share-based incentive plan	3.1	–1.8		1.3
Other temporary differences	0.6	–0.2		0.4
Total	31.7	–3.4		28.3

Deferred tax liabilities EUR million	1 Jan. 2008	Recognised in income statement	Acquired/sold subsidiaries	31 Dec. 2008
Fair value measurement of tangible and intangible assets in acquisition	20.1	–5.3	0.4	15.2
Accumulated depreciation difference	13.3	0.8		14.1
Other temporary differences	1.5	0.1		1.6
Total	34.9	–4.4	0.4	30.9

22. Inventories

EUR million	2009	2008
Materials and supplies	12.9	8.2
Work in progress	0.6	1.2
Finished products/goods	17.7	12.3
Total	31.2	21.7

An impairment of EUR 0.8 million (EUR 1.6 million) on inventories was recognised during the period.

23. Trade and other receivables

EUR million	2009	2008
Trade receivables	257.1	293.7
Prepayments and accrued income	12.7	14.6
Other receivables	8.2	10.6
Total	278.0	318.9

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

Total receivables by age

EUR million	2009	2008
Not due	233.6	226.5
Overdue less than 30 days	13.7	49.6
Overdue 31–60 days	4.3	6.1
Overdue 61–90 days	2.3	2.9
Overdue more than 90 days	3.2	8.6
Total	257.1	293.7

The book value of trade receivables is a reasonable estimate of their fair value. The credit risk on trade receivables is described in Note 34.

24. Cash and cash equivalents

EUR million	2009	2008
Cash assets	19.1	18.1
Cash at bank	11.9	14.9
Total	31.0	33.0

The effective interest rate of bank deposits was 0.01% and the average maturity 4 days.

25. Derivative instruments

Nominal values of derivatives			2009			2008
EUR million	Period of validity Less than 1 year	1–5 years	Over 5 years	Period of validity Less than 1 year	1–5 years	Over 5 years
Interest rate swaps		150.0				150.0
Credit default swaps (CDS) *)		44.0				47.4
Total		194.0				197.4

Fair values of derivatives			2009			2008
EUR million	Positive fair value	Negative fair value	Total	Positive fair value	Negative fair value	Total
Interest rate swaps	1.5		1.5	1.0		1.0
Total	1.5		1.5	1.0		1.0

*) CDS is related to hedging the guarantor bank risk for the QTE agreement. In 2008 Elisa wrote down the fair value of the CDS agreement.

Determination of fair value

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

Elisa's interest rate swaps are categorized at the fair value hierarchy level 2. See Note 18.

26. Equity

Share capital, share premium and treasury shares

EUR million	Number of shares (thousands)	Share capital	Treasury shares	Total
1 Jan. 2008	166,308	83.0	–165.8	**–82.8**
Purchase of treasury shares			–43.3	**–43.3**
Share-based compensation			7.1	**7.1**
31 Dec. 2008	166,308	83.0	–202.0	**–119.0**
31 Dec. 2009	166,308	83.0	–202.0	**–119.0**

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

According to its Articles of Assocation, Elisa Corporation only has one series of shares, each share entitling to one vote.

In accordance with the Articles of Association, the maximum number of shares is 1,000 million shares (1,000 million shares). All issued shares have been paid.

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

Treasury shares	Shares pcs	Accounting counter-value EUR	Holding, % of shares and votes
Treasury shares held by the Group/Elisa Corporation at 31 Dec. 2008	10,688,629	5,336,552	6.43%
Treasury shares held by the Group/Elisa Corporation at 31 Dec. 2009	10,688,629	5,336,552	6.43%

Other funds

EUR million	Contingency reserve	Fair value reserve	Other reserves	Reserve for invested non-restricted equity	**Total**
1 Jan. 2008	3.4	19.5	381.0	535.7	**939.6**
Available-for-sale investments		–10.4			**–10.4**
Capital repayment				–284.9	**–284.9**
31 Dec. 2008	3.4	9.1	381.0	250.8	**644.3**
Available-for-sale investments		1.2			**1.2**
Capital repayment				–62.2	**–62.2**
31 Dec. 2009	3.4	10.3	381.0	188.6	**583.3**

The EUR 3.4 million contingency reserve includes the amount transferred from the distributable equity under the Articles of Association or by a decision by the General Meeting. The fair value reserve of EUR 10.3 million includes changes in the fair value 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, EUR 0.1 million.

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

27. Share-based payments

Share incentive plan for 2009–2011

On 18 December 2008, Elisa's Board of Directors decided on a new share-based incentive plan. Under the plan, members of key management are eligible to receive shares in the Elisa as a reward for their performance over an earnings period of three calendar years. The earning periods are calendar years 2009, 2010 and 2011.

The Board of Directors decides earnings criteria and their targets separately for each earnings period. The earnings criteria for 2009 and 2010 are earnings per share and the development of revenue. The amount of the award to be paid out of the share option plan is tied to the accomplishment of the targets set. The award will be paid within one month after each earning periods financial statement have been closed as a combination of company shares and cash. The amount of the cash award paid will be, at maximum, the value of the shares at the moment of transfer. The maximum award of the plan is 1,100,000 shares. The maximum amount of the award equals the value of 2,200,000 shares of Elisa. Elisa's Board of Directors has decided on the persons involved in the plan both for year 2009 and year 2010.

No award will be paid if individuals's employment terminates before payment. The CEO must hold one-half of the shares received under the plan for as long as he serves as the CEO. Others must hold all shares received under the plan for one year and two-thirds of the shares for two years after the end of each earning period.

Expenses recognised for share incentive plan was EUR 3.2 million in 2009 (EUR 0.0 million).

Amount of share incentives and terms and assumptions in the fair value calculation	Plan for 2010	Plan for 2009
Maximum level, pcs	766,000	668,000
Number of instruments granted	630,000	624,000
Granting date	31.12.2009	31.12.2008
Fair value of share at date of granting, EUR [1]	15.16	11.50
Share price at end of period, EUR	15.96	15.96
Estimated realisation of share price after one committed year [2]	17.99	13.59
Estimated realisation of share price after two commited years [2]	19.30	14.48
Earnings period starts	1.1.2010	1.1.2009
Earnings period ends	31.12.2010	31.12.2009
Restriction period ends	31.12.2012	31.12.2011
Estimated realisation of earnings criteria at the beginning of earnings period	50%	67%
Estimated realisation of earnings criteria at the closing date		56%
Persons covered by plan	50	47

[1] The fair value of the share is granting date's share price minus estimated dividend.

[2] 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.

In 2008, the share incentive plan for 2006 was terminated

Under the terminated plan, members of key management are eligible to receive shares in the Elisa as a reward for their performance over an earnings period of two calendar years. The amount of the award to be paid out of the share option plan is tied to the total return on the Elisa's share over the earnings period. The earnings periods for Plan A were from 2 March 2006 to 31 March 2008 and for Plan B from 1 January 2008 to 31 March 2010. The amount of the award for both Plan A and B equals, at minimum, the value of 172,800 Elisa shares and, at maximum, the value of 1,612,800 Elisa shares. If Elisa's share price adjusted for dividends paid during the earnings period had been less than EUR 16.00, no share-based incentive had been distributed for Plan A, and if the price were less than EUR 20.81, no incentive were distributed for Plan B. In December 2008, Elisa's Board of Directors and beneficiaries decided on a mutual agreement to terminate Plan B. Expenses recognised for Plan B was EUR 0.9 million in 2008.

The payment for Plan A, determined by the average share price in March 2008 and weighted by trading volume, was EUR 14.54. The payment totalled EUR 11.7 million, by which EUR 6.4 million was paid in cash. On 2 May 2008, based on the Board of Directors desicion, Elisa transferred 361,347 shares to the 49 persons involved in the plan, of which 142,053 shares to the members of the Executive Board and 31,923 shares to the CEO. Incomes recognised for Plan A was EUR 1.4 million in 2008.

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.

Stock option plan 2007

On 18 December 2007, Elisa's Board of Directors decided to issue stock options to the Group's key employees and a fully-owned subsidiary of the company. The stock option scheme is targeted at approximately 150 key employees who are not included in the share-based incentive plan for senior management. The stock options are granted without consideration.

The stock options entitle to the subscription of a total of 2,550,000 new shares or treasury shares. The options are divided into options 2007A, 2007B and 2007C, 850,000 in each series.

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

Stock option plan 2007A

Granting date	Granted amount	Share price at date of granting
31 Jan. 2008	500,500	19.02
30 Apr. 2008	4,000	14.46
31 Aug. 2008	6,000	14.58
30 Nov. 2008	2,000	11.29
31 Dec. 2008	5,000	12.30
Number of instruments granted	517,500	
Number of instruments returned	–39,650	
Outstanding	477,850	
In stock	365,150	

Stock option plan 2007B

Granting date	Granted amount	Share price at date of granting
31 Jan. 2009	571,000	12.39
31 May 2009	3,000	10.50
31 Jul. 2009	6,000	12.87
31 Aug. 2009	15,000	13.76
30 Sept. 2009	6,000	14.02
31 Oct. 2009	7,000	13.19
31 Dec. 2009	3,500	15.96
Number of instruments granted	611,500	
Number of instruments returned	–13,000	
Outstanding	598,500	
In stock	251,500	

Terms of arrangement	2007A	2007B	2007C
Subscription price	EUR 18.04 [1)]	EUR 10.89 [2)]	EUR 13.99 [3)]
Validity period (years)	3.5	3.5	3.5
Subscription period	1.12.2009–31.5.2011	1.12.2010–31.5.2012	1.12.2011–31.5.2013

[1)] Average price weighted by trading volume at NASDAQ OMX Helsinki Oy from 1 November to 30 November 2007 deducted by the amount of capital repayment EUR 1.8 year 2008 and by the amount of capital repayment EUR 0.40 and dividend payment EUR 0.60 year 2009.

[2)] Average price weighted by trading volume at NASDAQ OMX Helsinki Oy from 1 November to 30 November 2008 deducted by the amount of capital repayment EUR 0.40 and dividend payment EUR 0.60 year 2009.

[3)] Average price weighted by trading volume at NASDAQ OMX Helsinki Oy from 1 November to 30 November 2009.

Fair values of options

Elisa uses the Black-Scholes model to determine fair value on the granting date. The fair value is booked as personnel expenses over the earnings period. Granting date is the date on which the recipient confirms in writing the reception of the stock options. Expenses recognised for the stock option plan amounted to EUR 2.0 million in 2009 (EUR 1.1 million).

28. Pension obligations

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

The pension plans of foreign subsidiaries are defined contribution plans.

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

EUR million	2009	2008
Present value of unfunded obligations	−0.8	−0.9
Present value of funded obligations	−44.6	−51.0
Fair value of plan assets	43.6	49.3
Deficit/surplus	−1.8	−2.6
Unrecognised actuarial gains (+) / losses (–)	2.1	1.3
Net liability in the balance sheet	0.3	−1.3
Amounts in the balance sheet:		
Liability	−0.8	−1.3
Receivable	1.1	
Net liability in the balance sheet	0.3	−1.3

Changes in the present value of the obligation:

EUR million	2009	2008
Obligation at beginning of period	−51.9	−57.9
Service cost	−0.2	−0.1
Interest expenses	−2.4	−2.7
Actuarial losses (+) and gains (–)	4.6	0.3
Benefits paid	4.5	4.0
Gains (–) and losses (+) on curtailment		4.5
Obligation at end of period	−45.4	−51.9

Changes in the fair value of plan assets:

EUR million	2009	2008
Fair value of plan assets at beginning of period	49.3	54.9
Expected return on plan assets	2.4	2.7
Benefits paid	−4.5	−4.0
Actuarial gains (+) and losses (–)	−5.4	−0.7
Contributions paid by employer	1.8	0.8
Losses/gains on curtailment		−4.4
Fair value of plan assets at end of period	43.6	49.3

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

EUR million	2009	2008
Current service cost	0.2	0.1
Interest costs	2.4	2.7
Expected return on plan assets	−2.4	−2.7
	0.2	0.1

Actual return on plan assets was EUR −3.1 million in 2009 (EUR 2.0 million in 2008).

The principal actuarial assumptions used:

	2009	2008
Discount rate	5.00%	5.00%
Expected return on plan assets	5.00%	5.00%
Future salary increase	3.30%	3.30%
Future pension increase	2.10%	2.10%

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

EUR million	2009	2008	2007	2006	2005
Present value of obligation	45.4	51.9	57.9	61.3	68.8
Fair value of plan assets	−43.6	−49.3	−54.9	−58.1	−64.2
Excess (+) / deficit (–)	−1.8	−2.6	−3.0	−3.2	−4.6
Experience-based adjustments to plan assets	−5.5	−0.7	−2.3	−0.2	−0.2
Experience-based adjustments to plan liabilities	4.6	0.3	2.4	−0.6	

The Group expects to contribute EUR 0.2 million to defined benefit pension plans in 2010 (EUR 0.4 million).

29. Provisions

EUR million	Restructuring	Other	Total
1 Jan. 2009	3.5	2.3	5.8
Increases in provisions	0.2	1.3	1.5
Used provisions	–2.1	–0.6	–2.7
31 Dec. 2009	1.6	3.0	4.6

EUR million	2009	2008
Long-term provisions	3.7	4.3
Short-term provisions	0.9	1.5
Total	4.6	5.8

Restructuring provision

The restructuring provision is made for unemployment pensions, which will be realised in 2010–2012.

Other provisions

Other provisions include a provision for vacant premises and an environmental provision made for telephone poles.

30. Interest-bearing liabilities

	2009		2008	
EUR million	Balance sheet values	Fair values	Balance sheet values	Fair values
Non-current				
Bonds	522.1	539.5	570.1	536.6
Loans from financial institutions	50.2	50.2	80.2	80.3
Finance lease liabilities	20.0	20.0	22.0	22.0
	592.3	609.7	672.3	638.9
Current				
Bonds	50.0	49.8	36.0	36.2
Loans from financial institutions	30.0	30.0	75.1	75.1
Finance lease liabilities	3.2	3.2	5.1	5.1
Commercial paper	74.0	74.0	55.6	55.6
Other current liabilities			0.5	0.5
	157.2	157.0	172.3	172.5
Total	749.5	766.7	844.6	811.4

Interest bearing liabilities include a total of EUR 23.2 million (EUR 27.1 million) of secured liabilities (leasing liabilities). In substance the finance lease liabilities are secured liabilities, since rights to the leased property will revert to the lessor if payments are neglected.

All interest-bearing liabilities are denominated in euros. 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.

The average maturity of non-current liabilities was 3.5 (3.9) years and effective average rate of interest 4.7% (5.1%).

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

2009

EUR million	2010	2011	2012	2013	2014	2015–	**Total**
Bonds	74.5	249.3	14.4	14.5	302.5		**655.2**
Financial costs	24.5	23.4	14.4	14.5	2.5		**79.3**
Repayments	50.0	225.9	0.0	0.0	300.0		**575.9**
Bank loans	31.1	1.2	1.2	1.0	10.8	41.3	**86.6**
Financial costs	1.1	1.1	1.1	1.0	0.8	1.3	**6.4**
Repayments	30.0	0.1	0.1	0.0	10.0	40.0	**80.2**
Commercial paper	74.0						**74.0**
Financial costs	0.3						**0.3**
Repayments	73.7						**73.7**
Finance lease liabilities	5.2	3.2	2.4	1.8	1.8	60.8	**75.2**
Financial costs	2.0	1.7	1.6	1.6	1.6	43.5	**52.0**
Repayments	3.2	1.5	0.8	0.2	0.2	17.3	**23.2**
Interest rate swap	–0.4	–0.4	–0.4	–0.4	–0.1		**–1.6**
Guarantees given	0.3	22.9	18.4				**41.6**
Financial costs	27.9	48.7	35.2	16.7	4.8	44.8	**178.1**
Repayments	156.9	227.5	0.9	0.2	310.2	57.3	**753.0**
Total	184.8	276.2	36.0	16.9	315.0	102.1	**931.1**

2008

EUR million	2009	2010	2011	2012	2013	2014–	Total
Bonds	63.7	75.0	250.4	14.5	14.4	314.4	732.4
Financial costs	27.7	25.0	24.5	14.5	14.4	14.4	120.5
Repayments	36.0	50.0	225.9			300.0	611.9
Bank loans	4.5	33.6	3.0	3.0	3.0	59.0	106.2
Financial costs	4.4	3.5	3.0	3.0	3.0	9.0	25.9
Repayments	0.0	30.0	0.0	0.0	0.0	50.0	80.3
Committed credit limits	75.2						75.2
Financial costs	0.2						0.2
Repayments	75.0						75.0
Commercial paper	55.6						55.6
Financial costs	1.1						1.1
Repayments	54.5						54.5
Finance lease liabilities	7.3	4.3	2.9	2.2	1.8	62.5	81.1
Financial costs	2.2	1.9	1.7	1.6	1.6	45.0	54.0
Repayments	5.1	2.4	1.2	0.6	0.2	17.5	27.1
Other liabilities	0.5						0.5
Financial costs	0.0						0.0
Repayments	0.5						0.5
Interest rate swap	1.2	1.2	1.2	1.2	1.2	1.2	7.3
Guarantees given	1.1	0.4	23.7	19.0	0.0	0.0	44.3
Financial costs	37.9	31.9	54.1	39.4	20.3	69.6	253.3
Repayments	171.2	82.5	227.1	0.6	0.3	367.6	849.3
Total	209.2	114.4	281.2	40.0	20.6	437.2	1,102.6

Upcoming financial costs on variable-rate financial liabilities and interest rate swaps have been calculated at the interest rate valid on the balance sheet date.

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

In compliance with the reformed IFRS 7 implemented in 2009, the table also includes guarantees given. The guarantees are shown for the period during which the guarantee may fall due, at the earliest. The data of 2008 has been converted into comparable data.

Bonds

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

	31 Dec. 2009 Fair value EUR million	31 Dec. 2009 Balance sheet value EUR million	31 Dec. 2009 Nominal value EUR million	Nominal interest rate	31 Dec. 2009 Effective interest	Maturity date
EMTN programme 2001 / EUR 1,000 million						
IX/2004	232.1	220.7	225.9	4.375%	5.226%	22.9.2011
I/2007	49.8	50.0	50.0	3-month euribor + 0.22%	0.940%	3.3.2010
II/2007	307.4	299.4	300.0	4.750%	4.789%	3.3.2014
Total	589.3	570.1	575.9			

The fair value of bonds is based on market quotes.

31. Trade payables and other liabilities

EUR million	2009	2008
Non-current		
Advances received	6.8	7.0
Other liabilities	6.6	7.0
	13.4	14.0
Current		
Trade payables	155.1	145.2
Advances received	4.4	4.1
Accrued employee-related expenses	35.1	27.3
Other accruals	37.8	38.6
Other liabilities	30.9	40.3
	263.3	255.5
Total	276.7	269.5

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

32. Operating leases

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

EUR million	2009	2008
Within one year	19.2	22.2
Later than one year and up to five years	34.8	36.8
Later than five years	13.5	15.2
Total	67.5	74.2

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.

33. Collateral, commitments and other liabilities

EUR million	2009	2008
Mortgages		
For own and group companies		0.4
Pledges given		
Bank deposits given for own debt	0.7	0.8
Guarantees given		
For others *)	42.4	44.3
Total	43.1	45.5

*) 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 2009 (EUR 0.5 million). The guarantee for EUR 41.6 million relates to the QTE arrangement described below.

In September 1999, Elisa signed a leaseback agreement (a so-called QTE facility) with U.S.-based financial institutions. The arrangement concerned certain parts of the telecommunication network to which Elisa group companies retain the title in accordance with the agreement. The overall value of the arrangement was approximately EUR 140.9 million (approximately USD 203 million). 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 QTE facility is recognised in the balance sheet at net value on the basis of the interpretation SIC 27 issued by the IASB. According to the original plan, the compensation was to be recorded in full within ten years of the agreement having been signed. Elisa was entitled to terminate the agreement free of cost in 2014 at the earliest, but the parties in the agreement terminated the QTE Facility in November 2008. The Group recorded EUR 2.3 million of the compensation as other financial income in 2008. In 2009 there were no bookings influencing Group financial income and costs.

In relation to the arrangement, Elisa had a counterparty risk of approximately USD 63.3 million which is included in the total value of the QTE facility. In 2007 Elisa signed a credit risk derivative contract (CDS) equal to the counterparty risk and valid until 2012 with European bank concerning the finance company to diversify its counterparty risk. In 2008 Elisa wrote down the fair value of the CDS since the finance company that was the counterparty in the QTE facility fully paid its liabilities at the time the QTE Facility was terminated. The Group recorded no compensation as other financial income and costs in 2009 (EUR 1.0 million financial costs in 2008).

In the same connection in 2007 Elisa provided a guarantee for a European bank for a credit derivative portfolio (CDO) of approximately USD 60 million (EUR 41.6 million) consisting of approximately 125 sovereign and corporate issuers. The reason for the derivative arrangements was to diversify the counterparty risk from one issuer to several counterparties.

In connection to the counterparty risk hedging, Elisa provided a maximum USD 60 million guarantee for a credit derivative portfolio (CDO) in 2007. The risk of the guarantee being called increased due to the credit crisis in 2008 and further during 2009. Possible further credit default events in the portfolio may result in partial or full demands being made under the guarantee already in 2010. There is a dispute between Elisa and the arranger bank as to the extent and scope of Elisa's obligations under the guarantee and legal proceedings have been commenced to resolve the dispute. At the year end, no guarantee liability was realised nor expenses accounted. Possible guarantee liability expense realisation is evaluated constantly and booked if materialised. The guarantee is valid until 15 December 2012. The maximum liability of USD 60 million, if realised, would mean cash payments of USD 33 million in 2011 and USD 27 million in 2012.

	EUR million	USD million
Nominal value of CDS agreement related to the arrangement 1)	–44.0	–63.3
Nominal value of CDO portfolio guarantee related to the arrangement 2)	41.6	60.0

1) Also presented in Note 25

2) Also presented under "Guarantees given"

Other contractual obligations

EUR million	2009	2008
Repurchase commitments	0.0	0.1

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

Real estate investments

Real estate investments VAT refund liability is EUR 18.5 million at 31 December 2009 (EUR 16.8 million).

34. Financial risk management

Elisa Corporation's centralised financing function is responsible for exchange rate, interest rate, liquidity, and refinancing risks for the entire Group. The principles of financing policy, such as funding and investment principles, are annually discussed and ratified by the Committee for Auditing of the Board of Directors. Funding risks are monitored as part of the regular business monitoring procedure.

Market risks

Interest rate risk

Elisa is exposed to interest rate risk mainly through its financial liabilities. In order to manage interest rate risk, the Group's borrowing and investments are diversified in fixed- and variable-rate instruments. Derivative financial instruments may be used in managing interest rate risk. The aim is to hedge the negative effects caused by changes in the interest rate level. Hedge accounting is not applied to the derivatives.

Times of interest rate changes for interest-bearing financial liabilities (EUR million), 31 Dec. 2009, at nominal value

Time of interest rate change	Less than 1 year	1 to 5 years period	Over 5 years period	Total
Variable-rate financing instruments				
Commercial paper loans	74.0			74.0
Bonds	50.0			50.0
Liabilities to financial institutions	80.3			80.3
Finance lease	3.2			3.2
Fixed-rate financing instruments				
Bonds		525.9		525.9
Finance lease		2.8	17.3	20.1
Total	207.5	528.7	17.3	753.5

Times of interest rate changes for interest-bearing investments (EUR million), 31 Dec. 2009, at nominal value

Variable-rate financing instruments		
Money market investments	11.9	11.9
Total	11.9	11.9

The sensitivity analysis includes financial liabilities in the balance sheet of 31 December 2009 (31 December 2008). The change in the interest rate level is assumed to be one percentage point. The interest rate position is assumed to include interest-bearing financial liabilities and receivables, as well as interest rate swaps, on the balance sheet date assuming that all contracts would be valid unchanged for the entire year.

		2009		2008
EUR million	Income statement	Shareholders' equity	Income statement	Shareholders' equity
Change in interest rate level +/– 1%	+/– 2.0		+/– 4.3	

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

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

Elisa's CDS and CDO arrangements described under Note 33 is based on US dollars. Elisa's risks and liabilities presented in euro will thereby change with the EUR/USD exchange rate.

Elisa's foreign exchange exposure
31 December 2009

EUR million	Trade receivables	Trade payables	Net investments in foreign subsidiaries
SDR	2.0	4.4	
USD		1.1	
EEK			60.7

Elisa's foreign exchange exposure
31 December 2008

EUR million	Trade receivables	Trade payables	Net investments in foreign subsidiaries
SDR	4.7	9.4	
USD		0.5	
EEK			60.7

A change of twenty percentage points would impact consolidated equity by EUR 12.1 million (EUR 12.1 million) and profit before tax by EUR 0.7 million (EUR 1.1 million).

Liquidity risk
The objective of liquidity risk management is to ensure the Group’s financing in all circumstances. The company's most important financing arrangement is an EMTN programme of EUR 1,000 million, under which bonds have been issued for EUR 600.0 million. The company also has a EUR 250 million commercial paper programme and committed credit limits of EUR 300 million. Both the EUR 170 million limit valid until 17 June 2012 and the EUR 130 million limit valid until 21 November 2014 is unused as of 31 December 2009. The margin of the limits is determined by the Groups' credit rating.

As part of ensuring its financing, Elisa has acquired international credit ratings. Moody’s Investor Services have rated Elisa’s long-term commitments as Baa2 (outlook stable). Standard & Poor's has rated the company's long-term commitments as BBB (outlook stable) and short-term commitments as A-2.

Cash in hand and at banks, and unused committed limits

EUR million	2009	2008
Cash and bank	31.0	33.0
Credit limits	300.0	225.0
Total	331.0	258.0

Cash and bank as well as unused committed credit limits deducted by commercial papers issued by Elisa amounted to EUR 257.0 million on 31 December 2009 (EUR 202.4 million).

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

Credit risk
Financial instruments contain an element of risk of the respective parties failing to fulfil their obligations. Liquid assets are invested within confirmed limits to investment targets with a good credit rating. Investments and the limits specified for them are reviewed annually, or more often if necessary. In 2008, investments and their limits were reviewed due to the unstable situation in the money market. Investment activities are monitored, and the outstanding investments are not expected to result in credit losses. Derivative contracts are only signed with Finnish and foreign banks with good credit ratings.

See Note 33 for the USD 60 million guarantee risk associated with Elisa's credit derivative agreement.

The business units are liable for credit risk associated with accounts receivable. The units have credit policies prepared in writing that are mainly consistent with uniform principles. The credit ratings of new customers are reviewed from external sources always when selling products or services invoiced in arrears. In case of additional sales to existing customers, creditworthiness is reviewed on the basis of the company's own accounts. Elisa may also collect advance or guarantee payments in accordance with its credit policy.

Credit risk concentrations in accounts receivable are minor as the Group's customer base is wide; the 10 largest customers represent approximately 7% of customer invoicing. EUR 9.4 million (EUR 11.7 million) of uncertain receivables have been deducted from consolidated accounts receivable. The Group’s previous experience in the collection of trade receivables corresponds to the recognised impairment. Since 2007, the Group has sold the trade receivables of defined customergroups that are overdue by an average of 136 days. Based on these facts, the management is confident that the Group’s trade receivables do not involve any substantial credit risk. The age distribution of trade receivables is described in Note 23.

Elisa's available-for-sale investments consist mostly of publicly listed shares in Comptel Corporation. The sensitivity analysis includes shares in the balance sheet of 31 December 2009 (31 December 2008). The analysis assumes a change of twenty percentage points in the share price.

EUR million	2009 Income statement	2009 Shareholders' equity	2008 Income statement	2008 Shareholders' equity
Change in Comptel share price +/– 20%	+/– 0	+/– 2.2	+/– 0	+/– 2.0

Notes on the capital structure

Elisa's capital consists of equity and liabilities. To develop its business, Elisa may carry out expansion investments and acquisitions that may be financed through equity or through liabilities directly or indirectly.

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

The company's distribution of profit to shareholders consists of dividends, capital repayment and purchase of treasury shares. Effective profit distribution is 40% to 60% of profit for the period. Furthermore, additional profit distribution to the shareholders may occur. When proposing or deciding on the distribution, the Board takes into account the company's financial position, future financing needs, and the set financial objectives.

Capital structure and key indicators

	31.12.2009	31.12.2008
Interest-bearing net debt	718.5	811.6
Total equity	900.0	875.0
Total capital	1,618.5	1,686.6
Gearing ratio	79.8%	92.7%
Net debt / EBITDA	1.5	1.7
Equity ratio	46.1%	43.3%

Available sources of financing

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

Shareholders' equity	31.12.2009	31.12.2008
Treasury shares, 1,000	10,689	10,689
Share issue authorisation, 1,000	50,000	49,639
Maximum total, 1,000 [1)]	50,000	49,639
Share price	15.96	12.30
Total, EUR million	798.0	610.6

With regard to liability financing, the company maintains loan programmes and credit arrangements that allow quick issuance. The arrangements are committed and non-committed, and allow issuances for different maturities.

Debt capital	31.12.2009	31.12.2008
Commercial paper programme (non-committed) [2)]	176.0	194.4
Revolving credits (committed) [3)]	300.0	225.0
EMTN programme (non-committed) [4)]	400.0	
Total	876.0	419.4
Total equity and debt capital	1,674.0	1,030.0

1) The authorisation to issue shares at 31 December 2009 amounted to a maximum of 50,000,000 shares. This may be effected through an issue of new shares or sale of treasyry shares.

2) The commercial paper programme amounts to EUR 250 million, of which EUR 74.0 million was in use at 31 December 2009.

3) Elisa has two committed revolving credit arrangements to a total of EUR 300 million. The arrangements were unused at 31 December 2009.

4) Elisa has an European Medium Term Note programme (EMTN) to a total of EUR 1,000 million. EUR 600.0 million was in use at 31 December 2009. The program was updated on 27 March 2009 and it is valid for one year as of the update.

35. Related party transactions

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

The parent company of the Group is Elisa.

The Group's subsidiaries	Domicile	31 Dec. 2009 Group's ownership, %
Dial Media Oy	Helsinki	100
Doneto Oy	Helsinki	100
Ecosite Oy	Espoo	100
Electur Oy	Helsinki	100
Elisa Eesti As	Tallinn	100
Elisa Links Oy	Helsinki	100
Excenta Oy	Pori	51
Fiaset Oy	Jyväskylä	100
Fonetic Oy	Jyväskylä	100
JMS Group Oy	Helsinki	100
Kiinteistö Oy Brahenkartano	Turku	60
Kiinteistö Oy Paimion Puhelimenkulma	Paimio	77
Kiinteistö Oy Raision Luolasto	Espoo	100
Kiinteistö Oy Rinnetorppa	Kuusamo	80
Kiinteistö Oy Tapiolan Luolasto	Espoo	100
LNS Kommunikation AB	Stockholm	100
Preminet Oy	Helsinki	100
OOO LNR	St. Petersburg	100
Saunalahti Group Plc	Espoo	100
Helsingin Netti Media Oy	Helsinki	100
Supertel Oy	Helsinki	100
SIA Radiolinja Latvija	Riga	100
Tampereen Tietoverkko Oy	Tampere	63
UAB Radiolinja	Vilnius	100
Xenetic Oy	Helsinki	100

The Group's associates		
City-Suvanto Oy	Joensuu	33
Kiinteistö Oy Herrainmäen Luolasto	Tampere	50
Kiinteistö Oy Lauttasaarentie 19	Helsinki	42
Kiinteistö Oy Runeberginkatu 43	Helsinki	30
Kiinteistö Oy Stenbäckinkatu 5	Helsinki	40
Suomen Numerot NUMPAC Oy	Helsinki	33

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

The following transactions have been carried out with Zrelated parties:

Related party purchases:

EUR million	2009	2008
Associates and joint ventures	0.6	0.4
Total	0.6	0.4

Employee benefits to key management are presented in Note 7.

36. Events after the balance sheet date

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

Key indicators

Key indicators describing the Group's financial development

	IFRS 2009	IFRS 2008	IFRS 2007
INCOME STATEMENT			
Revenue, EUR million	1,430	1,485	1,568
Change of revenue, %	–3.7%	–5.3%	3.3%
EBITDA (EUR million)	484	472	499
EBITDA as % of revenue	33.8%	31.8%	31.8%
EBIT, EUR million	267	264	302
EBIT as % of revenue	18.7%	17.8%	19.3%
Profit before tax, EUR million	235	228	285
Profit before tax as % of revenue	16.4%	15.3%	18.2%
Return on equity (ROE), %	19.9%	18.5%	18.8%
Return on investment (ROI), %	16.0%	15.6%	18.3%
Research and development costs, EUR million	10	11	8
Research and development costs as % of revenue	0.7%	0.7%	0.5%
BALANCE SHEET			
Gearing ratio, %	79.8%	92.8 %	71.3%
Current ratio	0.8	0.9	1.1
Equity ratio, %	46.1%	43.3%	47.9%
Non-interest bearing liabilities, EUR million	315	311	385
Balance sheet total, EUR million	1,965	2,030	2,175
INVESTMENTS IN SHARES			
Purchases of shares, EUR million	6	15	12
of which paid in equity issue			5
CAPITAL EXPENDITURES			
Investments, EUR million	171	184	206
Investments as % of revenue	11.9%	12.4%	13.2%
PERSONNEL			
Average number of employees during the period	3,216	2,946	3,299
Revenue/employee, EUR 1,000	445	504	475

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

Key indicators

Per-share indicators [1)]

	IFRS 2009	IFRS 2008	IFRS 2007
Share capital, EUR	83,033,008.00	83,033,008.00	83,033,008.00
Number of shares at year-end	155,618,957	155,618,957	158,257,610
Average number of shares	155,618,957	157,449,911	159,417,319
Number of shares at year-end, diluted	155,809,082	155,618,957	158,257,610
Average number of shares, diluted	155,809,082	157,449,911	159,417,319
Market capitalisation, EUR million [2)]	2,484	1,914	3,323
Earnings per share (EPS), EUR	1.13	1.12	1.38
Dividend per share, EUR		0.60	
Payout ratio, %		53.0%	
Capital repayment per share, EUR	0.92 [*)]	0.40	1.80
Capital repayment as % of earnings	81.2%	35.3%	129.6%
Equity per share, EUR	5.78	5.61	6.53
P/E ratio	14.1	11.0	15.2
Effective dividend yield, % [2)]		4.88%	
Effective capital repayment yield, % [2)]	5.76%	3.25%	8.57%
Share performance on NASDAQ OMX Helsinki			
Mean price, EUR	12.01	15.02	21.31
Closing price at year-end, EUR	15.96	12.30	21.00
Lowest price, EUR	9.69	9.85	18.63
Highest price, EUR	15.99	22.18	24.41
Trading of shares			
Total trading volume, 1,000 shares	180,605	338,825	316,087
Percentage of shares traded [3)]	116%	218%	200%

*) The Board of Directors proposes a capital repayment of EUR 0.92 per share.

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

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

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

Key indicators

Formulae for financial summary indicators

EBITDA: EBIT + depreciation, amortisation and impairment

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), %

$$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Total equity + interest bearing liabilities (on average during the year)}} \times 100$$

Gearing ratio, %

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

Current ratio

$$\frac{\text{Current assets}}{\text{Current liabilities – advance payments received}}$$

Equity ratio, %

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

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 *)

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

Effective dividend yield *)

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

Payout ratio as percentage *)

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

Equity per share

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

P/E ratio (Price/Earnings)

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

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

Income statement, parent company, FAS

EUR million	Note	1.1.–31.12. 2009	1.1.–31.12. 2008
Revenue	1	1,196.1	1,296.2
Change in inventories		–0.4	–0.1
Other operating income	2	23.9	11.6
Materials and services	3	–476.5	–570.3
Personnel expenses	4	–163.4	–157.9
Depreciation and amortisation	5	–239.5	–233.7
Other operating expenses		–155.4	–178.9
Operating profit/loss		184.8	166.9
Financial income and expenses	7	–29.4	–34.9
Profit/loss before extraordinary items		155.4	132.0
Extraordinary items	8	–5.9	–4.1
Profit/loss after extraordinary items		149.5	127.9
Appropriations	9	–4.7	–2.0
Income taxes	10	–56.7	–48.6
Profit/loss for the period		88.1	77.3

Balance sheet, parent company, FAS

EUR million	Note	31 Dec. 2009	31 Dec. 2008
ASSETS			
Fixed assets			
Intangible assets	11	565.3	651.3
Tangible assets	11	482.3	489.8
Investments	12	90.3	84.8
		1,137.9	1,225.9
Current assets			
Inventories	13	29.2	18.2
Non-current receivables	14	17.0	17.0
Current receivables	15	249.7	297.1
Cash and bank		22.8	24.8
		318.7	357.1
TOTAL ASSETS		1,456.6	1,583.0
SHAREHOLDERS’ EQUITY AND LIABILITIES			
Shareholders’ equity	16		
Share capital		83.0	83.0
Treasury shares		–201.9	–201.9
Contingency reserve		3.4	3.4
Reserve for invested non-restricted equity		186.7	248.9
Retained earnings		266.5	281.9
Profit/loss for the period		88.1	77.3
		425.8	492.6
Accumulated appropriations		16.3	11.7
Provisions for liabilities and charges	17	3.8	5.0
Liabilities			
Non-current liabilities	18	582.6	663.0
Current liabilities	19	428.1	410.7
		1,010.7	1,073.7
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,456.6	1,583.0

Cash flow statement, parent company, FAS

EUR million	2009	2008
Cash flow from operating activities		
Profit before extraordinary items	155.4	132.0
Adjustments:		
Depreciation and amortisation	239.5	233.7
Financial income and expense	29.3	35.3
Gains and losses on the disposal of fixed assets	–0.8	–0.6
Gains and losses on the disposal of shares	0.1	0.0
Change in provisions in the income statement	–1.2	–3.8
Other adjustments	0.0	0.4
Cash flow before change in working capital	422.3	397.0
Change in working capital	12.4	89.0
Cash flow before financial items and taxes	434.7	486.0
Dividends received	2.3	3.0
Interest received	9.0	16.9
Interest paid	–37.3	–53.0
Income taxes paid	–53.3	–56.8
Net cash flow from operating activities	355.4	396.1
Cash flow from investing activities		
Capital expenditure	–146.3	–150.9
Proceeds from sale of property, plant and equipment	1.2	0.4
Investments in shares and other financial assets	–8.6	–7.2
Proceeds from sale of shares and other financial assets	1.3	0.2
Loans granted	–2.4	–7.2
Repayment of loan receivables	49.8	22.2
Net cash flow used in investing activities	–105.0	–142.5
Cash flow after investing activities	250.4	253.6
Cash flow from financing activities		
Purchase of treasury shares		–43.3
Proceeds from long-term borrowings		80.0
Repayment of long-term borrowings	–36.5	–30.0
Change in short-term borrowings	–56.6	39.1
Dividends paid	–155.2	–284.2
Group contributions given	–4.1	
Net cash flow used in financing activities	–252.4	–238.4
Change in cash and cash equivalents	–2.0	15.2
Cash and cash equivalents at beginning of period	24.8	9.6
Cash and cash equivalents at end of period	22.8	24.8

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 outsourcings have taken place during the previous year. Furthermore, one-off items are included in the financial statements of 2008.

One-off items during the year 2008
- expenses due to redundancies EUR 6.6 million

Items denominated in foreign currencies

Transactions denominated in a foreign currency are booked at the exchange rates quoted on the day that 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 the European Central Bank at the closing date.

Fixed assets

The acquisition cost less accumulated depreciation according to plan and value adjustments is presented in 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 constructions	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)	2–5 years
Other machines and equipment	3–5 years

Inventories

Inventories 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 inventories.

Marketable securities

Investments in money market funds are recognized at the repurchase price. Investments in certificates of deposit and commercial paper are recognized at the acquisition cost, as the difference between the repurchase price and cost of acquisition is not significant.

Recognition principles

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

Research and development

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

Public subsidies for product development projects and the like are recognised under other operating income when the product development costs are recognised as annual expenses. If a public subsidy is associated with capitalised product development costs, the subsidy reduces the capitalised acquisition cost.

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. In 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

1. Revenue

EUR million	2009	2008
Sales	1,280.5	1,370.8
Interconnection fees and other adjustments	–84.4	–74.6
Total revenue	1,196.1	1,296.2

Geographical distribution		
Finland	1,155.1	1,247.8
Rest of Europe	37.2	43.3
Other countries	3.8	5.1
Total	1,196.1	1,296.2

2. Other operating income

EUR million	2009	2008
Gain on disposal of fixed assets	0.8	0.5
Gain on disposal of shares and business	0.0	1.0
Others [1]	23.1	10.1
Other operating income total	23.9	11.6

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

3. Materials and services

EUR million	2009	2008
Materials, supplies and goods		
Purchases	44.9	66.9
Change in inventories	–11.2	5.0
	33.7	71.9
External services	442.8	498.4
Materials and services total	476.5	570.3

4. Personnel expenses

EUR million	2009	2008
Salaries and wages	131.7	128.4
Pension costs	23.7	20.9
Other statutory employee costs	8.0	8.6
Personnel expenses total	163.4	157.9

Personnel on average	2,569	2,567

CEO remuneration, EUR

	2009	2008
Fixed salary	476,820.00	486,080.00
Performance-based bonus	306,180.00	155,719.64
Fringe benefits	14,960.00	16,213.00
Share-based payments [*)]		1,031,467.60
	797,960.00	1,689,480.24

[*)] In 2008, according to the 2006 share-based payment plan, CEO Veli-Matti Mattila received 31,923 shares of Elisa Oyj, with a value of EUR 464,160.42 and related cash payment EUR 567,307.18.

The CEO is entitled to retirement at 60 years of age with a total pension corresponding to 60 per cent.

The Board of Directors' remuneration, EUR	2009	2008
Risto Siilasmaa	115,500.00	112,000.00
Pertti Korhonen	67,500.00	53,000.00
Ari Lehtoranta	48,500.00	
Raimo Lind	50,000.00	
Eira Palin-Lehtinen	68,000.00	54,000.00
Ossi Virolainen	80,000.00	87,000.00
Tomas Otto Hansson	16,500.00	53,500.00
Orri Hauksson	17,500.00	53,500.00
Pekka Ketonen		34,000.00
Mika Ihamuotila		24,000.00
Lasse Kurkilahti		20,500.00
Matti Manner		21,000.00
	463,500.00	512,500.00

The following compensation determined by the General Meeting was paid to the Members of the Board: monthly remuneration fee for the Chairman EUR 9,000 per month: monthly remuneration fee for the Deputy Chairman and chairman of the Committee for Auditing EUR 6,000 per month, monthly remuneration fee for the Members EUR 5,000 per month, and meeting remuneration fee EUR 500/meeting/participant. The monthly remuneration fees (deducted by tax withheld at the rate of 60%) are used purchase Elisa shares every quarter. The shares are subject to a transfer restriction of four years during the term of Board service. The restriction is lifted when Board membershift ends.

5. Depreciation and amortisation

EUR million	2009	2008
Amortisation of intangible assets	108.7	98.4
Depreciation of tangible assets	130.8	135.3
Total	239.5	233.7

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

6. Auditor's fees

EUR million	2009	2008
Auditing	0.1	0.2
Tax advisory services	0.1	0.0
Other services	0.4	0.7
	0.6	0.9

7. Financial income and expenses

EUR million	2009	2008
Interest income and other financial income		
Dividends received		
from Group companies	1.3	2.0
from others	1.0	1.1
Total dividends received	2.3	3.1
Other interest and financial income		
from Group companies	0.7	1.9
from others	8.3	11.9
Other interest and financial income, total	9.0	13.8
Interest income and other financial income, total	11.3	16.9
Interest costs and other financial expenses		
to Group companies	–0.2	–0.3
to others	–40.5	–51.5
Interest costs and other financial expenses, total	–40.7	–51.8
Financial income and expenses, total	–29.4	–34.9

8. Extraordinary items

EUR million	2009	2008
Extraordinary expenses		
Group contributions paid	–5.9	–4.1
Extraordinary items total	–5.9	–4.1

9. Appropriations

EUR million	2009	2008
Change in depreciation difference	–4.7	–2.0
Appropriations, total	–4.7	–2.0

10. Income taxes

EUR million	2009	2008
Income tax on extraordinary items	–1.5	–1.1
Income tax on regular business	–55.2	–46.7
Income tax for previous periods	0.0	–0.8
Income taxes, total	–56.7	–48.6

11. Intangible and tangible assets

2009 EUR million	Intangible Assets Development costs	Intangible rights	Goodwill	Other intangible assets	In progress	Total
Acquisition cost at 1 Jan. 2009	0.0	13.6	769.1	207.0	37.8	1,027.5
Additions	0.3	1.4		10.6	10.5	22.8
Disposals				–0.2		–0.2
Reclassifications	0.5	1.0		34.6	–36.3	–0.2
Acquisition cost at 31 Dec. 2009	0.8	16.0	769.1	252.0	12.0	1,049.9
Accumulated amortisation at 1 Jan. 2009	0.0	8.6	238.4	129.2		376.2
Amortisation for the period	0.1	2.2	77.0	29.1		108.4
Accumulated amortisation at 31 Dec. 2009	0.1	10.8	315.4	158.3		484.6
Book value at 31 Dec. 2009	0.7	5.2	453.7	93.7	12.0	565.3

2009 EUR million	Tangible assets Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	In progress	Total
Acquisition cost at 1 Jan. 2009	5.1	57.9	1,808.2	34.6	23.6	1,929.4
Additions		2.6	103.8	0.0	16.9	123.3
Disposals	–0.1	–1.3	–0.9			–2.3
Reclassifications		2.3	14.0	0.0	–16.1	0.2
Acquisition cost at 31 Dec. 2009	5.0	61.5	1,925.1	34.6	24.4	2,050.6
Accumulated depreciation at 1 Jan. 2009		27.5	1,380.5	31.6		1,439.6
Accumulated depreciation of disposals and reclassifications		–1.3	–0.3			–1.6
Depreciation for the period		3.1	126.6	0.6		130.3
Accumulated depreciation at 31 Dec. 2009		29.3	1,506.8	32.2		1,568.3
Book value at 31 Dec. 2009	5.0	32.2	418.3	2.4	24.4	482.3

2008 EUR million	Intangible Assets Development costs	Intangible rights	Goodwill	Other intangible assets	In progress	Total
Acquisition cost at 1 Jan. 2008	0.0	11.9	769.1	170.8	52.2	1,004.0
Additions	0.0	1.0		7.6	14.1	22.7
Reclassifications		0.7		28.6	–28.5	0.8
Acquisition cost at 31 Dec. 2008	0.0	13.6	769.1	207.0	37.8	1,027.5
Accumulated amortisation at 1 Jan. 2008	0.0	6.6	161.2	109.8		277.6
Accumulated amortisation of disposals and reclassifications				0.2		0.2
Amortisation for the period	0.0	2.0	77.2	19.2		98.4
Accumulated amortisation at 31 Dec. 2008	0.0	8.6	238.4	129.2		376.2
Book value at 31 Dec. 2008	0.0	5.0	530.7	77.8	37.8	651.3

2008 EUR million	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	In progress	Total
			Tangible assets			
Acquisition cost at 1 Jan. 2008	5.2	55.8	1,681.5	34.6	25.9	1,803.0
Additions		2.0	110.7		15.5	128.2
Disposals	–0.1	–0.7	–0.3	0.0		–1.1
Reclassifications		0.8	16.3		–17.8	–0.7
Acquisition cost at 31 Dec. 2008	5.1	57.9	1,808.2	34.6	23.6	1,929.4
Accumulated depreciation at 1 Jan. 2008		25.1	1,249.4	30.7		1,305.2
Accumulated depreciation of disposals and reclassifications		–0.6	–0.3			–0.9
Depreciation for the period		3.0	131.4	0.9		135.3
Accumulated depreciation at 31 Dec. 2008		27.5	1,380.5	31.6		1,439.6
Book value at 31 Dec. 2008	5.1	30.4	427.7	3.0	23.6	489.8

12. Investments

	Shares			Receivables	
2009 EUR million	Group companies	Associated companies	Other companies	Group companies	**Total**
Acquisition cost at 1 Jan. 2009	60.4	5.2	16.6	2.9	**85.1**
Additions	5.8		0.5	0.7	**7.0**
Sales/disposals	–1.4		–0.1		**–1.5**
Acquisition cost at 31 Dec. 2009	64.8	5.2	17.0	3.6	**90.6**
Impairment at 1 Jan. 2009			–0.3		**–0.3**
Impairment at 31 Dec. 2009			–0.3		**–0.3**
Book value at 31 Dec. 2009	64.8	5.2	16.7	3.6	**90.3**

At 31 December 2009, the repurchase price of publicly quoted shares was EUR 11.0 million higher than the book value of the owner company (EUR 9.7 million higher). Accumulated interest of EUR 0.1 million on capital loan receivables of EUR 1.4 million included in receivables have not been booked based on the prudence principle.

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

	Shares			Receivables	
2008 EUR million	Group companies	Associated companies	Other companies	Group companies	Total
Acquisition cost at 1 Jan. 2008	54.2	5.3	13.4	1.8	74.7
Additions	6.2		3.3	1.1	10.6
Sales/disposals		–0.1	–0.1		–0.2
Acquisition cost at 31 Dec. 2008	60.4	5.2	16.6	2.9	85.1
Impairment at 1 Jan. 2008			–0.3		–0.3
Impairment at 31 Dec. 2008			–0.3		–0.3
Book value at 31 Dec. 2008	60.4	5.2	16.3	2.9	84.8

13. Inventories

EUR million	2009	2008
Materials and supplies	11.8	7.5
Work in progress	0.6	1.0
Finished products/goods	16.6	9.7
Advance payment	0.2	
Inventories total	29.2	18.2

14. Non-current receivables

EUR million	2009	2008
Receivables from Group companies		
Loans receivable	5.7	6.5
Receivables from others		
Trade receivables	3.0	
Loan receivables [1]	0.1	0.1
Other receivables	0.0	0.5
Prepayments and accrued income [2]	8.2	9.9
Non-current receivables total	17.0	17.0

[1] In 2009, loan receivables include EUR 0.1 million receivable from Sofia Digital Oy.

[2] In 2009, prepayments and accrued income include EUR 1.6 million bond issue loss allocations (EUR 3.5 million) and EUR 6.5 million rent advances (EUR 6.4 million).

15. Current receivables

EUR million	2009	2008
Receivables from Group companies		
Trade receivables	47.7	21.0
Loan receivables	15.8	35.8
Prepayments and accrued income	0.2	0.2
	63.7	57.0
Receivables from others		
Trade receivables	171.5	222.9
Other receivables	0.6	1.7
Prepayments and accrued income [1]	13.9	15.5
	186.0	240.1
Total	249.7	297.1

[1] In 2009, prepayments and accrued income include interest receivables, EUR 8.1 million (8.4) and conventional allocations of business expenses.

16. Shareholders' equity

EUR million	2009	2008
Share capital at 1 Jan.	83.0	83.0
Share capital at 31 Dec.	83.0	83.0
Treasury shares at 1 Jan.	–201.9	–165.6
Acquisition of treasury shares		–43.3
Share-based payment		7.0
Treasury shares reserve at 31 Dec.	–201.9	–201.9
Contingency reserve at 1 Jan.	3.4	3.4
Contingency reserve at 31 Dec.	3.4	3.4
Reserve for invested non-restricted equity at 1 Jan.	248.9	533.8
Capital repayment	–62.2	–284.9
Reserve for invested non-restricted equity at 31 Dec.	186.7	248.9
Retained earnings at 1 Jan.	359.2	288.9
Dividend distribution	–93.4	
Withdrawal of dividend liabilities	0.7	
Share-based payment		–7.0
Retained earnings at 31 Dec.	266.5	281.9
Profit for the period	88.1	77.3
Total shareholders' equity	425.8	492.6
Distributable earnings		
Retained earnings	266.5	281.9
Treasury shares	–201.9	–201.9
Reserve for invested non-restricted equity	186.7	248.9
Profit for the period	88.1	77.3
Distributable funds at 31 Dec., total	339.4	406.2

17. Provisions

EUR million	2009	2008
Provision for unemployment pensions	2.3	3.5
Other provisions for liabilities and charges [1]	1.5	1.5
Provisions for liabilities and charges, total	3.8	5.0

[1] Other provisions include provision for salaries, including related statutory employee costs, for employees not required to work during their severance period and provision for vacant premises.

Provisions of EUR 2.7 million were used in 2009 (EUR 11.7 million).

18. Non-current liabilities

EUR million	2009	2008
Interest-bearing		
Bonds	525.9	575.9
Loans from financial institutions	50.0	80.0
Non-interest bearing		
Other liabilities	0.3	
Accruals and deferred income	6.4	7.1
Non-current liabilities, total	582.6	663.0
Liabilities maturing after five years		
Bonds		300.0
Loans from financial institutions	50.0	50.0

19. Current liabilities

EUR million	2009	2008
Interest-bearing		
Liabilities to Group companies		
Group account	40.9	13.5
Other liabilities	0.1	0.6
	41.0	14.1
Liabilities to others		
Bonds	50.0	36.0
Loans from financial institutions	30.0	75.0
Other liabilities	74.0	56.1
	154.0	167.1
Interest-bearing, total	195.0	181.2
Non-interest bearing		
Liabilities to Group companies		
Trade payables	7.3	4.9
Other liabilities	6.0	4.1
	13.3	9.0
Liabilities to others		
Advances received	2.3	1.7
Trade payables	121.9	120.4
Other liabilities	30.4	40.9
Accruals and deferred income [1]	65.2	57.5
	219.8	220.5
Non-interest bearing, total	233.1	229.5
Current liabilities, total	428.1	410.7

[1] Major accruals and deferred income consist of the following: holiday pay, performance-based bonuses and related statutory employee costs, EUR 31.1 million (EUR 26.4 million), interest expenses, EUR 21.5 million (EUR 20.1 million), income taxes, EUR 6.1 million (EUR 2.6 million) and other regular accruals, mainly of advance income, EUR 6.5 million (EUR 8.4 million).

20. Collateral, commitments and other liabilities

EUR million	2009	2008
Pledges given		
Bank deposits given for own debt	0.5	0.5
Guarantees given		
For others [*]	42.3	44.3
Total	42.8	44.8

[*] The guarantee for EUR 41.6 million relates to the QTE arrangement presented in detail under Group's Note 33. In September 1999, Elisa signed a leaseback agreement (a so-called QTE facility) with U.S.-based capital investors. The arrangement concerned telecom network equipment to which Elisa 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 company received net compensation of approximately EUR 13 million. The arrangement was terminated in November 2008.

Notes to the financial statements of the parent company

Leasing and rental liabilities

EUR million	2009	2008
Leasing liabilities on telecom networks [1]		
Due within one year	0.8	2.7
Due later than one year and up to five years	2.3	3.1
Due later than five years	1.3	1.3
	4.4	7.1
Other leasing liabilities [2]		
Due within one year	7.6	8.9
Due later than one year and up to five years	6.5	9.1
	14.1	18.0
Total repurchase liabilities [3]	0.0	1.1
Real estate leases [4]		
Due within one year	13.4	15.1
Due later than one year and up to five years	37.9	40.9
Due later than five years	97.2	104.1
	148.5	160.1
Leasing and rental liabilities, total	167.1	186.3

1) Consists of certain individualised GSM network equipment and access fees for backbone connections.

2) 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.

Derivative instruments

EUR million	2009	2008
Interest rate swap		
Nominal value	150.0	150.0
Fair value recognised in the balance sheet	1.5	1.0
Credit default swaps [*)]		
Nominal value	44.0	47.4
Fair value recognised in the balance sheet	-	-

*) Credit risk derivative contract (CDS) is related to the counterparty risk of QTE facility. In 2008, Elisa wrote down the fair value of the CDS.

Real estate investments

VAT refund liability of real estate investments is EUR 17.0 million at 31 December 2009 (15.1 million).

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 number of shares is 50,000,000 and the maximum is 1,000,000,000. At the end of the financial year, the number of Elisa Corporation shares was 166,307,586, all within one share series.

2. Authorisations of the Board of Directors

The Annual General Meeting of Shareholders on 18 March 2009 authorised the Board of Directors to decide on issuing new shares, transferring treasury shares possessed by the company and/or granting of special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act subject to the following:

The authorisation allows the Board of Directors to issue a maximum of 50,000,000 shares in one or several issues. The share issue and shares granted by virtue of special rights are included in the aforementioned maximum number. The maximum number is approximately 30 per cent of the entire stock.

The share issue can be free or for consideration and can be directed to the Company itself. The authorisation entitles the Board to make a directed issue. The authorisation may be used for making acquisitions or implementing other arrangements related to the Company's business, to finance investments, to improve the company's financial structure, to be used as part of the incentive compensation plan, or for other purposes decided by the Board of Directors.

The Board of Directors shall have the right to decide on all other matters related to the share issue. The authorisation shall be in force until 30 June 2013.

The General Meeting also authorised the Board of Directors to decide on the acquisition of treasury shares subject to the following:

The Board of Directors may decide to acquire or pledge on non-restricted equity a maximum of 15,000,000 treasury shares. The acquisition may take place as one or several blocks of shares. The consideration payable for the shares shall not be more than the ultimate market price. In purchasing the Company's own shares derivative, share lending and other contracts customary in the capital market may be concluded pursuant to law and the applicable legal provisions.

The authorisation entitles the Board of Directors to pass a resolution to purchase the shares by making an exception to the purchase of shares relative to the current holdings of the shareholders. The treasury shares may be used for making acquisitions or implementing other arrangements related to the Company's business, to finance investments, to improve the Company's financial structure, to be used as part of the incentive compensation plan, or for the purpose of otherwise assigning or cancelling the shares.

The Board of Directors shall have the right to decide on all other matters related to the purchase of the Company's own shares. The authorisation is in force until 30 June 2010 and it annuls the authorisation given by the Annual General Meeting of Shareholders to the Board of Directors on 18 March 2008.

3. Treasury shares

At the beginning of the financial period, Elisa held 10,688,629 treasury shares.

The Annual General Meeting held on 18 March 2009 authorised the Board of Directors to acquire and assign treasury shares. The authorisation applies to a maximum of 15,000,000 treasury shares. On the basis of the authorisation, Elisa has not acquired treasury shares.

At the end of the financial period, Elisa held 10,688,629 treasury shares.

The Elisa shares held by Elisa do not have any substantial impact on the distribution of holdings and votes in the company. They represent 6.43 per cent of all shares and votes.

4. Management interests

The aggregate number of shares held by Elisa's Board of Directors and the CEO on 31 December 2009 was 93,025 shares and votes, which represented 0.06 per cent of all shares and votes.

5. Share performance

The Elisa share closed at EUR 15.96 on 31 December 2009. The highest quotation of the year was EUR 15.99 and the lowest EUR 9.69. The average price was EUR 12.01.

At the end of the financial year, the market capitalisation of Elisa's outstanding shares was EUR 2,484 million.

6. Quotation and trading

The Elisa share is quoted on the Main List of the NASDAQ OMX Helsinki with the ticker ELI1V. The aggregate volume of trading on the NASDAQ OMX Helsinki between 1 January and 31 December 2009 was 180,604,669 shares for an aggregate price of EUR 2,170 million. The trading volume represented 116.1 per cent of the outstanding number of shares at the closing of the financial year.

7. Distribution of holding by shareholder groups at 31 December 2009

	Shares	Proportion of all shares %
1. Private companies	28,859,848	17.35
2. Financial and insurance institutions	7,220,364	4.34
3. Public corporations	21,237,756	12.77
4. Non-profit organisations	5,251,338	3.16
5. Households	45,521,011	27.37
6. Foreign	1,649,255	0.99
7. Nominee registered	45,879,385	27.59
Elisa Group	10,688,629	6.43
Total	166,307,586	100.00

8. Distribution of holding by amount at 31 December 2009

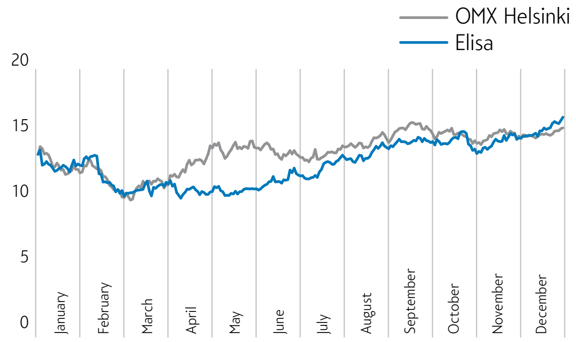
Size of holding	Number of shareholders %	%	Number of shares	%
1–100	29,594	12.96	1,563,100	0.94
101–1,000	194,577	85.20	39,439,141	23.71
1,001–10,000	3,908	1.71	9,351,395	5.62
10,001–100,000	236	0.10	6,581,885	3.96
100,001–1,000,000	42	0.02	10,838,874	6.52
1,000,001–	10	0.01	87,427,477	52.57
Grand total	228,367	100.00	155,201,872	93.32
In special accounts			417,085	0.25
Elisa Group			10,688,629	6.43
Issued amount			166,307,586	100.00

9. Largest shareholders at 31 December 2009

Name	Shares	%
1 Solidium PLC	16,631,000	10.00
2 Varma Mutual Pension Insurance Company	10,151,976	6.10
3 Ilmarinen Mutual Pension Insurance Company	4,845,788	2.91
4 The State Pension Fund	2,000,000	1.20
5 OP-Delta Mutual Fund	1,935,858	1.16
6 PHP Liiketoiminta Oyj	1,790,519	1.08
7 KPY Sijoitus PLC	1,475,556	0.89
8 Folketrygdfondet	1,303,551	0.78
9 City of Helsinki	1,124,690	0.68
10 Svenska Litteratursällskapet	740,000	0.44
11 Mandatum Life Insurance PLC	683,844	0.41
12 Föreningen Konstsamfundet Rf	650,000	0.39
13 Nordea Finland Fund	626,000	0.38
14 Danske Invest Finland Equity Fund	475,118	0.29
15 Pensionsförsäkringsaktiebolaget Veritas	471,183	0.28
16 Pension Fennia Mutual Insurance Company	455,000	0.27
17 Etera Mutual Pension Insurance Company	454,319	0.27
18 Nordea Bank Finland PLC	440,850	0.27
19 The Local Government Pension Institution	391,856	0.24
20 Anvia Oyj	375,019	0.23
Total	47,022,127	28.27
Elisa Group total	10,688,629	6.43
Elisa Group Personnel Fund	136,600	0.08
Nominee registered	45,879,385	27.59
Shareholders not specified here	62,580,845	37.63
Total	166,307,586	100.00

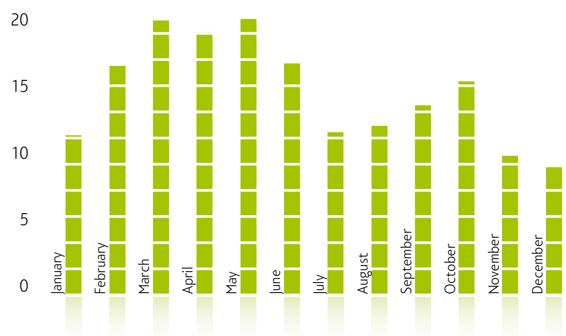
10. Daily price development

Closing price in EUR



11. Trading volume

Million shares per month



Board's proposal concerning the disposal of profits

According to the consolidated balance sheet of 31 December 2009, the parent company's shareholders' equity is EUR 425,822,744.29 of which distributable funds account for EUR 339,407,800.02.

The parent company's profit for the period 1 January to 31 December 2009 was EUR 88,112,682.63.

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

- capital repayment shall be distributed out of the reserve for invested non-restricted equity for EUR 0.92 per share, totalling EUR 143,169,440.44
- no capital repayment shall be distributed for shares in the parent company's possession
- EUR 196,238,359.58 shall be retained in shareholders' equity.

Helsinki, 11 February 2010

Risto Siilasmaa
Chairman of the Board of Directors

Pertti Korhonen

Ari Lehtoranta

Raimo Lind

Eira Palin-Lehtinen

Ossi Virolainen

Veli-Matti Mattila
President and CEO

Auditors' report

To the Annual General Meeting of Elisa Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Elisa Corporation for the year ended on December 31, 2009. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditors' Responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the President and CEO have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements or of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Opinion on the discharge from liability and disposal of distributable funds

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the President and CEO 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 distributable funds is in compliance with the Limited Liability Companies Act.

Helsinki, February 11, 2010

KPMG OY AB

Pekka Pajamo
Authorized Public Accountant

Corporate Governance Statement

Elisa's Board of Directors from left to right: Ms Eira Palin-Lehtinen, Mr Pertti Korhonen, Chairman of the Board Mr Risto Siilasmaa, Mr Ari Lehtoranta, Deputy Chairman of The Board Mr Ossi Virolainen and Mr Raimo Lind

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

Board of Directors and Board committees

Board of Directors

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

At present, the Board of Directors comprises six members. The Annual General Meeting of 18 March 2009 elected the following Board members: Mr Risto Siilasmaa (chairman), Mr Ossi Virolainen (deputy chairman), Mr Pertti Korhonen, Mr Ari Lehtoranta, Mr Raimo Lind and Ms Eila Palin-Lehtinen.

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

In its organizing meeting, the Board of Directors annually decides upon committees, their chairmen and members. In 2009, the acting committees were: the Committee for Remuneration Evaluation and Appointments, and the Committee for Auditing. The duties and charters of the committees are adopted by the Board of Directors.

Information on current Board members

Mr Risto Siilasmaa

(1966), M.Sc. (Industrial Engineering and Management), Chairman of the Board, member since 2007.

- Key employment history: Founder and CEO of F-Secure Corporation, 1988–2006.
- Main occupation and main Board memberships and public duties currently undertaken: Chairman of the Board of F-Secure Corporation and Fruugo Oy, deputy chairman of the Federation of Finnish Technology Industries, Member of the Boards of Nokia Corporation, Blyk Ltd, Ekahau Inc, Efekte Oy, Connected Day Oy and the Confederation of Finnish Industries EK, and member of Finnish Industry Investment Ltd's Investment Council.

Mr Ossi Virolainen

(1944), M.Sc. (Econ.). LL.M., Deputy Chairman of the Board, member since 1997.
- Key employment history: CEO of Avesta-Polarit Oyj 2001–2003. Employed by Outokumpu Oyj 1967–2001; Deputy Chief Executive 1992–2001 and member of the Management Group 1983–2001.
- Main Board memberships and public duties currently undertaken: Chairman of the Board of Kuusakoski Oy, member of the Board of Kuusakoski Group Oy, Alteams Oy, and Oy Langh Ship Ab.

Mr Pertti Korhonen

(1961), M.Sc. (Tech), member since 2008
- Main occupation: President and CEO, Outotec Oyj, 2010–
- Key employment history: CEO of Elektrobit Corporation 2006–2009, Nokia Group Executive Board member 2002–2006 and Chief Technology Officer 2004–2006, Head of Nokia Mobile Software unit 2002–2004.
- Main Board memberships and public duties currently undertaken: Member of the Board of Veho Group Oy.

Mr Ari Lehtoranta

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

Mr Raimo Lind

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

Ms Eira Palin-Lehtinen

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

Mr Tomas Otto Hansson and Mr Orri Hauksson also served as Board members in 2009.

Charter of the Board

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

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

According to the charter, the following are particularly subject to the Board's decision:
- Elisa's strategic guidelines
- distribution of profit policy
- convening and submitting proposals to General Meetings
- matters having to do with Elisa's stock and Elisa shareholders
- major mergers and acquisitions
- major new businesses
- financial statements and interim reports
- appointment, dismissal and terms of employment of the CEO and members of the Executive Board.

The charter also specifies other matters to be addressed by the Board, such as adopting the annual financial plan, the principles of the company's organization and the main business policies. The Board conducts an annual self-evaluation of its activities executed in the form of a questionnaire.

Meetings and remuneration

As a rule, the Board convenes 8–10 times a year.

In 2009, the members of the Board were paid the following emoluments, which were decided upon and set by the Annual General Meeting:

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

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

In 2009, a total of 3,338 Elisa shares were issued to Risto Siilasmaa, the Chairman of the Board; 2,225 shares to Ossi Virolainen, the Deputy Chairman and Chairman of the Committee for Auditing; and 1,854 shares to Eira Palin-Lehtinen and Pertti Korhonen each, and 1,304 shares to Ari Lehtoranta and Raimo Lind each. The shares purchased for the current members of Elisa's Board of Directors on 30 December 2009 were not registered in the members' book-entry accounts until 5 January 2010 and are thus not included in the figures below.

Elisa Board members' shareholdings in Elisa, (companies under the member's control)	Number of shares, 31 Dec. 2009
Mr Risto Siilasmaa, Chairman of the Board	11,398
Mr Ossi Virolainen, Deputy Chairman	12,103
Mr Pertti Korhonen, member	2,874
Mr Ari Lehtoranta, member	1,879
Mr Raimo Lind, member	1,096
Ms Eira Palin-Lehtinen, member	2,874

In 2009, the Board of Directors convened 12 times. The average attendance rate at Board meetings was 94 per cent.

Committee for Remuneration Evaluation and Appointments

According to its charter, the Committee for Remuneration Evaluation and Appointments deals with and prepares the appointment and dismissal of persons within management, matters associated with long-term incentive schemes and other matters relating to the remuneration of management.

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

In 2009, the Committee for Remuneration Evaluation and Appointments comprised Chairman of the Board Risto Siilasmaa (Committee Chairman) and members Pertti Korhonen and Ari Lehtoranta. In 2009, the Committee for Remuneration Evaluation and Appointments convened three times and the attendance rate was 89 per cent.

Committee for Auditing

The Committee for Auditing is tasked with supervising the proper organization of the company's accounting and financial administration, internal and financial auditing and risk management.

According to the charter, the following in particular shall be addressed and prepared by the Committee for Auditing:

- significant changes in recognition principles
- significant changes in items measured in the balance sheet
- financial statements and interim reports
- risk reports and organization of risk management
- organization of financial administration and financing.

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

In 2009, the Committee was chaired by Mr Ossi Virolainen with Mr Raimo Lind and Ms Eira Palin-Lehtinen as Committee members. In 2009, the Committee for Auditing convened six times and the attendance rate was 100 per cent. The principal auditor also attends Committee meetings.

Chief Executive Officer

Elisa's Chief Executive Officer (CEO) is responsible for the day-to-day business activities and administration of the company in accordance with instructions and orders from the Board of Directors and with the Finnish Limited Liability Companies Act. The CEO is appointed by the Board of Directors. The CEO is also responsible for ensuring that the company's accounting practices comply with the law and that financial matters are handled in a reliable manner. Mr Veli-Matti Mattila served as CEO in 2009.

Information on the CEO

Mr Veli-Matti Mattila

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

- Main occupation: Chief Executive Officer
- Key employment history: CEO of Oy L M Ericsson Ab 1997–2003. 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 Swiss Ascom Hasler AG.
- Main Board memberships and public duties currently undertaken: Member of the Board of Directors of Sampo plc and the Central Chamber of Commerce, member of the Supervisory Board of the Finnish Fair Cooperative and member of the Council for Security of Supply and Infrastructure.

The total salary paid to CEO Veli-Matti Mattila in the financial year was EUR 797,960.00, consisting of a fixed salary including taxable benefits (EUR 491,780.00), and a performance-based bonus (EUR 306,180.00).

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 equaling the total salary of 24 months minus his or her salary of the period of notice. The severance payment may be higher in the event of mergers or acquisitions.

Elisa's CEO is entitled to retire at the age of 60. The pension is based on a defined contribution pension scheme, whereby the pension insurance corresponds to a pension level of 60 per cent of the 2005 earnings level.

CEO Veli-Matti Mattila held 61,086 Elisa shares on 31 December 2009.

Other information on company administration

General Meeting of Shareholders and Articles of Association

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

Notices of General Meetings of Shareholders are given by announcement in two Finnish newspapers no later than seventeen days prior to the meeting, as required in the Articles of Association. A stock exchange release is also issued on each notice and made available on Elisa's website (www.elisa.com). The agenda of the meeting is specified in the notice. Proposals of the Board of Directors to be submitted to the meeting may be viewed on Elisa's website prior to the meeting.

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

Elisa's 2010 Annual General Meeting will be held on Thursday, 18 March 2010 at 2:00 pm at the Helsinki Fair Centre, Congress entrance, Messuaukio 1, Helsinki.

Elisa's Executive Board

Elisa's Executive Board prepares the company strategy, directs the company's regular operations, monitors the development of results and deals with issues having substantial financial or other impacts on Elisa. The following table presents the composition of the Executive Board and the members' holdings (on 31 December 2009).

Elisa Executive Board's holdings in Elisa	Number of shares, 31 Dec. 2009
Mr Veli-Matti Mattila, CEO	61,086
Mr Asko Känsälä, Executive Vice President, Consumer Customers	27,114
Mr Pasi Mäenpää, Executive Vice President, Corporate Customers	17,557
Mr Timo Katajisto, Executive Vice President, Production	8,153
Mr Jari Kinnunen, Chief Financial Officer	14,372
Ms Katiye Vuorela, Executive Vice President, Corporate Communications	1,000
Mr Sami Ylikortes, Executive Vice President, Administration	15,481

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

Information on Executive Board members

Mr Asko Känsälä

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

Mr Pasi Mäenpää

(1965), Diploma in Computer Science, MBA, joined the company in 2006.
- Main occupation: Executive Vice President, Corporate Customers
- Key employment history: CEO of Cisco Systems Finland Oy 2002–2006; Regional Manager for Central Europe at Netigy Corporation 2000–2002; Vice President, Sales for Europe and the USA at Fujitsu 1999–2000; Sales and Country Manager at Oracle Corporation in Northern, Central and Eastern Europe 1990–1999.

Mr Timo Katajisto

(1968), M.Sc. (Tech.), joined the company in 2008.
- Main occupation: Executive Vice President, Production
- Key employment history: Member of the Executive Board of Nokia Siemens Networks in 2007, Strategic Projects and Quality. Member of the Executive Board of Nokia Networks 2005–2007, Production and Network Installation. Various positions in Nokia Networks and its predecessor Nokia Telecommunications 1992–2005.
- Main Board memberships and public duties currently undertaken: Member of the Board of Directors and Executive Committee of the Employers' Association TIKLI.

Mr Jari Kinnunen

(1962), M.Sc. (Econ. & Bus. Adm.), joined the company in 1999.
- Main occupation: Chief Financial Officer
- Key employment history: CEO and President of Yomi Plc in 2004, CFO of Elisa Kommunikation GmbH in Germany 1999–2004, Managing Director of Polar International Ltd 1996–1999 and Controller 1990–96, Controller in Oy Alftan Ab 1987–1990.
- Main Board memberships and public duties currently undertaken: Member of the Finance and Tax Committee of the Confederation of Finnish Industries EK.

Ms Katiye Vuorela

(1968), M.Sc. (Econ. & Bus. Adm.), joined the company in 2008.
- Main occupation: Executive Vice President, Corporate Communications
- Key employment history: Paroc Group Holding Oy, Vice President, Communications 2000–2008, Lotus Development Finland Oy, an IBM subsidiary, Marketing and Communications Manager 1998–2000, Nokia Telecommunications (the predecessor of Nokia Siemens Networks), Dedicated Networks business unit, Marketing Communications Manager 1994–1998.

Mr Sami Ylikortes

(1967), M.Sc. (Econ. & Bus. Adm.), LL.M., joined the company in 1996.
- Main occupation: Executive Vice President, Administration
- Key employment history: Executive Vice President, Administration, since 2000. Secretary to the Board of Directors 1998–2007. Positions in accounting management in Unilever Finland Oy 1991–1996.
- Main Board memberships and public duties currently undertaken: Member of the Board of Directors of Employers' Association TIKLI.

Panu Lehti and Jukka Peltola also served as Elisa's Executive Board members in 2009.

Executive Board incentive plan

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

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

Elisa's Executive Board is covered by the company's long-term share-based incentive scheme.

The salaries paid to Executive Board members in the financial year came to EUR 2,729,453.51, consisting of a fixed salary including taxable benefits (EUR 1,844,465.33) and a performance-based bonus (EUR 884,988.18).

The members of Elisa's Executive Board with the exception of the CEO are entitled to retire at the age of 62. The annual supplementary pension insurance contribution in respect of the Executive Board was EUR 96,782.67.

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

Share-based incentive system

On 22 December 2008, Elisa's Board of Directors decided on a new share-based incentive system for key personnel in the Elisa Group. The system is designed to align the goals of shareholders and key personnel in increasing the value of the company, to secure the commitment of key employees to the company and to offer them a competitive compensation scheme based on shareholding in the company.

The system consists of three earning periods: the calendar years 2009, 2010 and 2011. Any bonus through the system for the 2009 earning period is based on the Elisa Group's earnings per share (EPS) and revenue, and will be paid out in spring 2010. The shares will be subject to a lock-up period of two years following the earning period, during which time transfer restrictions are in effect. In the event that the employment of a key employee ends during the lock-up period, the shares subject to transfer restriction shall be returned to the company without consideration.

Any bonus through the system for the 2010 earning period is based on the Elisa Group's earnings per share (EPS) and revenue. The possible bonus for the 2010 earning period will be paid in 2011, partly as company shares and partly in cash. The portion payable in cash will cover the taxes and tax-like charges arising from the bonus. The shares involve a similar two-year transfer restriction as is applicable in the 2009 system.

The system covers approximately fifty employees. The bonuses payable based on the system equal at maximum the value of some 2.2 million shares in Elisa Corporation (including not more than 1.1 million shares and the cash portion).

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

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

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

Control environment

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

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

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

Risk assessment

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

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

Controls

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

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

Financial information and communication

External communications

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

Internal communications

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

Control

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

Risk management

Risk management is described in more detail under sections "Charter of the Board", "Committee for Auditing" and "Description of the key features of the internal auditing and risk management systems associated with the financial reporting process".

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

The insurable risks are identified and insurance is taken out to deal with these risks. Elisa uses and external insurance broker to establish the probability of the risk and the value of the insurance.

Internal auditing

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

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

Auditors

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

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

The company employed one external authorized auditing company in 2009. The auditing company must be duly authorized by the Central Chamber of Commerce. The auditors' term of office is the current financial period for which they are appointed. The duties of the auditors end at the close of the first Annual General Meeting following the expiration of their term of office.

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

For the 2009 financial period, the auditing fees of the Finnish group companies totaled EUR 250,000.00, of which the share of the parent company accounted for EUR 150,000.00. The auditing fees for the foreign group companies were EUR 42,000.00.

The auditing firm has been paid fees of EUR 503,660.24 for services not associated with auditing. These services had to do with mergers and acquisitions, tax services, a review of regulation accounting and other expert services.

Company insiders and insider administration

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

In accordance with the Securities Markets Act, Elisa's public insiders include the members of Elisa's Board of Directors 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 Elisa's website at www.elisa.com.

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

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

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