elisa

ANNUAL REPORT 2012

Content

Shareholder information

Annual General Meeting

Elisa's Annual General Meeting 2013 will be held at the Helsinki Fair Center, Congress entrance, Messuaukio 1, Helsinki, at 2:00 pm on Monday, 25 March 2013.

Shareholders registered in the company's shareholder register maintained by Euroclear Finland Ltd by Wednesday, 13 March 2013, are eligible to attend the Annual General Meeting.

A shareholder, who is registered in the shareholders' register of the company and who wants to participate in the Annual General Meeting, shall register for the Meeting no later than Monday, 18 March 2013 at 6:00 p.m. by giving a prior notice of participation. Such notice can be given:

a) through Elisa's website www.elisa.com/annualgeneralmeeting (available only for directly registered shareholders);
b) by e-mail elisa.yhtiokokous@yhteyspalvelut.elisa.fi;
c) by telephone +358 800 0 6242 from Monday to Friday at 8:00 a.m.–6:00 p.m.;
d) by telefax +358 10 262 2727; or
e) by regular mail to Elisa Corporation, Yhtiökokous-ilmoittautumiset, P.O. Box 1 38, FI-33101 Tampere.

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

Profit distribution policy

Profit distribution is 80–100 per cent of the previous fiscal year's net profit. In addition possible excess capital can be distributed to shareholders. When making the distribution proposal or decision the Board of Directors will take into consideration the company's financial position, future financial needs and financial targets. Profit distribution methods include dividend payment, capital repayment and purchase of treasury shares.

The Board of Directors proposes to the Annual General Meeting that the profit for the period 2012 shall be added to accrued earnings and that a dividend of EUR 1.30 per share be paid based on the adopted financial statements 2012. The dividend will be paid to the shareholders registered in the Register of Shareholders held by Euroclear Finland Ltd on the record date Thursday, 28 March 2013. The Board of Directors proposes that the dividend be paid on Tuesday, 9 April, 2013.

Financial information

In addition to an annual report in electronic format, Elisa will publish interim reports on 19 April 2013, 12 July 2013 and 17 October 2013 in Finnish and in English. The annual report will be available in electronic format at www.elisa.fi.

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

The contact person for Elisa's Investor Relations:

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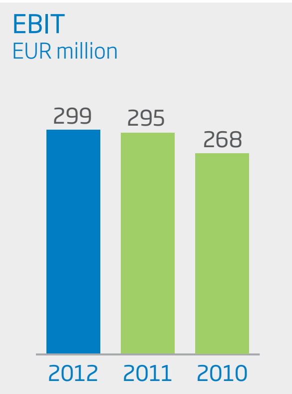
Elisa in brief

Elisa holds a strong position as a network service provider. In addition, the company offers and develops new, relevant and interesting services for its customers. ICT services for corporate customers and online services for consumer customers are growing areas of business.

Elisa is a telecom and ICT service company listed on the NASDAQ OMX Helsinki Large Cap list. Elisa serves about 2.2 million consumers, companies and public administration organizations regionally by delivering superior user experiences and increasing business productivity through online and ICT services. As the market leader in mobile subscriptions, Elisa offers its customers the fastest and most extensive mobile networks in Finland. The company provides services worldwide in cooperation with Vodafone and Telenor. Its business operations comprise the consumer customer business and the corporate customer business. Its brands are Elisa and Saunalahti.

The competitive environment has been intense but stable in Finland. Elisa is the market leader in its field and has fared well against its competitors. Its growth has been driven by the growing mobile data and smartphone markets as well as its strong investment in new services, among other factors. Most mobile phones sold in 2012 were smartphones, which further increased the use of mobile subscriptions and mobile data services. The Elisa Viihde IPTV service, with its diverse selection of entertainment, generated growth in the fixed-broadband business.

Elisa changed its profit distribution policy in November 2012. In accordance with the new policy, profit distribution is 80–100 per cent of the previous fiscal year's net profit. In addition possible excess capital can be distributed to shareholders. Profit distribution methods includes dividend payment, capital repayment and purchase of treasury shares. In 2012, Elisa's profit distribution included a dividend of EUR 1.30 per share paid in April, totaling EUR 203 million, which represented 101 per cent of the company's net result for 2011.



Key indicators

EUR million	2012	2011	2010
Revenue	**1,553**	1,530	1,463
EBITDA	**501**	506	485
EBIT	**299**	295	268
Profit before tax	**269**	265	197
Net result	**209**	201	151
Earnings per share, EUR	**1.33**	1.29	0.96
Research and product development	**9**	5	10
Investments in shares	**0**	0	35
Capital expenditure	**193**	197	184
Equity ratio, %	**43**	42	43
Gearing, %	**99**	94	93
Personnel on 31 Dec	**3,863**	3,772	3,665

Business met expectations at Elisa in 2012

The demand for ICT services was slightly affected by the general economic situation in 2012. The clearest indication of this was that Finnish companies proceeded cautiously with investments last year. However, consumer behavior was not significantly affected by the economic downturn. The challenging economic situation also provided Elisa with fresh opportunities to offer solutions designed to improve companies' productivity. Affordability was another factor that strengthened the demand for services as prices of Finnish telecom services are among the lowest in Europe.

In 2012, Elisa attained good results. Revenue and earnings developed well and in line with the guidelines given at the beginning of the year. Revenue growth was supported by the demand for terminal devices, mobile voice and data services, as well as new services. Despite challenging competition, Elisa's strong ability to attain results strengthened its competitiveness.

The new services launched by us during the year were favorably received by consumers and companies. Our services that provide superior user experiences and ICT services that enhance productivity were very eagerly used. Our mobile business continued to strengthen, spurred by a large increase in the use of mobile data due to the constantly increasing popularity of USB modems, smart phones and tablets.

In 2012, Elisa also attained good results in Estonia, where the number of subscriptions continued to grow. Similarly to Finland, the growth was particularly strong in mobile data subscriptions.

Operations with a strong strategy base

The development of one Elisa, the strengthening of our market position and the offering of new services to our customers have progressed as planned. Elisa was strongly present in the daily life of its Finnish and Estonian customers.

Our investments in the improvement of operational efficiency continued in a number of different areas. The favorable development in the boosting of operating models for our invoicing and deliveries continued. We developed actions to reduce the number of unnecessary customer contacts and enhance delivery precision. Our consumer customer service was improved in many different ways. These actions proved to be successful as our consumer customer service won the large organization category in the Best of the Year 2012 customer service competition. In addition, our consumer customer service was expanded by strengthening Elisa's presence in social media. A new type of online IT support service was introduced for corporate customers to provide support via videoconferencing and chat, for example. So far, these actions have delivered good results, but we believe that there is still significant potential to improve our productivity and service to our customers.

Our new services were well received by customers. Elisa introduced two new services for consumer customers: Elisa Vahti Live and Elisa Lompakko. The Elisa Vahti Live service enables users to stream high-quality live video from home on their mobile phone or tablet and the Elisa Lompakko service includes contactless payments, separate online payment cards, online and mobile applications as well as money transfers between users. Tablet and smartphone application downloads via the Elisa Viihde and Elisa Kirja services totaled more than 230,000. We added a new method of e-reading to the Elisa Kirja service in which an audio picture book combines illustration with a narrator's voice.

The demand for ICT services strengthened among corporate customers as a result of new services that improve productivity. Elisa's video solutions have now been delivered to over 10,000 destinations in more than 100 countries. To support corporate IT solutions, Elisa introduced the Elisa eSali cloud service to enable companies to acquire additional server capacity flexibly and combine their own data centers with virtual ones. During the year, numerous companies started to use a mobile certificate. The mobile certification enables health centre clients to use online services securely, for example.

Elisa was the first telecom and ICT service company to report on the emissions savings of its services. We ranked number one within our industry in the Carbon Disclosure Project's Nordic climate index, which evaluates companies based on their emissions reporting. In Elisa's services, the most significant factors that reduce emissions are the increasing popularity of mobile working solutions and the enormously increasing demand for video conferencing solutions.

Flexible everyday operations for customers and inspiring and meaningful work for Elisa employees

Elisa's revenue increased by 1.5 per cent in 2012 which clearly exceeds the average of European operators. Moreover, our earnings grew, cash flow continued to be strong and our equity ratio remained good. As a result of our strong financial position, the Board of Directors will propose a distribution of profits at the Annual General Meeting this spring. The distribution will, once again, be at the top level among listed companies.

Elisa is a significant taxpayer, too. Elisa is also the most significant investor in the sector, as our investments in

2012 in the development of the Finnish ICT infrastructure were EUR 193 million. The company expanded its fast, comprehensive 3G network further, and 4G speeds are now available in almost 200 locations. Our customers have found the 4G services excellent, and demand for them was brisk during the year. Elisa is the Finnish operator with the most extensive roaming network, which enables seamless use of mobile phones around the world for both consumer and corporate customers.

We are grateful to our customers for their confidence in and loyalty to our services, as well as for the possibility to innovate present and new services together with our customers. We aim to be worthy of that confidence in the future as well, and create value for our customers. Next, I would like to thank our loyal shareholders for their trust in Elisa's strategy and its execution.

In addition, all Elisa employees deserve my sincerest thanks: we would not have had this excellent progress without their dedicated and professional contribution to Elisa's success. In 2012, we invested in the competence development of Elisa employees, strengthening of the Elisa working culture and inspiring supervisory work. Our work has produced good results: an annual personnel study showed that job satisfaction has increased as compared with the previous year.

We will continue our determined work to improve customer satisfaction and the productivity of our operations. Developing services that improve productivity and provide enhanced user experiences will be the cornerstone of our competitiveness in the future. I believe that our business will show positive development in 2013, despite the challenges posed by the general economic situation.

Veli-Matti Mattila
Chief Executive Officer

Consumer Customers unit

The Elisa Consumer Customers unit serves Finnish consumers and households. We offer our customers subscriptions with world-class performance and unrivaled price-to-quality ratio as well as superior online experiences.

The business of the Elisa Consumer Customers unit continued to develop favorably in 2012. We maintained our position among the market leaders in mobile subscriptions while introducing new services. Our consumer customers have a total of 3.7 million mobile and fixed-network subscriptions. Of the total, mobile subscriptions account for 2.9 million, fixed network subscriptions 142,000 and fixed broadband subscriptions 415,000. The number of customers using cable TV services is 259,000.

Award-winning customer service

We continued to systematically develop our customer service based on feedback. In our telephone service for consumer customers, we introduced a callback service that saves customers from waiting on hold during peak times. In addition, we expanded our customer service to cover social media by integrating discussion forums and Facebook communities into our customer service channels. Our Contact Center for consumer customers won the large organization category in the Best of the Year 2012 customer service competition. This recognition proves that we have succeeded in developing our operations based on customers' needs and wishes.

Strong growth in mobile broadband and smartphone market

In the subscription business, mobile broadband sales in particular continued to grow strongly. We further expanded our fast, comprehensive 3G network, and 4G speeds are already available in over 200 locations.

The smartphone market grew strongly in 2012. At the end of the year, smartphones represented more than 87 per cent of all phones sold. The first smartphones compatible with the fastest 4G connections were introduced in late 2012. The popularity of high-speed fixed broadband connections continued to grow, and their availability was expanded through strong investments in fiber network construction.

Exciting online experiences, new services and increased user numbers

The popularity of tablet and smartphone applications related to the Elisa Viihde entertainment service continues to grow, with the total number of downloads being more than 150,000. These applications enable our customers to record and watch television content on iPads and Android tablets. During the year, we added new features and content to the Elisa Viihde service. On IPTV, the 2012 Ice Hockey World Championships were exclusively available on the Elisa Viihde ice hockey application, and the entire Formula 1 season was available on the Elisa Viihde F1 application. We continued to broadcast live concerts of famous Finnish artists, such as The Rasmus and Jesse Kaikuranta. The Finnish Karaoke Championships were also broadcast live on Elisa Viihde.

The Elisa Kirja e-book service became the largest electronic literature service in Finland in 2012, with the total number of tablet and smartphone application downloads exceeding 80,000. We also introduced a new way of e-reading: the audio picture book, which combines illustrations with a narrator and makes an ideal learning experience for children under school age. The first audio picture books published on Elisa Kirja feature Eero, a character created by author Silja Sillanpää and graphic designer Tommi Mutikainen. In addition, we collaborated with the city libraries of Helsinki and Oulu, where tablets with the Elisa Kirja application are now available for loan.

Moreover, we launched Elisa Vahti Live, a new type of service that enables users to stream high-quality live video from home on their mobile phone or tablet. This easy-to-use service was developed in close collaboration with our customers, and it has rapidly grown in popularity in families with children and pets, among other target groups. Elisa Lompakko is an electronic wallet that turns a smartphone into a financial management tool that is available independent of time and place. The service includes a payment sticker for easy small purchases and online payment cards for safe purchases without a credit or debit card. Elisa partners with MasterCard® to make the service available.

New digital look for Elisa Shopit stores

During 2012, Elisa opened a total of 17 redesigned Elisa Shopit stores around Finland. This modernized store concept makes it easier for customers to try, compare and choose Elisa services, Saunalahti subscriptions and various devices. Elisa Shopit stores make extensive use of digital features, which enables salespeople to focus on customer service. For example, all posters, product information and price tags have been replaced with digital media displays in the stores.

"Mobile broadband sales continued to grow strongly. Elisa expanded its fast, comprehensive 3G network, and 4G speeds are already available in over 200 locations."

Excellent customer experiences and strong subscription business also in 2013

We will continue to implement our strategy consistently and with great determination in 2013. Despite the challenging competitive situation and economic uncertainty, we aim to maintain and strengthen our position as the market leader in mobile subscriptions by offering our customers the best value for their money. Our key goal is to continue the strong development of our service business and offer our customers memorable experiences. We will continue to invest in customer service quality in self-service channels as well as our telephone service.

Continued success in Estonia

The year 2012 was successful not only in Finland, but also in Estonia. The total number of subscriptions continued to grow with number portability, among other factors, and stood at 565,700 at the end of the year. The growth was particularly strong in mobile data subscriptions and the popularity of smartphones continued to grow rapidly. We expanded the Elisa 3.5G network to cover several new counties and made the 4G network available for test use.

Corporate Customers unit

The Elisa Corporate Customers unit enables customers success and productivity with ICT services. We want to understand challenges related to our customers' business and communications needs, and develop our services continuously to meet customer needs.

In 2012, world events and the European economy caused Finnish companies to proceed cautiously with investments. In addition to cost-saving and efficiency measures, companies and other organizations were forced to consider new operating models and profitability improvement plans.

Changing business and outsourcing needs, efficiency measures and reorganization programs offered Elisa and its subsidiaries an opportunity to provide ICT solutions in response to challenges in companies and the public sector. Organizations increasingly want to turn to a single service provider for their needs. Elisa and its subsidiaries are meeting this demand by incorporating more comprehensive ICT solutions into their services.

Growth driven by IT and video services

IT outsourcing and cloud services continued to grow. Customers were willing to outsource to the cloud and make their applications available as online services. The most significant growth factor was the increased demand for Elisa Office 365 cloud computing applications and virtual data center capacity. Elisa's flexible IT solutions enable customers to manage their capacity according to their needs. Elisa gained a significant foothold in IT outsourcing services for small and medium businesses through Appelsiini, one of its subsidiaries. Elisa's IT business unit continued to invest strongly in competence development and the development of expertise in new technologies.

The use of video solutions in communications and new contexts is growing. Mobility at work calls for more flexible and mobile communication and conferencing solutions, particularly in international and decentralized organizations. Elisa and Videra responded to this need by developing a solution that combines various technologies and room and mobile terminal devices into a comprehensive service model. The Videra Virtual Home Care service enables healthcare professionals to communicate with customers at home via an interactive video link. This solution also enables elderly people to keep in touch and participate in enriching activities.

Elisa incorporated video solutions into expert services in its national network of corporate service outlets. We also introduced online customer service via video, which makes experts accessible regardless of time and place, to Elisa's salespeople and customers alike.

In addition, the development and introduction of new digital media display solutions was key in the video business. The demand for digital signage grew considerably in organizations during the review period, in both internal and customer communications. The chain of Elisa Shopit stores was upgraded with Videra's visual solutions into the most digital store concept in Europe. We also make effective use of digital signage in our internal communications.

Mobility at work continues to grow

The share of smartphones of all corporate phones grew exponentially in 2012. The Symbian operating system gave way to Windows, which boosted growth significantly. The strong growth of data transfer is driven by faster 4G connections and the increasing popularity of phones that run applications. The most significant growth factor is the mobile use of office applications, video and the Internet. More versatile use of mobile devices and the diversity of terminal devices set new requirements for information security and corporate networks. In Finland and Estonia, Elisa introduced Elisa Ring, a smart mobile office service for businesses that transforms fixed-line and mobile phones into a single mobile communications system.

Elisa responded to the needs of international organizations by making its data roaming prices more consistent and reducing prices. In addition, Elisa introduced Vodafone Passport, a highly competitive roaming pricing model, in collaboration with Vodafone, the most extensive mobile operator in the world.

New solutions for electronic services and online customer service

In late 2012, we introduced a new electronic transaction model for public administration. It enables customers to be served at home via a video link. Customer service processes can be digitalized by using mobile certificates, strong identification and digital signatures. This allows organizations to make use of their decentralized expert and customer service resources while managing operations centrally. We also introduced new solutions for online services and payments, which enabled new payment and identification methods as well as services independent of time and place.

The two-way Elisa Dialogi SMS message service grew increasingly popular among our corporate cus-

"Elisa Corporate Customers introduced for internal use online customer service via video, which makes experts accessible regardless of time and place. It brings experts to support Elisa salespeople and customers alike."

tomers. This interactive service was used for customer relationship management, customer satisfaction surveys, communications, mobile polls, appointments and bookings as well as crisis communication in organizations.

Elisa's high-quality Contact Center service and switchboard operator services enable customers to provide services more flexibly and efficiently. Resources can be adjusted to seasonal changes and unpredictable peaks, which keeps waiting times down.

Forerunner in modern work

We expanded our modern ways of working by adopting more versatile tools as well as office facilities that promote interaction. This allows us to use our competencies and resources to support profitability and serve our business operations. Moreover, our customers can learn and benefit from our experiences.

Successful year in Estonia

Our Corporate Customers unit had a successful year not only in Finland, but also in Estonia. In particular, the exponential increase in the popularity of smartphones in companies was reflected in the number of mobile data subscriptions. We began collaboration with Estonian Post and introduced a new solution for corporations that includes fixed-line and mobile Internet access. In addition, we delivered a mobile online service for the public transport e-ticket system of Tallinn and Harju County. Major new customers included the Government Office, 6 government ministries, the National Audit Office of Estonia and 3 foundations.

Personnel

Elisa's personnel, supervisors and management are committed to further developing Elisa as an excellent company that serves its customers by offering high-quality products and services. The company seeks to attract flexible team players who are innovative, committed and open to change. They have a passion for developing services that offer superior user experiences as well as comprehensive solutions that help customers improve profitability. These highly competent experts ensure Elisa's technological performance and operational efficiency. Our employees know the true meaning of team spirit and are the best possible colleagues for one another.

Our goal is to offer challenging and meaningful tasks that enable people to experience the joy of success and seize opportunities for personal and professional development. In our personnel policy, our principle is to fill open positions primarily through internal job rotation.

Community spirit and well-being

Flexibility at work and flexible hours have a positive impact on well-being and job performance. Teleworking has further improved job satisfaction at Elisa and is regarded as an efficient and productive way of working.

We measure well-being at work by conducting an extensive personnel survey annually and a resource survey quarterly. In 2012, the results of the personnel survey were better than ever before. Elisa's strengths included excellent supervisory work, good atmosphere, strong team spirit, excellent employer image and strong employee engagement as well as regular and effective appraisal and development discussions. Job satisfaction at Elisa ranks very high in the reference group.

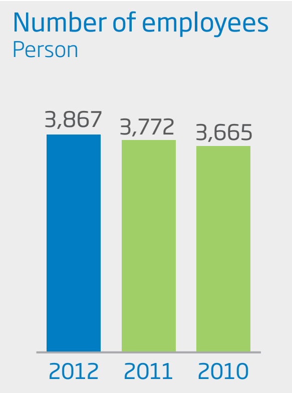
Regional recreational committees contribute to the strong team spirit. They enable employees in different locations to participate in cultural and physical activities as varied as arts and crafts, exercise and team sports as well as walking and running schools. Several Elisa employees took part in half and full marathons and the Finlandia Ski Marathon in 2012.

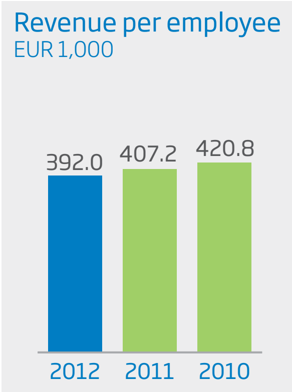
One of the key drivers of well-being for employees is the opportunity to influence their work and work environment. Elisa launches a change planning process every time the business must undergo changes that affect the number of employees, job descriptions or other key factors related to work. Active employee participation is particularly important in these processes. In 2012, our goal for every change process was to improve employee engagement, job satisfaction and coping at work. Judging from the feedback, we succeeded in this pursuit.

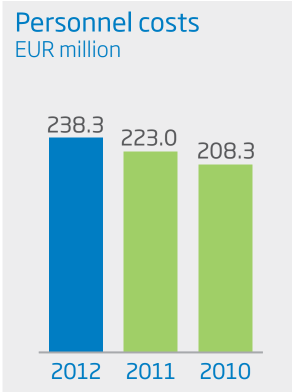
Close collaboration with occupational healthcare is essential to well-being at work. In 2012, this work focused on early intervention, prevention of premature disability and productive cooperation among supervisors, employees and occupational healthcare.

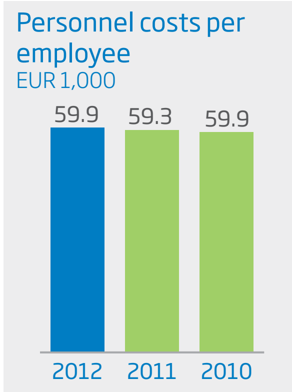
Social responsibility

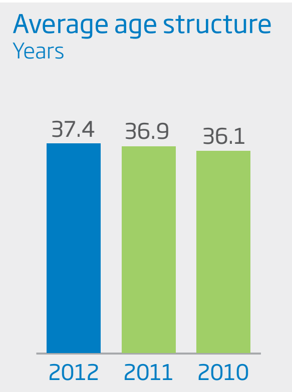
Satisfied, healthy, competent and productive employees are a major resource for Elisa. Management plays a key role in this respect. We aim for management by coaching that inspires, empowers, offers opportunities for participation, addresses issues immediately, acknowledges employees' strengths, provides feedback and is easily accessible.

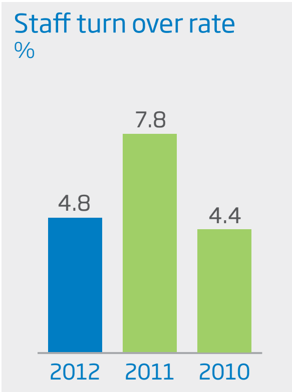


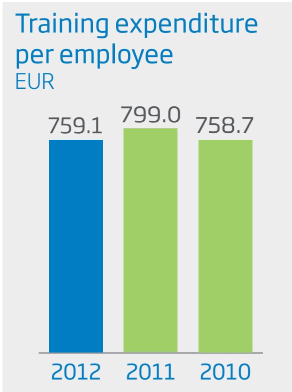


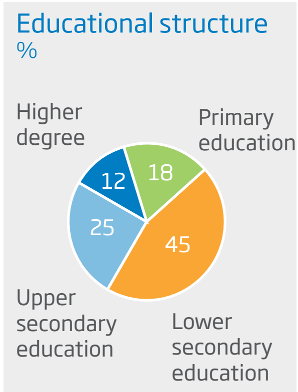












Equality is important at Elisa. We promote equality by creating a diverse community of employees who complement one another and together make Elisa an excellent workplace. Elisa's employer image is based on responsibility toward employees, customers, shareholders and society.

Each year, the company prepares an equality plan in collaboration with employee representatives. Elisa promotes equality among all people, regardless of gender, age, health, sexual orientation, religious or ethnic background. We welcome employees with mobility disabilities – only competence and attitude count.

Elisa launched its present redeployment program in 2010. From the beginning of 2010, employees left without work for operational reasons have participated in the program to find new work either at Elisa or outside the company.

About two-thirds of the participants have secured a new job or educational opportunity through the relocation program.

Changing work and work environment

Elisa is a trendsetter in modern ways of working. For an increasing number of Finns, work is changing and becoming more mobile. Elisa has strongly invested in developing management methods, tools and environments related to new ways of working. Many of our employees are able to work from anywhere and at any time. These innovative ways of working call for clear goals, trust, new management methods, self-management skills, open interaction and a seamless flow of information. Elisa provides its employees with tools that facilitate mobile work.

In 2012, we increasingly invested in creating a work environment that strongly supports new ways of working, job satisfaction and well-being at work.

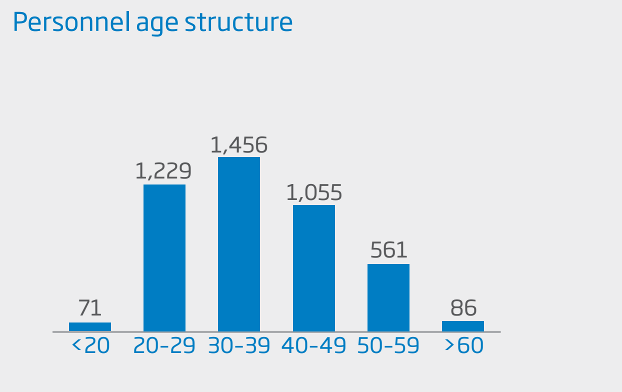
Personnel development

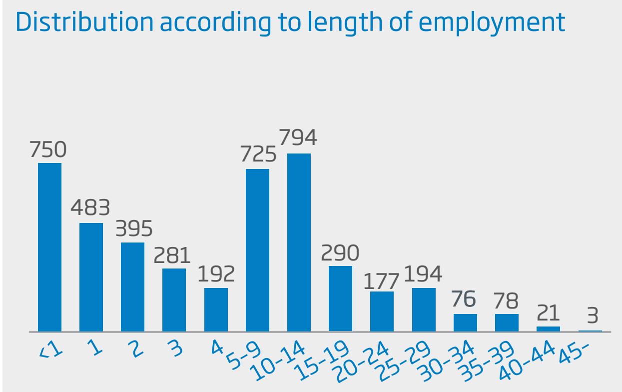
At Elisa, personnel development is a combination of learning at work, management by coaching, support from supervisors and various training and coaching programs. We offer management and leadership training, training for experts, language courses and workplace development programs as well as training related to products, services, processes, systems and customer service.

Internal job rotation and relocation enhance expertise. In 2012, more than 11 per cent of Elisa's personnel changed jobs temporarily or permanently.

Our traditional long-term training programs included options for young and senior supervisors. In addition, a five-month management training program was offered in the spring of 2012.

The ElisaPro program for distinguished sales and customer service professionals was also offered in 2012. About 60 employees participated in the Specialist Qualification in Management (JET), Further Qualification in Sales (MyAT) and Specialist Qualification in Technology (TeAT) programs. All in all, more than 100 employees participated in long-term training programs in 2012.





Number of employees, gross capacity and gender distribution

	2012	2011	2010
Total number of the employees	3,867	3,772	3,665
Gross capacity	4,459	4,347	4,303
Male	2,713	2,661	2,577
Female	1,597	1,686	1,726

In addition, a large number of shorter training events were offered, ranging from a half day to two days in duration. Our inspiring online training program that focuses on corporate culture, excellence and high performance was offered once again in 2012. Moreover, Elisa supported independent study in training programs chosen individually by employees.

Cooperation with educational institutions

Elisa cooperated extensively with educational institutions, providing their students and staff opportunities to learn firsthand about working life. In 2012, this cooperation focused on practical training, projects, lectures, company visits and presentations as well as thesis and diploma projects completed at Elisa. Closer cooperation was primarily carried out with universities and educational institutions in the fields of technology and business.

In 2012, Elisa also contributed to Aalto University's Dialogi project under the theme "New Work is Here." The project featured a workshop for students and employees to discuss the effects of changing and increasingly mobile work on personnel, management, tools and facilities. It also included an extensive survey that attracted responses from more than 1,000 students and a large group of Elisa's employees. The results and the related analyses will be available in early 2013.

Employer-employee cooperation

Employer-employee cooperation was successful at Elisa in 2012. Employee representatives and supervisors actively collaborated in various ways on many levels. In addition, top management and employee representatives convened quarterly to discuss key issues related to personnel and business operations.

Corporate responsibility

In 2012, Elisa invested in extensive corporate responsibility reporting. For us, responsibility is a core value and a cornerstone of our operations. We want to highlight our work in social and financial responsibility more clearly than before. We are also strengthening our trendsetter status in environmental reporting.

Elisa published its first GRI (Global Reporting Index) report in spring 2012. The report helps stakeholders evaluate the company's social impact by presenting core issues in an accessible manner as it uses commonly adopted reporting standard. The GRI table of contents is available in English http://www.elisa.com/english/docimages/attachment/GRI_index_table_of_Elisa_corporate_responsibility_report_for_2011.pdf

Elisa is the leading telecom operator in the Nordic climate index

Elisa ranked number one in the CDP (Carbon Disclosure Project) Nordic climate index, which evaluates companies based on their emission reporting and leadership. Moreover, Elisa was the only telecom operator among the top 26 companies in the CDP leadership index. Elisa's strengths include groundbreaking emissions savings calculations, exemplary carbon footprint calculations and advanced environmental reporting.

More than 3,000 companies around the world report their annual emissions to CDP. A total of 145 Nordic companies responded to the CDP survey in 2012. The Nordic 260 report is available at www.cdproject.net.

Solutions for public services

The municipal sector is undergoing a transformation. New solutions are needed rapidly in response to challenges posed by population aging and the sustainable economy. Municipal and city mergers increase the need for high-quality services that are equally accessible to all.

Elisa's products and services enable municipalities and cities to serve residents better, regardless of time and place. Technology allows effective use of electronic transactions and additional help during peak times. Mobile certificates and video-assisted customer service allow employees to focus increasingly on personal customer service, which can be made safely available to all residents.

In addition, solutions provided by Elisa enable experts in public sector to work independently of time and place. This reduces commuting and saves time while improving regional equality and well-being at work.

The City of Helsinki and local business community started Climate partnership in 2012. Elisa was among the first companies to sign up to form a new network for reducing carbon intensity in city area. The network is designed to collaborate in intelligent climate projects.

Big savings even for small organizations

Elisa's team of 16 sales support experts convenes daily via video and phone connections. Once a month, the team meets face-to-face in different locations in Finland. Despite the distance between members, the team has proven to be successful in terms of social interaction, well-being at work and time management. Its new ways of working save about a total of 4.5 months of travel time and reduce carbon dioxide emissions by more than 20 tonnes annually.

Elisa sends an increasing part of its invoices electronically

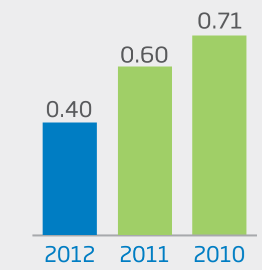
Each year, about 500 million invoices are sent and received in Finland. About 25–30 per cent of the invoices are electronic. Electronic invoicing makes it possible to reduce carbon dioxide emissions by about 29,000 tonnes, which equals the annual emissions from heating 265 apartment buildings.

For a few years now, Elisa's customers have had the opportunity to receive electronic invoices. In addition, Elisa seeks to send all order confirmations electronically. The company sends a total of 22 million invoices per year, of which 40 per cent are electronic. For new consumer and corporate customers, electronic invoices represent 56 and 65 per cent of all invoices, respectively. In 2012, emissions savings from Elisas electronic invoices amounted to 340 tonnes of carbon dioxide, which is equal to the emissions generated by the annual electricity consumption of 43 single-family houses. We owe this progress to all customers who have chosen to receive their invoices and order confirmations electronically. Every little counts.

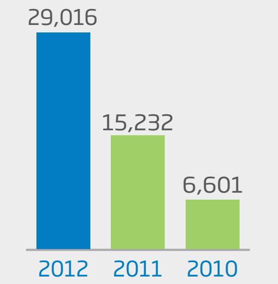
Mobile work and multipurpose facilities

Teleworking and redesigned office spaces have a positive impact on carbon footprints and working conditions. In recent years, Elisa has focused on improving its office planning and monitoring work flows. Multipurpose office spaces promote teleworking, and

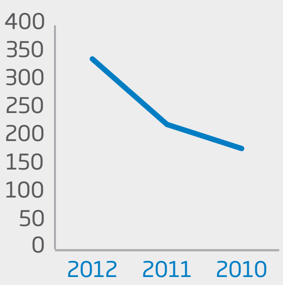
Energy efficiency of the radio network
(kgCO2/GB)



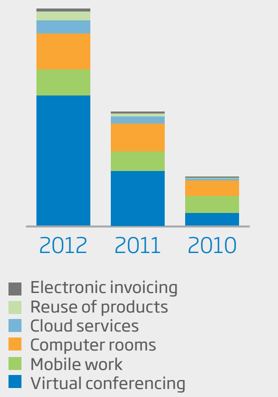
Total emission savings per year
(tCO2)



Emissions savings in electronic invoicing
(tCO2)



Emission savings by activity
(tCO2)



information is transferred from cabinets to cloud. Workstations are used flexibly by hot desking, and versatile facilities support new ways of working and teamwork. Multipurpose office solutions enable energy savings of up to 40 per cent.

This new office architechture paves way to paperless office. Each Finn spends about 1,500 sheets of paper per year. In office environment the consumption of paper is greater, where each Elisa-worker spent only 750 sheets of paper last year. Consumption on office staples was 35 euro/person in Elisa compared to 150 euro/person in general (an average Finnish company). Multipurpose offices have contributed to reductions in both costs and carbon emissions.

Elisa's products and services generate considerable emissions savings

In 2012, Elisa continued its successful practice of calculating the emissions savings generated by its products and services, which was started in 2011. A third party assurance is used to verify the results. Elisa publishes the information twice a year in its environmental reports, which are available at http://www.elisa.com/on-elisa/corporate/corporate-responsibility/environmental-responsibility/.

Finns are pioneers in mobile work

In 2012, solutions provided by Elisa generated emissions savings of 20,928 tonnes of carbon dioxide. This is double the amount of emissions savings in 2011 and more than ten times the emissions savings in 2009. This significant increase reflects changes in companies' working culture. Finns are pioneers in mobile work. In this respect, replacing travel with videoconferences generated the most significant emissions savings. These savings amounted to 17,395 tonnes of carbon dioxide emissions and were closely related to an increase in teleworking and office space efficiency achieved through redesigning facilities. In Elisa's operations, this new work enviroment generated emissions savings of 3,523 tonnes of carbon dioxide.

Cloud computing services reduce emissions

Elisa's service production generated emissions savings of 8,089 tonnes of carbon dioxide in 2012. These were achieved by increasing operational efficiency and adopting resource-efficient production technologies. The most significant emissions savings were related to increased energy efficiency in data centers, totaling 6,439 tonnes, which equals the annual greenhouse gas emissions from heating 24 apartment buildings.

Traditionally, cooling for servers in data centers consumes nearly as much electricity as the servers, and the heat is released to air or water. Elisa has developed an innovative solution that makes it possible to use the all the heat from servers in district heating networks. By choosing Elisa as their cloud service provider, customers can significantly reduce greenhouse gas emissions in their service chain.

Efficient radio networks

Emissions per subscription and emissions per amount of data transferred continued to decrease for services provided by Elisa in 2012. The annual carbon footprint of an Elisa subscription was 2.48 kilograms of carbon dioxide. The carbon footprint per gigabyte of data transferred was 40 kilograms of carbon dioxide. Elisa's highly reliable radio network serves an increasing number of customers and transfers a rapidly growing amount of data at higher and higher speeds. New types of base stations make it possible to further reduce emissions, and intelligent features and more efficient technologies enable the company to make high-speed data transfer available to an increasing number of customers.

Further information on Elisas responsibility work is available on corporate responsibility index (GRI) and environment report at www.Elisa.com.

> "Elisa ranked number one in the CDP (Carbon Disclosure Project) Nordic climate index, which evaluates companies based on their emission reporting and leadership."

The report of the Board of Directors and Financial Statements

The report of the Board of Directors for the year 2012

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

Market situation

The competitive environment has been intense and the campaigning activity increased at the end of the year. The subscription base and the use of data services continued to evolve favourably. The mobile smartphone market is growing rapidly. Almost 90 per cent of the mobile handsets sold are smartphones. This further increases the use of mobile data services. Another factor contributing to the mobile market growth has been the increased coverage of new 4G speeds. The number and usage of traditional fixed network subscriptions decreased.

The market for new visual communications (video conference), IT outsourcing and IPTV entertainment services have continued to develop favourably. The demand for other new consumer online services is also growing.

Revenue, earnings and financial position

Revenue and earnings

EUR million	2012	2011	2010
Revenue	1,553	1,530	1,463
EBITDA	501	506	485
EBITDA-%	32.3	33.1	33.1
EBIT	299	295	268
EBIT-%	19.2	19.3	18.3
Return on equity, %	24.7	24.1	17.4
Equity ratio, %	42.6	42.3	42.5

Revenue increased by 2 per cent on the previous year. The main growth drivers were increased equipment sales, especially smartphones and mobile services. Likewise, Corporate Customers' ICT services, such as Video Conferencing, and Consumer Customers' online services like the Elisa Viihde IPTV service grew well. Elisa's Estonian business also contributed positively to revenue growth. The decrease in usage and subscriptions of traditional fixed telecom services in both segments affected revenue negatively, as did the decrease in mobile termination rates.

EBITDA remained at the previous year's level. The EBITDA margin was negatively affected by the increase in equipment sales and in ICT and online services, which also typically carry lower margins than traditional telecom services. EBIT increased by EUR 4 million given reduced depreciations.

Financial income and expenses totalled EUR -30 (-30) million. This includes a non-recurring write-down of EUR 3 million from investments available for sale (Voddler Group Ab shares). Income taxes in the income statement amounted to EUR -60 (-64) million. Elisa's earnings after taxes were EUR 209 (201) million. The Group's earnings per share amounted to EUR 1.33 (1.29).

Financial position

EUR million	End 2012	End 2011	End 2010
Net debt	839	788	776
Net debt/ EBITDA [1]	1.7	1.6	1.6
Gearing ratio, %	98.5	93.8	93.2
Equity ratio, %	42.6	42.3	42.5

EUR million	2012	2011	2010
Cash flow after investments	155	207	172

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

Elisa's cash flow after investments was EUR 155 (207) million. Cash flow was negatively affected by changes in net working capital, given increased inventory as a result of higher equipment sales volumes and lower accounts payable. Increased tax and supplementary tax payment of EUR 10 million relating to taxes from the previous fiscal year and lower asset sales also had a negative impact on cash flow.

Elisa's financial position and liquidity remained good.

Changes in corporate structure

Elisa's fully owned subsidiary Elisa Links Oy merged with Elisa Corporation on 31 December 2012.

Consumer Customers business

EUR million	2012	2011
Revenue	962	930
EBITDA	307	301
EBITDA-%	31.9	32.4
EBIT	192	181
CAPEX	114	119

The Consumer Customers business' revenue increased by 3 per cent. Revenue growth was driven by online services, growth in the Estonian business, increased equipment sales and mobile services as a result of an increased number of subscriptions. EBITDA grew by 2 per cent mainly due to revenue growth and cost efficiency measures.

Corporate Customers business

EUR million	2012	2011
Revenue	591	600
EBITDA	194	205
EBITDA-%	32.8	34.1
EBIT	107	114
CAPEX	80	78

Revenue decreased by 1 per cent. Revenue was positively affected by growth in ICT services and equipment sales, and negatively by the decrease in interconnection revenue and traditional fixed network business. EBITDA fell by 5 per cent, mainly as a result of the fall in revenue. The EBITDA margin was negatively impacted by growth in low-margin equipment sales.

Personnel

In 2012, the average number of personnel at Elisa was 3,973 (3,757). Employee expenses totalled EUR 237 (223) million. Personnel at the end of 2012 amounted to 3,863 (3,772). Personnel by segment at the end of the period:

	End 2012	End 2011
Consumer Customers	2,182	2,153
Corporate Customers	1,681	1,619
Total	3,863	3,772

The increase in the number of personnel was attributable mainly to growth in the corporate ICT service and consumer online service businesses, as well as in Estonia.

Investments

EUR million	2012	2011
Capital expenditures, of which	193	197
- Consumer Customers	114	119
- Corporate Customers	80	78
Shares		0
Total	193	197

In 2012, the main capital expenditures relate to the capacity and coverage increase of the 3G and 4G networks, as well as to other network and IT investments.

Financing arrangements and ratings

On 25 September 2012, Elisa issued a seven-year EUR 300 million Eurobond. The interest coupon is 2.25 per cent and the issue price was 99.025 per cent. The bond was issued under Elisa's EUR 1 billion EMTN (Euro Medium Term Note) programme.

At the same time, a tender offer to exchange the 2014 EUR 300 million bonds to new 2019 bonds was announced. A nominal value of EUR 138.3 million of the 2014 bonds was exchanged for new 2019 bonds. The exchange price was 105.687 per cent and the settlement date for the bonds was 2 October 2012. The premium above the nominal value, EUR 7.9 million, will be amortised over the lifetime of the new 2019 bonds. After the arrangements the outstanding amount of the bonds maturing in 2014 is EUR 161.7 million.

Valid financing arrangements

EUR million	Maximum amount	In use on 31.12.2012
Committed credit lines	300	0,0
Commercial paper programme (1	250	95,5
EMTN programme (2	1,000	536,7

1) Domestic commercial paper programme, not committed
2) European Medium Term Note programme, not committed

Long-term credit ratings

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

The Group's cash and undrawn committed credit lines totalled EUR 340 (334) million at 31 December 2012.

Share

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

Trading of shares	2012	2011
Shares traded, millions	116.5	121.9
Volume, EUR million	1.935.4	1,880.9
% of shares	69.7	73.1

Shares and market values	End 2012	End 2011
Total number of shares	167,167,782	166,662,763
Treasury shares	10,288,116	10,435,275
Outstanding shares	156,879,666	156,227,488
Closing price, EUR	16.73	16.13
Market capitalisation, EUR million	2,625	2,520
Treasury shares, %	6.15	6.26

Elisa share is also traded in alternative marketplaces. According to the Fidessa Fragmentation report, the trading volumes in these markets in 2012 were approximately 104 (87) per cent of NASDAQ OMX Helsinki. Total trading volume in all marketplaces represents approximately 151 (146) per cent of outstanding shares.

Shares	Total number of shares	Treasury shares	Outstanding shares	Change in equity, EUR
Shares as 31.12.2011	166,662,763	10,435,275	156,227,488	
Share incentive plan 1.3.2012 (1		-152,503	152,503	
Returned shares, incentive plan 2012		5,344	-5,344	
Option subscriptions in 2012 (2	505,019		505,019	4,425,347
Shares at 31.12.2012	167,167,782	10,288,116	156,879,666	

1) Stock exchange bulletin 3.2.2012, 2) Stock exchange bulletins 3.4.2012, 26.6.2012, 31.10.2012, and 28.12.2012

At the end of the year, Elisa's total number of the shares was 167,167,782 (166,662,763), all within one share series.

On 1 March 2012, Elisa transferred 152,503 treasury shares to persons involved in the 2011 Incentive program. In 2012, a total of 5,344 of the transferred shares were returned to company.

In April, Elisa distributed a dividend of EUR 1.30 per share, totalling EUR 203 million, in accordance with the decision of the shareholders at the Annual General Meeting.

Options	2007A	2007B	2007C	Total
Total number of options	850,000	850,000	850,000	2,550,000
Held by Elisa or not distributed	0	0	245,000	245,000
Used in share subscription	12,375	581,999	266,822	861,196
Terminated	837,625	268,001	0	1,105,626
Outstanding	0	0	338,178	338,178
Current subscription price, EUR	-	-	9,97	
Subscription period	1.10.2009-31.5.2011	1.10.2010-31.5.2012	1.10.2011-31.5.2013	

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

Shares subscribed with options

Subscribed between	Register date	2007B	2007C	Total	Equity increase (1
13.12.2011-16.3.2012	3.4.2012	70,204	28,810	99,014	898,255
17.3.2012-31.5.2012	26.6.2012	167,993	2,250	170,243	1,176,544
1.6.2012-5.10.2012	31.10.2012		206,800	206,800	2,061,796
6.10.2012-4.12.2012	28.12.2012		28,962	28,962	288,751
Total		238,197	266,822	505,019	4,425,347

1) The subscription price has been booked into Elisa's reserve for invested non-restricted equity.

Research and development

The majority of the service development occurs during the ordinary course of business and is accounted for as a normal operating expense. Elisa invested EUR 9 million in research and development, of which EUR 7 million has been capitalised in 2012 (EUR 5 million in 2011 and EUR 10 million in 2010), corresponding to 0.6 per cent of revenue (0.3 per cent in 2011 and 0.7 per cent in 2010).

The Annual General Meeting

On 4 April 2012, Elisa's Annual General Meeting decided to pay a dividend of EUR 1.30 per share based on the 2011 financial statements. The dividend was paid to shareholders on 18 April 2012.

The Annual General Meeting adopted the financial statements for 2011. The members of the Board of Directors and the CEO were discharged from liability for 2011.

The number of the members of the Board of Directors was confirmed at six. Ari Lehtoranta, Raimo Lind, Leena Niemistö and Eira Palin-Lehtinen, were re-elected as members of the Board of Directors and Mika Salmi and Mika Vehviläinen as new members of the Board of Directors. The Board of Directors elected Raimo Lind as the Chairman of the Board and Ari Lehtoranta as the Deputy Chairman. Raimo Lind (Chairman), Ari Lehtoranta and Mika Salmi were appointed to the Nomination and Compensation Committee. Eira Palin-Lehtinen (Chairman), Leena Niemistö and Mika Vehviläinen were appointed to the Audit Committee.

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

The Board of Directors' authorisations

The Annual General Meeting 2012 decided on the authorization to repurchase or accept as pledge the company's own shares. The repurchase may be directed. The amount of shares under this authorization is 5 million shares at maximum. The authorization is effective until 30 June 2013.

The Annual General Meeting of 2010 approved the proposal of the Board of Directors on the issuance of shares as well as the issuance of special rights entitled to shares. The issue may be directed. The authorisation is effective until 30 June 2014. A maximum aggregate of 15 million of the company's shares can be issued under the authorisation.

Elisa Shareholders' Nomination Board

According to the decision of the Annual General Meeting on 4 April 2012, the Shareholders' Nomination Board was established. Its' duty is to prepare proposals for the election and remuneration of the members of the board of directors of Elisa for the Annual General Meeting.

The composition of Elisa's Shareholders' Nomination Board has been as follows:

- Eija Ailasmaa, Vice Chairman of the Board of Solidium Oy
- Risto Murto, Exec. Vice-President, Varma Mutual Pension Insurance Company
- Timo Ritakallio, Deputy CEO, Ilmarinen Mutual Pension Insurance Company
- Dag Wallgren, CEO, The Society of Swedish Literature in Finland
- Raimo Lind, Chairman of the Board of Elisa

The Nomination Board elected Eija Ailasmaa as the chairman.

Significant legal and regulatory issues

The Supreme Administrative Court issued a decision on 27 July 2012, according to which the decision of the Finnish Communications Regulatory Authority (FICORA) of 5 May 2010 regarding Elisa's local loop pricing was declared unlawful and therefore returned the case back to FICORA. FICORA closed the case in January 2013.

On 21 December 2012, the Court of Appeal of Helsinki rendered its verdict in the proceedings concerning the stock exchange disclosures of the Jippii Group in 2001. In its verdict the Court of Appeal rendered no corporate fine or forfeiture to Elisa Corporation. Saunalahti Group Oyj was merged into Elisa Corporation in 2011.

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, hazard and financial risks.

Strategic and operational risks

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

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

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

Hazard risks

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

Financial risks

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

As most of Elisa's operations and cash flow are denominated in euros, the exchange rate risk is minor.

The objective of liquidity risk management is to ensure the Group's financing in all circumstances. Elisa has cash reserves, committed credit facilities and a sustainable cash flow to cover its foreseeable financing needs.

Liquid assets are invested within confirmed limits to financially solid banks, domestic companies and institutions. Credit risk concentrations in accounts receivable are minor as the customer base is wide.

A detailed description of financial risk management can be found in Note 34 of the consolidated financial statements.

Environmental issues

Corporate social responsibility issues became more visible in 2012 with new GRI (Global Reporting Initiative) index reporting. Elisa also participated for the second year in CDP (Carbon Disclosure Project) reporting, earning the leading teleoperator position in the Nordic area.

A less carbon intensive work culture has been enabled by Elisa's models for mobile work, cloud computing services, solutions for public services, office space efficiency and data center efficiency. The trend of adopting these climate friendly solutions continues.

Reduction of our customers' carbon footprint guides Elisa's environmental responsibility. In 2012, ICT and online services reduced this footprint by a total of 20,928 tonnes of carbon dioxide (tCO_2).

In Finland, the emissions of Elisa's radio network per subscription decreased by 20 per cent and emissions reduction in relation to transferred mobile data volume was 79 percent, as compared with the baseline year 2009.

Corporate Governance Statement

Elisa will publish a separate Corporate Governance Statement during week 9 (beginning 25 February 2013) on its website at www.elisa.com.

Events after the financial period

On 19 December 2012, Elisa and Osuuskunta PPO signed an agreement in which Elisa will acquire fixed network operator PPO's telecom and IT businesses. The acquisition includes PPO's ownerships in fixed network operators Kymen Puhelin Oy and Telekarelia Oy. The transaction is subject to the approval of the Finnish Competition Authorities and normal condition precedents. Elisa estimates to finalize the transaction during the first half of 2013.

The Shareholders' Nomination Board of Elisa Corporation proposes to the Annual General Meeting of 25 March 2013 that the number of members of the Board of Directors is seven. The Nomination Board proposes that Mr Ari Lehtoranta, Mr Raimo Lind, Ms Leena Niemistö, Ms Eira Palin-Lehtinen, Mr Mika Salmi and Mr Mika Vehviläinen be re-elected as members of the Board. The Nomination Board proposes that Mr Jaakko Uotila be elected as a new member of the Board.

Outlook for 2013

The macroeconomic environment in Finland is still expected to be weak in 2013, with several companies already announcing employee reductions. This weakness is expected to be more pronounced during the first half of the year. Competition in the Finnish telecommunications market also remains challenging.

Full year revenue excluding the pending PPO acquisition is estimated to be at the same level as in the previous year. Mobile communications, ICT and new online services are expected to increase revenue. Full year EBITDA, excluding non-recurring items and the pending PPO acquisition, is anticipated to be at the same level as in 2012. However, for the first half of 2013, EBITDA is expected to be slightly below the corresponding level of the previous year. Full year capital expenditure is expected to be maximum 12 per cent of revenue. Elisa's financial position and liquidity are good.

Elisa's transformation into a provider of new exciting and relevant services to its customers continues. Long-term growth and profitability improvement will derive from mobile data market growth, as well as new online and ICT services. In addition, Elisa will continue to determinedly to employ its efficiency measures.

Profit distribution

In November, Elisa updated its distribution policy, according to which profit distribution is 80-100 per cent of the previous fiscal year's net profit. In addition, any possible excess capital can be distributed to shareholders. When making the distribution proposal or decision, the Board of Directors will take into consideration the company´s financial position, future financial needs and financial targets. Profit distribution methods include dividend payment, capital repayment and purchase of treasury shares.

The Board of Directors proposes to the Annual General Meeting a dividend of EUR 1.30 per share. The dividend payment corresponds to 98 per cent of the financial period's net profit.

Shareholders who are listed in the company's register of shareholders maintained by Euroclear Finland Ltd on 28 March 2013 are entitled to funds distributed by the General Meeting. The Board of Directors proposes that the payment date be 9 April 2013. The profit for the period shall be added to retained earnings.

The Board of Directors decided also to propose to the General Meeting that the Board of Directors be authorised to acquire a maximum of 5 million treasury shares, which corresponds to 3 per cent of the total shares.

BOARD OF DIRECTORS

Consolidated income statement

EUR million	Note	2012	2011
Revenue	1, 4	**1,553.4**	1,530.0
Other operating income	5	**4.7**	5.8
Materials and services	6, 35	**-655.6**	-643.5
Employee expenses	7, 27	**-237.0**	-223.0
Other operating expenses	8	**-164.5**	-163.1
EBITDA	1	**501.1**	506.2
Depreciation and amortisation	1, 10	**-202.1**	-211.4
EBIT	1	**298.9**	294.8
Financial income	11	**9.4**	11.6
Financial expense	11	**-39.5**	-41.2
Share of associated companies' profit		**0.1**	0.1
Profit before tax		**268.9**	265.3
Income taxes	12	**-60.4**	-63.9
Net profit		**208.5**	201.4
Attributable to:			
Equity holders of the parent		**208.7**	201.5
Non-controlling interests		**-0.2**	-0.1
		208.5	201.4
Earnings per share (EUR/share) calculated from the profit attributable to equity holders of the parent:			
Basic and diluted	13	**1.33**	1.29
Diluted	13	**1.33**	1.29
Average number of outstanding shares (1,000 shares):			
Basic	13	**156,548**	155,878
Diluted	13	**156,685**	156,179

Consolidated statement of comprehensive income

EUR million	Note	2012	2011
Profit for the period		**208.5**	201.4
Other comprehensive income, net of tax:			
Translation differences		**0.0**	0.2
Financial assets available-for-sale	19	**-1.3**	-1.2
Total comprehensive income		**207.2**	200.4
Total comprehensive income attributable to:			
Equity holders of the parent		**207.4**	200.5
Non-controlling interests		**-0.2**	-0.1
		207.2	200.4

Consolidated statement of financial position

EUR million	Note	31 Dec. 2012	31 Dec. 2011
ASSETS			
Non-current assets			
Property, plant and equipment	14	**616.1**	617.7
Goodwill	15	**797.1**	797.1
Other intangible assets	15	**101.3**	109.2
Investments in associated companies	16	**6.5**	0.1
Financial assets available-for-sale	17-19	**19.9**	30.8
Receivables	17-18, 20, 25, 28	**47.8**	30.3
Deferred tax assets	21	**10.7**	11.9
		1,599.4	1,597.2
Current assets			
Inventories	22	**59.4**	40.2
Trade and other receivables	23	**310.0**	302.7
Tax receivables		**1.4**	0.3
Cash and cash equivalents	24	**39.8**	59.0
		410.6	402.2
TOTAL ASSETS	1	**2,009.9**	1,999.4
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		**83.0**	83.0
Treasury shares		**-194.1**	-197.0
Contingency reserve		**3.4**	3.4
Fair value reserve		**6.6**	7.8
Other funds		**381.0**	381.0
Reserve for invested non-restricted equity		**52.7**	48.3
Retained earnings		**516.1**	510.3
Equity attributable to equity holders of the parent	26, 27	**848.6**	836.8
Non-controlling interests		**2.8**	3.5
TOTAL SHAREHOLDERS' EQUITY		**851.4**	840.3
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	21	**17.6**	19.4
Pension obligations	28	**1.2**	1.2
Provisions	29	**3.3**	3.5
Financial liabilities	30	**702.8**	625.9
Other liabilities	31	**13.7**	15.6
		738.6	665.7
Current liabilities			
Trade and other payables	31	**243.3**	260.4
Tax liabilities		**0.8**	11.0
Provisions	29	**0.3**	0.8
Financial liabilities	30	**175.6**	221.2
		419.9	493.4
TOTAL LIABILITIES		**1,158.5**	1,159.1
TOTAL EQUITY AND LIABILITIES		**2,009.9**	1,999.4

Consolidated statement of cash flows

EUR million	Note	2012	2011
Cash flow from operating activities			
Net profit		**268.9**	265.3
Adjustments			
Depreciation and amortisation	10	**202.1**	211.4
Financial income (-) and expense (+)		**30.1**	29.9
Gains (-) and losses (+) on the disposal of fixed assets		**-0.5**	-2.7
Increase (+) / decrease (-) in provisions in the income statement		**-0.7**	-1.3
Other adjustments		**-5.6**	1.4
		225.4	238.7
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables		**-14.2**	-18.7
Increase (-) / decrease (+) in inventories		**-19.2**	-1.5
Increase (+) / decrease (-) in trade and other payables		**-16.1**	-10.5
		-49.5	-30.7
Dividends received		**1.0**	3.0
Interest received		**8.7**	9.7
Interest paid		**-39.8**	-43.9
Taxes paid		**-72.3**	-50.7
Net cash flow from operations		**342.5**	391.3
Cash flow from investing activities			
Additional purchase price of subsidiaries		**-0.7**	-5.1
Capital expenditure		**-188.9**	-188.2
Acquisition of financial assets available-for-sale		**0.0**	-0.1
Proceeds from sale of subsidiaries		**0.6**	2.0
Proceeds from sale of associated companies			0.8
Proceeds from sale of financial assets available-for-sale		**0.0**	0.7
Proceeds from sale of property, plant and equipment		**1.3**	6.0
Net cash flow used in investing activities		**-187.7**	-183.9
Cash flow from financing activities			
Proceeds from long-term borrowings		**150.9**	170.0
Repayment of long-term borrowings		**-0.3**	-226.2
Increase (+) / decrease (-) in short-term borrowings		**-119.6**	80.7
Payment of finance lease liabilities		**-6.0**	-4.9
Additions to reserve for invested non-restricted equity from stock option excercises		**4.4**	3.0
Dividends paid		**-203.5**	-202.8
Net cash used in financing activities		**-174.0**	-180.2
Change in cash and cash equivalents		**-19.2**	27.2
Cash and cash equivalents at beginning of period		**59.0**	31.8
Cash and cash equivalents at end of period	24	**39.8**	59.0

Consolidated statement of changes in shareholders' 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	Non-controlling interests	Total shareholders equity
Shareholders' equity at 1 Jan. 2011	83.0	-199.0	393.5	45.3	507.0	**829.8**	3.1	**832.9**
Profit for the period					201.5	**201.5**	-0.1	**201.4**
Translation differences					0.2	**0.2**		**0.2**
Financial assets available-for-sale			-1.2			**-1.2**		**-1.2**
Total comprehensive income			-1.2		201.7	**200.5**	-0.1	**200.4**
Dividends					-202.7	**-202.7**	-0.7	**-203.4**
Share-based compensation		2.0			2.3	**4.3**		**4.3**
Options exercised				3.0		**3.0**		**3.0**
Other changes					2.1	**2.1**	1.2	**3.3**
Shareholders' equity at 31 Dec. 2011	83.0	-197.0	392.3	48.3	510.3	**836.8**	3.5	**840.3**
Profit for the period					208.7	**208.7**	-0.2	**208.5**
Translation differences					0.0	**0.0**		**0.0**
Financial assets available-for-sale			-1.3			**-1.3**		**-1.3**
Total comprehensive income			-1.3		208.7	**207.4**	-0.2	**207.2**
Dividends					-203.4	**-203.4**	-0.5	**-204.0**
Share-based compensation		2.9			3.5	**6.4**		**6.4**
Options exercised				4.4		**4.4**		**4.4**
Other changes					-2.8	**-2.8**	0.0	**-2.8**
Shareholders' equity at 31 Dec. 2012	83.0	-194.1	391.0	52.7	516.1	**848.6**	2.8	**851.4**

Notes to the consolidated financial statements

BASIC INFORMATION ON THE COMPANY

Elisa Corporation ("Elisa" or "the Group") engages in telecommunications activities, providing data communications services in Finland and in selected international market areas. The parent company of the Group is Elisa Corporation ("the parent") with domicile in Helsinki, and its registered address is Ratavartijankatu 5. The shares of the parent company, Elisa Corporation, have been listed on the NASDAQ OMX Helsinki since 1999.

On 5 February 2013 Elisa's Board of Directors has accepted this financial statement to be published. A copy of the consolidated financial statements is available from Elisa's head office at Ratavartijankatu 5, Helsinki, or on the company's website www.elisa.com.

ACCOUNTING PRINCIPLES

Basis of presentation

Elisa's consolidated financial statements are prepared in accordance with International Financial Reporting Standards including adherence with IAS and IFRS standards and SIC and IFRIC interpretations valid as at 31 December 2012. The International Financial Reporting Standards refer to standards and interpretations that have been approved for application in the EU in the Finnish Accounting Act and the provisions issued pursuant to it according to the procedures provided for in EU regulation (EC) No. 1606/2002 ("IFRS").

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets available-for-sale, financial assets and liabilities recognised at fair value through profit or loss, share-based payments and derivatives. The financial statements are presented in EUR million and the figures are rounded to one decimal place.

The Annual Improvements of IFRS standards adopted as of 1 January 2012 did not have an impact on the consolidated financial statements.

The preparation of consolidated financial statements in conformity with IFRS requires the application of judgment by Group management in making estimates and decisions. Information on decisions requiring management judgment on the application of appropriate accounting principles that have a material impact on the consolidated financial statements are presented in the Accounting principles under "Use of Estimates".

Subsidiaries

The consolidated financial statements include the parent company, Elisa Corporation, and those subsidiaries where the parent company has, directly or indirectly, more than 50 per cent of voting rights or over which the parent company otherwise exercises control. Even though the entity had less than 50 per cent of the voting rights, control over an entity is presumed to exist when the Group has through an agreement the right to more than 50 per cent of the voting rights, the Group has the power to govern the operating and financial policies of the entity, the Group has the power to appoint or remove the majority of the members of the board of the entity which exercises control in the Group or has the right to use majority vote in the board of the entity.

Subsidiaries are consolidated from the date of acquisition. Similarly, divested companies are consolidated until the date of disposal. The acquisition method is used in the accounting for the elimination of internal ownership. All intra-group transactions, gain on the sale of inventories and fixed assets, intra-group receivables, payables and dividends are eliminated.

Changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. As at the date when control is lost, any investment retained in the former subsidiary is recognised at fair value and the difference is recorded through profit or loss. Identifiable assets acquired and assumed liabilities are measured at their fair value as of the acquisition date. Changes in the contingent consideration and acquisition-related expenses are recognised as an expense in the income statement. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss. A gain resulting from a bargain purchase is recognised in profit or loss.

Non-controlling interests are measured either at the amount which equals non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The method to be used is selected on a case-by-case basis. Changes in non-controlling interests are recognised in retained earnings.

Profit for the period attributable to the equity holders of the parent and non-controlling interests is presented separately in the consolidated income statement. Non-controlling interests are presented separately from the equity of the owners of the parent in the consolidated statement of financial position. Losses exceeding the share of ownership are allocated to non-controlling interests.

Associates

Associated companies are entities over which the Group exercises significant influence. Significant influence is presumed to exist when the Group owns over 20 per cent of the voting rights of the company or when the Group otherwise exercises significant influence but does nor exercise control. Associated companies are consolidated in accordance with the equity method of accounting. If the Group's share of losses of an associate exceeds its interest in the associate, the investment is recognised on the balance sheet at zero value and the group discontinues recognising its share of further losses unless the Group has other obligations for the associated company. Associated companies are consolidated from the date the company becomes an associate and divested companies are consolidated until the date of disposal.

Joint ventures

Joint ventures are companies over which the Group exercises joint control with other parties. Assets under joint control are consolidated using the proportional consolidation method. The Group applies the method to the consolidation of mutual real estate companies.

Conversion of items denominated in a foreign currency

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

Transactions in foreign currencies are translated into functional currency at the rates of exchange prevailing at the dates of transactions. Monetary items have been translated into functional currency using the rates of exchange as at the year-end and non-monetary items using the rates of exchange at the dates of transactions, excluding items measured at fair value, which have been translated using the rates of exchange on the date of valuation. Gains and losses arising from the translation are recognised in the profit or loss. Foreign exchange gains and losses from operations are included within the corresponding items above EBIT. Foreign exchange gains and losses from loans denominated in a foreign currency are included within financial income and expenses.

The income statements of foreign Group companies are translated into euro using the weighted average rate of exchange of the financial year and the statements of financial position using the rates of exchange as at the year-end. Differences resulting from the translation of the result for the period at a different rate on the income statement and on the statement of financial position are recognised in other comprehensive income as translation differences within consolidated shareholders' equity.

Revenue recognition principles

Revenue includes normal sales income from business operations deducted by taxes related to sales and discounts granted. Sales are recognised once the service has been rendered to the customer or once the significant risks and rewards related to the ownership of the goods have been transferred to the buyer. Service revenue is recognised when it is probable that economic benefit will flow to the Group and when the income and costs associated with the transaction can be measured reliably. Revenue and expenses related to long-term projects are recognised on the basis of the percentage of completion when the final outcome of the project can be estimated reliably. The percentage of completion is determined as a proportion of hours worked to the estimated total number of hours of work. When it is likely that total costs to complete the project will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

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

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

Customers belonging to loyalty programmes are entitled to certain discounts on services and products provided by the Group. Discounts earned by customers are recognised as reduction of revenue. The Group does not currently have any valid loyalty programmes.

Research and development

Research costs are recorded as an expense in the income statement. Development expenses are recognised on the statement of financial position from the date the product is technically feasible, it can be utilised commercially and future economic benefit is expected from the product. Otherwise development costs are recorded as an expense. Development costs initially recognised as expenses are not capitalised at a later date.

EBIT

Earnings before interest and taxes ("EBIT") stands for revenue and other operating income deducted by operating expenses (materials and services adjusted by change in inventories, employee expenses and other operating expenses), depreciation and amortisation.

Income taxes

The tax expense in the income statement comprises current tax and deferred tax. Income taxes for the financial year are calculated from taxable profit with reference to a valid tax rate and are adjusted by any previous years' taxes.

Deferred taxes are calculated from all temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Principal temporary differences arise from tax losses carried forward, depreciation difference and between the fair value and tax base of identifiable net assets acquired in business combinations. Deferred tax is not recognised on goodwill impairment that is not deductible for tax purposes. Deferred tax is not recognised on non-distributable profits of subsidiaries insofar as there is no profit distribution decision in the foreseeable future. No deferred tax is recognised on valuation differences of shares for which gain on sale would be tax-deductible.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax liabilities are recognized in the balance sheet in full.

Interest and dividends

Interest income is recognised using the effective interest method, and dividend income is recognised when the right to receive payment is established.

Intangible Assets

Goodwill

Goodwill arising from business combinations prior to 2004, is accounted for in accordance with the previous financial statements regulations and that book value is the assumed IFRS acquisition cost. Business combinations incurring between 1 January 2004 and 31 December 2009 have been accounted for in accordance with IFRS 3 (2004). Goodwill arising from business combinations incurring after 1 January 2010 represents the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable net assets acquired and the amount of non-controlling interest and in a business combination achieved in stages, the acquisition-date fair value of the equity interest.

Goodwill is not amortised. Goodwill is tested for impairment annually, or more frequently if events or circumstances indicate a potential impairment. For the purpose of impairment testing, goodwill is allocated to cash-generating units (CGU's) including Consumer Customers and Corporate Customers. Goodwill is carried at its cost less any accumulated impairment losses.

Other intangible assets

An intangible asset is recognised only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. Subsequent costs related to intangible assets are capitalised only if the future economic benefits that will flow to the Group exceed the level of performance originally assessed. In other cases, the costs are recognised as an expense as incurred.

In connection with business combinations, intangible assets (such as customer base and brand) are measured at fair value. Other intangible assets are measured at original acquisition cost and amortised on a straight-line basis over their estimated useful life.

Amortisation periods for intangible assets:

Customer base	4–5 years
Brand	10 years
Development expenses	3 years
IT software	5 years
Other intangible assets	5–10 years

Property, plant and equipment

Property, plant and equipment are recognised in the statement of financial position at cost. Property, plant and equipment are stated at cost less accumulated depreciation and impairments. Depreciation is recorded on a straight-line basis over the useful lives. The residual value and the useful life of an asset is reviewed at the year-end and adjusted as necessary.

Subsequent costs, such as renewals and major renovation projects, are capitalised when it is probable that future economic benefits will flow to the Group. Ordinary repair, service and maintenance costs are charged to expense during the financial period in which they are incurred.

Expected useful lives of property, plant and equipment:

Buildings and constructions	25–40 years
Machinery and equipment in buildings	10–25 years
Telecommunications network (line, backbone, area, subscription, cable TV)	8–15 years
Exchanges and concentrators (fixed and mobile core)	6–10 years
Equipment for the network and exchanges	3–8 years
Telecommunication terminals	1–4 years
Other machinery and equipment	3–5 years

Land areas are not depreciated.

Government grants

Government grants related to the acquisition of property, plant and equipment, are recorded as a reduction of the carrying value of property, plant and equipment. The grants are recognised in income as lower depreciation charges over the useful life of the asset.

Government grants associated with development projects are recognised as other operating income when the related costs are recognised as expenses. Government grants associated with capitalised development costs are recorded as a reduction of cost.

Financial assets and liabilities

Financial assets

The Group classifies its financial assets as financial assets at fair value through profit or loss, loans and receivables and financial assets available-for-sale. The classification of financial assets takes place at initial recognition and depends on the purpose for which the financial assets were acquired. The purchases and sales of financial assets are recognised on the settlement date. Financial assets are derecognised once the contractual rights to the cash flows from the financial asset expire or once it has transferred substantially all the risks and rewards of ownership of the financial asset outside the Group.

Financial assets recognised at fair value through profit or loss are included in current assets. This category includes money market funds and commercial paper. Investments in money market funds consist of funds that make investments in high-quality euro-denominated fixed income securities issued by enterprises and public corporations operating in the European Economic Area. Commercial paper consists of debt securities issued by Finnish companies with a good credit rating. Both realised and unrealised gains and losses from changes in fair value are recognised in profit or loss during the financial period in which they incur.

Derivatives are recognised at cost as financial assets or liabilities on the date of acquisition and are subsequently remeasured at their fair value. The changes in fair value are immediately recognised within financial items in income statement. The fair value of derivatives is expected to approximate the quoted market price or, if this is not available, fair value is estimated using commonly used valuation methods. The Group does not apply hedge accounting.

Loans and receivables are valued at amortised cost and are included either in current financial assets, or in non-current financial assets if they fall due within more than 12 months. In addition to loan receivables, this category includes trade receivables and other receivables. Trade receivables are recognised at the original invoiced amount. The Group recognises an impairment loss on trade receivables if payment is delayed by more than 90 days or if a sales receivable is considered as finally lost. To the extent that trade receivables are sold, the impairment loss is reduced.

Financial assets available-for-sale are included in non-current assets. Equity investments, excluding investments in associated companies and mutual real estate companies, are classified as financial assets available-for-sale and are generally measured at fair value. Values of equities that cannot be measured reliably are reported at cost less impairment. Fair values of financial assets available-for-sale are measured either on the basis of the value of comparable companies, the discounted cash flow method or by using quoted market rates. Changes in the fair value of equity investments are recognized within other comprehensive income. When the equity investment is sold, accumulated changes in fair value are released from shareholders' equity and recognised in profit or loss.

Items measured at fair value are categorized using the three-level value hierarchy. Level 1 includes instruments with quoted prices in active markets. Listed shares owned by the Group are categorised at level 1. Level 2 includes instruments with observable prices based on market data. The Group's interest rate swap is categorised at level 2. Level 3 includes instruments with prices that are not based on verifiable market data but instead on the company's internal information, for example. The Group does not have financial instruments categorized at level 3 as at 31 December 2012. See Note 17.

Cash and cash equivalents
Cash and cash equivalents consist of cash at bank and in hand, short-term bank deposits and other short-term highly liquid investments with maturity less than 3 months.

Financial liabilities
Financial liabilities are initially recognised at fair value equaling the net proceeds received. Financial liabilities are subsequently measured at amortised cost by using the effective interest method. Transaction costs are included within the cost of financial liabilities. Financial liabilities are recorded within non-current and current liabilities and they may be non-interest or interest-bearing.

Impairment
The Group assesses at the end of each reporting period whether there is objective evidence that an asset is impaired. If such evidence exists, the recoverable amount of the asset is assessed. Regardless of any existence of impairment indications, the recoverable amount of goodwill and intangible assets under construction is also annually assessed. The Group does not have any intangible assets with an indefinite useful life. The need for impairment is assessed at the level of cash-generating units.

Value in use is the present value of the future cash flows expected to be derived from an asset item or a cash-generating unit. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. An impairment loss is recognised immediately in the income statement. If an impairment loss is allocated to a cash-generating unit, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the unit on a pro rata basis. An impairment loss is reversed if there are indications that a change in circumstances has taken place and the asset's recoverable amount has changed since the impairment loss was recognised. However, the reversal of an impairment loss will never exceed the carrying amount of the asset had no impairment loss been recognised. An impairment loss recognised for goodwill is never reversed under any circumstances.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined using a weighted average price.

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

Provisions
A provision is recognised when the company has a present (legal or constructive) obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Contingent liabilities and assets
Contingent liabilities and assets are not recognised in the statement of financial position. They are possible obligations or contingent assets that arise from past events and their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not

wholly within the control of the entity. Contingent liabilities also include present obligations that arise from past events but it is not probable that an outflow of resources will be required to settle the obligations or the amount of the obligations cannot be measured with sufficient reliability.

Employee benefits

Pension obligations

Pensions are classified as either defined contribution or defined benefit plans. In a defined contribution plan, the Group has no legal or constructive obligation to pay further contributions if the fund is unable to pay all employees the benefits relating to employee service. The premiums for defined contribution pension plans are recognised as expenses during the financial year in which they incur. A defined benefit plan is a pension plan that is not a defined contribution plan.

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

Performance-based bonus scheme and personnel fund

All employees are included in a performance, incentive or commission -based bonus scheme. The Group also has a personnel fund. The costs for the performance-based bonus scheme and personnel fund are recognised on accrual basis and the costs are based on the best available estimate of realised amounts.

Share-based incentives

The aim of the Group's share-based incentive plans is the long-term commitment of top management to the improvement of the company's value. The amount of the award to be paid is tied to the accomplishment of the related targets. Share-based incentive plans are measured at fair value at the date of grant and is charged to the income statement as follows: the cash portion of the reward is allocated until the end of the month preceding the month of actual payment and the share portion of the reward is allocated over the commitment period. The proportion settled in shares is recognised in equity, while the proportion settled in cash is recognised as a liability. If the assumption regarding the realised number of shares changes, an adjustment is recorded through profit and loss. The fair value of the portion settled in cash shall be reassessed at the end of each financial period until the end of the month preceding the month during which the reward is paid. Transfer restrictions related to the scheme are not taken into account in fair valuation or expense recognition. The plans do not involve any other non-market based terms and conditions.

Stock options

On 18 December 2007, Elisa's Board of Directors decided to grant stock options to the Group's key employees and a fully-owned subsidiary of Elisa Corporation. Stock options are measured at fair value at the date of grant and charged to the income statement over the period between the date of grant and the beginning of exercise period. The expense determined at the date of grant is based on the Group's assessment of the number of options that are expected to vest at the end of the vesting period. The fair value of options is determined by using the Black-Scholes option pricing model. Estimates of the final number of options are updated at the end of each financial period, and the changes in these estimates are recognised in profit or loss. When options are exercised, payments received for share subscriptions net of transaction costs are recognised in the reserve for invested non-restricted equity in accordance with the terms and conditions of the plan.

Leases

Leases in which the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease term.

Leases of tangible assets in which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired on finance leases are recognised in the statement of financial position at the beginning of the lease period at the lower of fair value of the leased asset or the present value of future minimum lease payments. Assets acquired under finance leases are depreciated over the shorter of useful life of the asset or the lease period. Minimum lease payments are apportioned between financial expenses and the reduction of the outstanding liability over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance lease liabilities are recognised in interest-bearing liabilities. The Group has primarily leased telecommunications networks and facilities, IT servers, videoconference equipments and infrastructure under finance leases.

The Group acts as a lessor in two different types of lease arrangements that are accounted for as operating leases: telecom premises and carrier services. Rental income from such leases is recognised as revenue over the lease period. Rental income from real estate leases is recorded in other operating income over the lease period.

The Group acts as a lessor in lease arrangements for video conferencing equipment that are accounted for as a finance lease. At the time of sale of the equipment, the proceeds are recorded as revenue and a receivable at a present value. Rental income is recorded as financial income and as a reduction of receivable over the lease period reflecting a constant periodic rate of return on the net investment.

Use of estimates

The preparation of financial statements requires the application of judgment in making estimates and assumptions. Actual results may differ from the estimates and assumptions made. In addition, the application of the accounting principles also requires the application of judgment. The estimates are based on the management's best view at the end of the financial period. Any changes in estimates and assumptions are recognised in the financial year during which the estimate or assumption is adjusted as well as in all subsequent periods.

Impairment testing

Goodwill and intangible assets under construction are tested for impairment annually or more frequently if events or circumstances indicate a potential impairment. The recoverable amount of cash-generating units is determined by calculations based on value in use, the preparation of which requires estimates and assumptions. The main uncertainties are associated with the estimated level of revenue and profitability and the discount rate. Any changes may lead to the recognition of impairment losses. The carrying value of goodwill is EUR 797.1 million at 31 December 2012. See Note 15 Goodwill impairment testing.

Share-based incentive plans

The expense recognition for the share-based incentive plans is based on an estimate of the fulfillment of the share incentive plan criteria and the development of Elisa share price. The fulfillment of the share incentive plan criteria and the development of the share price might deviate from the estimates. Share-based compensation expenses were EUR 6.4 million in 2012 and the liability relating to share-based incentive plans as at 31 December 2012 was EUR 2.0 million. See Note 27.

Income and expenses

The measurement and allocation of income and expenses to the appropriate financial period is partially based on estimates from past experience.

Taxes

Particularly as at the end of each financial period, the Group assesses the probability of subsidiaries generating taxable income against which unused tax losses can be utilised. The appropriateness for recognising other deferred tax assets is also determined as at the end of each financial period. Changes in the estimates may lead to the recognition of significant tax expenses. As at 31 December 2012, the Group has EUR 10.7 million deferred tax receivables.

New accounting pronouncements under IFRS

On 1 January 2013, the Group will adopt the following new or revised standards and new interpretations, providing they are approved by the EU by the planned date of adoption. These changes are not expected to have a significant impact on the Group's financial statements.

- IFRS 13 Fair Value Measurement provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.
- Amended IAS 19 Employee Benefits amends the accounting for actuarial gains and losses by eliminating the corridor approach and requiring the recording of such gains and losses immediately in other comprehensive income. All pension assets and liabilities are required to be recorded on the statement of financial position.
- Amended IAS 1 Presentation of Financial Statements
- Annual Improvements of IFRS standards

On 1 January 2014, the Group will adopt the following new and revised consolidation standards, providing they are approved by the EU by the planned date of adoption

- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in Other Entities, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. IFRS 11 requires the consolidation of joint ventures under the equity method and the proportional consolidation of joint ventures is no longer allowed.

On 1 January 2015, the Group will adopt the following new standard, providing it is approved by the EU by the planned date of adoption.

- IFRS 9 Financial Instruments. In accordance with the standard, financial assets are divided into two measurement categories: those measured at amortised cost and those measured at fair value. The mixed measurement model is also simplified.

1. OPERATING SEGMENTS

The Group's reportable segments are based on the internal reporting provided to management. Elisa's internal organizational and management structure is based on a customer-oriented operating model. The Group's reportable operating segments are Consumer Customers and Corporate Customers.

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

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

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

The accounting principles of the segments are the same as those used in the preparation of the financial statements.

The reported geographical areas are Finland, Rest of Europe and Other countries. Revenues are presented on the basis of the customer location. Assets are presented on the basis of location.

Operating Segments

2012 EUR million	Consumer Customers	Corporate Customers	Unallocated items	Group total
Revenue	962.4	591.1		**1,553.4**
EBITDA	307.0	194.1		**501.1**
Depreciation and amortisation	-115.0	-87.1		**-202.1**
EBIT	191.9	107.0		**298.9**
Financial income			9.4	**9.4**
Financial expense			-39.5	**-39.5**
Share of associated companies' profit			0.1	**0.1**
Profit before tax				**268.9**
Investments	113.6	79.9		**193.4**
Assets	1,146.3	760.9	102.7	**2,009.9**

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

Product and service information

2012 EUR million	Mobile Communications	Fixed Network	Group total
Revenue	1,001.0	552.4	**1,553.4**

2011 EUR million	Mobile Communications	Fixed Network	Group total
Revenue	964.2	565.8	1,530.0

Geographical information

2012 EUR million	Finland	Rest of Europe	Other countries	Eliminations	Group total
Revenue	1,432.4	133.8	4.9	-17.6	**1,553.4**
Assets	1,864.3	145.6			**2,009.9**

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

2. ACQUISITIONS

Acquisitions in 2012 and 2011

There were no any acquisitions during 2012 and 2011.

Acquisitions for the previous periods

The purchase price allocation of Videra Oy, acquired on 2010, has been adjusted during 2011 by allocating an additional sum of EUR 1.7 million to customer contracts, EUR 1.3 million to non-controlling interests and EUR 0.4 million to deferred tax liabilities.The adjustment had no impact on goodwill.

3. DISPOSALS

Disposals in 2012

Disposal of Kiinteistö Oy Paimion Puhelimenkulma

Elisa divested its share of 77 per cent in Kiinteistö Oy Paimion Puhelimenkulma on 29 May 2012. The sales price was EUR 0.6 million. The divestment resulted in a loss of EUR 0.2 million recorded within Other operating expenses in the consolidated Income statement. The loss was influenced by the amount of gains incurred during the period of ownership by the Group.

The Group has consolidated the results of Kiinteistö Oy Paimion Puhelimenkulma until 31 May 2012.

Net assets of the sold entity

EUR million	Carrying amount
Tangible assets	0.8

Effects of disposal on cash flow

EUR million	
Sales price received in cash	0.6

Disposals in 2011

Disposal of Excenta Oy

Elisa divested its share of 51 per cent in Excenta Oy on 3 May 2011. The sales price was EUR 0.3 million. As part of the disposal the Group sold EUR 1.9 million subordinated loan receivable. The divestment resulted in a gain of EUR 1.1 million and it has been recorded within Other operating income in the consolidated Income statement. The gain was reduced by the amount of losses incurred during the period of ownership by the Group. The disposal resulted in a reduction of goodwill of EUR 1.0 million.

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

Net assets of the sold entity

EUR million	Carrying amount
Intangible assets	0.2
Trade and other current receivables	0.3
Cash and cash equivalents	0.1
Trade payables and other current liabilities	-0.5
	0.1

Effects of disposal on cash flow

EUR million	
Sales price received in cash	0.3
Subordinated loan receivable received in cash	1.9
Cash and cash equivalents of the sold entity	-0.1
	2.1

4. REVENUE

EUR million	2012	2011
Rendering of services	**1,359.3**	1,390.3
Equipment sales	**194.1**	139.7
	1,553.4	1,530.0

5. OTHER OPERATING INCOME

EUR million	2012	2011
Gain on disposals of property, plant and equipment	**0.7**	2.8
Government grants	**0.2**	0.7
Other items[1]	**3.8**	2.3
	4.7	5.8

1) Other items include rental income from real estate, income from patents and other income items not associated with ordinary operating activities.

6. MATERIALS AND SERVICES

EUR million	2012	2011
Purchases of materials, supplies and goods	**274.5**	218.1
Change in inventories	**-15.9**	-1.8
External services	**396.7**	427.1
	655.3	643.5

7. EMPLOYEE EXPENSES

EUR million	2012	2011
Salaries and wages	**187.4**	176.7
Share-based compensation expenses	**6.5**	6.9
Pension expenses - defined contribution plans	**31.1**	29.7
Pension expenses - defined benefit plans	**0.2**	0.1
Other statutory employee costs	**11.8**	9.6
	237.0	223.0

	2012	2011
Average number of personnel	**3,973**	3,757

A more detailed analysis of defined benefit pension plans is included in Note 28.

Management remuneration

EUR million	2012	2011
Managing Directors and deputies [1]	**2.5**	1.8
Members and deputy members of Boards of Directors	**0.5**	0.5

1) The salary cost includes EUR 0.6 (0.2) million of share-based compensation expenses in 2012.

Managing Directors' pension commitments

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

Employment benefits for key management

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

EUR million	2012	2011
Board of Directors	**0.4**	0.4
Managing Director	**0.7**	0.6
Executive Board	**1.7**	1.7
Share-based compensation expenses [1]	**1.9**	1.5
	4.7	4.2

1) The share-based compensation expenses in 2012 are EUR 6.5 (5.4) million, of which EUR 1.9 (1.5) million is allocated to the CEO and Executive Board. The terms and conditions of share-based incentive plans are described under Note 27.

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

The period of notice for the CEO is six months from the Group's side and three months from the CEO's side. Should the contract be terminated by the Group, the Chief Executive Officer is entitled to receive a severance payment equalling the total salary of 24 months deducted by the notice period salary. The period of notice for other members of the Executive Board is six months from the Group's side. In addition to the notice period salary the members of the Executive Board are entitled to receive a severance payment equalling the total salary of nine months.

On the basis of the executive agreement the Group CEO is entitled to retire at the age of 60. The CEO's pension arrangement is a cash based plan. The pension benefit includes vested rights. The company is liable for the pension at the age of 60 and 61 and the related accumulated liability EUR 0.4 million is included in pension obligations on the balance sheet. Pension will accrue annually at the rate of 5.1 per cent of the annual income under Tyel (Employees Pensions Act). Starting at the age of 62, the pension will accrue at the rate of 20.7 per cent of the annual income under Tyel in the management's group supplementary pension insurance. Other members of the Executive Board are entitled to retire at the age of 62 on the basis of their executive agreements. The contractual right has been covered with a supplementary pension insurance.

Share-based compensation granted to the management

In 2012, the award paid under the 2011 plan equals the value of 28,728 shares for the CEO and 79,002 shares for the Executive Board. The maximum award granted for the Executive Board under the 2012 plan equals the value of 235,000 shares, of which the value of 80,000 shares is the maximum award for the CEO. The award will be paid during the month following the publication of 2012 financial statements.

Elisa shares held by the key management

The members of Elisa's Board of Directors, the CEO, the members of the Executive Board and their family members held a total of 270,149 shares and votes, corresponding to 0.16 per cent of all shares and votes.

Employee bonus and incentive schemes

Performance-based bonus scheme

All employees are included in performance, incentive or commission-based bonus scheme. Rewards are based on financial and operational metrics of Elisa and its units. Targets are set and the maximum amount of reward is confirmed semi-annually. Some of the Group's key personnel were within the share-based compensation plan in 2012.

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 earnings per share (EPS) and revenue increase of new services. 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 include the employees of Elisa except for the Group's key personnel that is included within the scope of either the share incentive plan or the stock option plan.

EUR 1.2 (1.1) million was recorded in the personnel fund on the basis of the 2012 earnings.

Share-based incentive plan

On 19 December 2011 Elisa's Board of Directors decided on a share-based incentive plan for key personnel for 2012–2018. On 18 December 2008, Elisa's Board of Directors decided on a share-based incentive plan for key management for 2009–2011. The plans are described under Note 27.

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. No new option rights are granted from the stock option plan. The plan is described in detail under Note 27.

8. AUDITOR FEES

EUR million	2012	2011
Auditing	**0.2**	0.2
Tax advisory services	**0.1**	0.1
Education services	**0.1**	0.3
Other services	**0.2**	0.1
	0.6	0.7

9. RESEARCH AND DEVELOPMENT COSTS

EUR million	2012	2011
Research and development costs recognised as expenses	**2.3**	2.9
Capitalised development costs	**7.2**	2.0
	9.5	4.9

Focus areas for research and development activities in 2012 included contactless payment, visual communication services and development of customer interaction management system.

10. DEPRECIATION AND AMORTISATION

EUR million	2012	2011
Depreciation of tangible assets		
Buildings and constructions		
Owned buildings and constructions	**10.5**	10.2
Buildings and constructions on finance lease	**0.4**	0.4
Telecom devices, machines and equipment		
Owned telecom devices, machines and equipment	**147.2**	151.7
Assets on finance lease	**2.8**	2.6
Other tangible assets	**0.9**	
	161.8	164.9
Amortisation of intangible assets		
Customer base	**4.1**	4.4
Other intangible assets	**36.3**	42.1
	40.4	46.5
	202.1	211.4

No asset impairments were recognised in 2011–2012.

11. FINANCIAL INCOME AND EXPENSE

EUR million	2012	2011
Financial income		
Dividend income from financial assets available-for-sale	**1.0**	2.0
Interest and financial income from loans and other receivables	**1.3**	2.0
Interest income from derivatives	**7.1**	7.1
Other financial income	**0.3**	0.8
Gains/losses of financial assets at fair value through profit or loss, derivatives not in hedge accounting	**-0.4**	-0.3
	9.4	11.6
Financial expense		
Interest expenses on financial liabilities measured at amortised cost	**-27.9**	-32.7
Other financial expenses on financial liabilities measured at amortised cost	**-0.6**	-0.7
Interest expenses on derivatives	**-6.8**	-6.7
Other interest expenses	**-0.2**	-0.3
Impairment of financial assets available-for-sale	**-3.3**	
Other financial expenses	**-0.7**	-0.8
	-39.5	-41.2

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

12. INCOME TAXES

EUR million	2012	2011
Taxes for the period	**-61.2**	-64.1
Taxes for previous periods	**0.2**	-0.1
Deferred taxes	**0.2**	0.5
Deferred taxes for previous periods	**0.4**	-0.4
Impact of change in Finnish tax rate on deferred tax		0.2
	-60.4	-63.9

Other comprehensive income items do not include taxes. The other comprehensive income items consist of changes in the fair value of financial assets available-for-sale. The change in fair value is tax-free because the Group's ownership of the company exceeds 10 per cent.

Reconciliation of the tax expense in the income statement and taxes calculated at the statutory tax rate 24.5 (26) per cent in the Group's country of incorporation:

EUR million	2012	2011
Profit before tax	**268.9**	265.3
Tax according to the domestic tax rate	**-65.9**	-69.0
Tax effects of the following:		
Tax-free gains/losses on the disposal of shares	**0.6**	0.8
Non-deductible expenses	**-0.8**	-0.4
Tax effects of foreign subsidiaries	**4.6**	4.1
Tax losses for which no deferred tax asset is recognised	**0.0**	2.0
Other items	**0.4**	-1.0
Taxes for previous periods	**0.7**	-0.5
Taxes in the income statement	**-60.4**	-63.9
Effective tax rate, %	**22.5**	24.1

During 2011, the Finnish corporation tax rate changed from 26 per cent to 24.5 per cent. The change was enacted 29 December 2011 and it became effective from 1 January 2012. As a result the relevant deferred tax balances were remeasured for the financial statement 2011.

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.

	2012	2011
Profit for the period attributable to the equity holders of the parent (EUR million)	**208.7**	201.5
Weighted average number of shares during the financial year (1,000 pcs)	**156,548**	155,878
Undiluted earnings per share (EUR/share)	**1.33**	1.29

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.

	2012	2011
Profit for the period for the purpose of calculating EPS adjusted for dilution (EUR million)	**208.7**	201.5
Weighted average number of shares during the financial year (1,000 pcs)	**156,548**	155,878
Impact of stock options (1,000 pcs)	**137**	300
Weighted average number of shares for the purpose of calculating EPS adjusted for dilution (1,000 pcs)	**156,685**	156,179
Earnings per share adjusted for dilution (EUR/share)	**1.33**	1.29

14. PROPERTY, PLANT AND EQUIPMENT

2012 EUR million	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Tangible assets under construction	Total
Acquisition cost at 1 Jan. 2012	6.8	222.6	2,440.4	35.6	30.8	**2,736.2**
Additions	0.1	4.0	146.7		9.6	**160.5**
Disposals	-0.3	-1.5	-26.1			**-27.9**
Reclassifications	0.1	2.7	12.0		-14.3	**0.4**
Acquisition cost at 31 Dec. 2012	6.7	227.8	2,572.9	35.6	26.1	**2,869.1**
Accumulated depreciation and impairments at 1 Jan. 2012		97.8	1,987.5	33.2		**2,118.5**
Depreciation		10.9	150.0	0.9		**161.8**
Accumulated depreciation on disposals and reclassifications		-0.9	-26.1			**-27.0**
Accumulated depreciation and impairment at 31 Dec. 2012		107.8	2,111.4	34.1		**2,253.2**
Book value at 1 Jan. 2012	6.8	124.8	452.9	2.4	30.8	**617.7**
Book value at 31 Dec. 2012	6.7	120.0	461.5	1.5	26.1	**615.9**

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

Commitments to purchase property, plant and equipment and intangible assets at 31 December 2012 were EUR 35.9 (53.7) million and commitments to finance lease acquisitions were EUR 0.0 (3.0) million.

Additions in 2012 include EUR 3.1 (9.2) million property, plant and equipment leased under finance lease agreements. Additions in 2011 and in 2012 do not include tangible assets received through business combinations.

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

2012 EUR million	Buildings and constructions	Machinery and equipment	Total
Acquisition cost	17.4	106.9	**124.3**
Accumulated depreciation	4.1	95.2	**99.3**
Book value at 31 Dec. 2012	13.4	11.7	**25.1**

2011 EUR million	Buildings and constructions	Machinery and equipment	Total
Acquisition cost	17.4	102.8	120.2
Accumulated depreciation	3.6	92.4	96.0
Book value at 31 Dec. 2011	13.8	10.4	24.2

15. INTANGIBLE ASSETS

2012 EUR million	Goodwill	Customer base	Other intangible assets	Intangible assets under construction	Total
Acquisition cost at 1 Jan. 2012	797.1	89.2	348.1	14.2	**1,248.6**
Additions			24.0	9.0	**33.0**
Disposals		-6.7	-5.6		**-12.2**
Reclassifications			10.4	-11.0	**-0.5**
Acquisition cost at 31 Dec. 2012	797.1	82.5	377.0	12.2	**1,268.8**
Accumulated amortisation at 1 Jan. 2012		79.5	262.8		**342.3**
Amortisation		4.1	36.3		**40.4**
Accumulated depreciation on disposal		-6.7	-5.6		**-12.2**
Accumulated amortisation at 31 Dec. 2012		76.9	293.5		**370.4**
Book value at 1 Jan. 2012	797.1	9.7	85.3	14.2	**906.3**
Book value at 31 Dec. 2012	797.1	5.6	83.4 (1	12.2	**898.4**

2011 EUR million	Goodwill	Customer base	Other intangible assets	Intangible assets under construction	Total
Acquisition cost at 1 Jan. 2011	798.0	87.5	333.0	15.8	1,234.3
Additions		1.7	20.2	7.3	29.2
Disposals	-0.9		-13.2		-14.1
Reclassifications			8.2	-8.9	-0.7
Acquisition cost at 31 Dec. 2011	797.1	89.2	348.1	14.2	1,248.6
Accumulated amortisation at 1 Jan. 2011		75.1	231.9		307.0
Amortisation		4.4	42.1		46.5
Accumulated depreciation on disposal			-11.2		-11.2
Accumulated amortisation at 31 Dec. 2011		79.5	262.8		342.3
Book value at 1 Jan. 2011	798.0	12.4	101.1	15.8	927.3
Book value at 31 Dec. 2011	797.1	9.7	85.3 (1	14.2	906.3

1) Includes IT software for a book value of EUR 59.0 (61.1) million and brand for a book value of EUR 12.2 (16.5) million.

Goodwill impairment testing

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

EUR million	2012	2011
Consumer Customers	**480.2**	480.2
Corporate Customers	**316.9**	316.9
	797.1	797.1

The reported operating segments based on the Elisa organisational and management structure are Consumer Customers and Corporate Customers. Furthermore, the operating segments are the lowest level at which the company management monitors the goodwill.

The Group does not have any other intangible assets with an indefinite useful life.

In impairment tests the recoverable amount of the segments is determined based on the value in use, which is calculated on the basis of projected discounted cash flows (DCF model). The cash flows projections are based on plans approved by the management covering a five-year period. The projections are mostly consistent with information from external sources and reflect actual development. The discount rate used is 6.79 per cent to 6.80 per cent depending on the segment. Cash flows after five years have been projected by estimating the change in future cash flows as zero. As a result of the performed impairment tests, there is no need for impairment of the segments' goodwill. Use of the DCF model requires forecasts and assumptions concerning market growth, prices, volume development, investment needs and general interest rate. The major sensitivities in the performance are associated with the forecast revenue and profitability levels.

Sensitivity analysis

Projection parameters applied	Consumer Customers 2012	Corporate Customers 2012	Consumer Customers 2011	Corporate Customers 2011
Amount in excess of CGU carrying value, EUR million	**3,028**	**1,329**	2,626	1,266
EBITDA margin on average,% (1	**35.4**	**33.3**	36.7	34.3
Horizon growth,%	**0.0**	**0.0**	0.0	0.0
Pre-tax discount rate, %	**6.8**	**6.8**	7.6	7.6

1) On average during five-year projection period

Change in projection parameters that makes the fair value equal to book value	Consumer Customers 2012	Corporate Customers 2012	Consumer Customers 2011	Corporate Customers 2011
EBITDA margin on average,%	**-19.2**	**-13.5**	-19.3	-14.4
Horizon growth,%	**-55.9**	**-21.8**	-60.8	-24.5
Pre-tax discount rate, %	**22.0**	**14.2**	22.7	15.1

16. INVESTMENTS IN ASSOCIATED COMPANIES

EUR million	2012	2011
At beginning of period	**0.1**	0.1
Share of periods profit	**0.0**	0.1
Reclassification	**6.4**	
At end of period	**6.5**	0.1

Elisa's holdings in associates are presented under Note 35.

During the reporting period Elisa's holding in Sulake Corporation Oy increased from 17 per cent to 24 per cent as a result of two investors returning their holdings in Sulake Corporation Oy to the company. The shares were previously classified as available for sale and have been accounted for as associated company shares since 31 December 2012.

17. FINANCIAL ASSETS RECOGNISED AT FAIR VALUE

EUR million	2012	Level 1	Level 2
Financial assets recognised at fair value	**0.4**		**0.4**
Financial assets available-for-sale	**5.7**	**5.7**	
	6.2	**5.7**	**0.4**

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

Level 3 reconciliation

Financial assets available-for-sale EUR million	2012	2011
Balance at the beginning		1.4
Remeasured at acquisition cost [1]		-1.4
Balance at the end		

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

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

18. CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

2012 EUR million	Note	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
Non-current financial assets							
Financial assets available-for-sale	19	19.9				**19.9**	**19.9**
Receivables	20		47.4	0.4		**47.8**	**47.8**
Current financial assets							
Trade and other receivables	23		310.0			**310.0**	**310.0**
		19.9	357.4	0.4		**377.7**	**377.7**
Non-current financial liabilities							
Financial liabilities	30				702.8	**702.8**	**723.4**
Other liabilities [2]	31				7.6	**7.6**	**7.6**
Current financial liabilities							
Financial liabilities	30				175.6	**175.6**	**175.1**
Trade and other payables [2]	31				237.7	**237.7**	**237.7**
					1,123.7	**1,123.7**	**1,143.7**

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

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

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

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

19. FINANCIAL ASSETS AVAILABLE-FOR-SALE

EUR million	2012	2011
Publicly listed shares	**5.7**	7.0
Unlisted shares	**14.2**	23.8
	19.9	30.8

The most significant unlisted equity investments

EUR million	2012	2011
Anvia Oyj	**8.6**	8.6
Sulake Corporation Oy (1		6.4
Voddler Group Ab (2		3.3
Datawell Oy (3	**2.1**	2.1
	10.7	20.4

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

1) Sulake Corporation Oy is accounted for as an associated company as of 31 December 2012. See note 16.
2) An impairment loss of EUR 3.3 million was recognised for Voddler Group Ab in the reporting period.
3) Datawell Oy's shares were remeasured at acquisition cost during the period 2011. As at 31 December 2010, the shares were recognised at fair value of EUR 1.4 million. See Note 17.

Changes in the fair value of listed shares EUR -1.3 (-1.2) million have been recognised in other comprehensive income.

20. NON-CURRENT RECEIVABLES

EUR million	2012	2011
Loan receivables	**0.1**	0.1
Trade receivables	**27.4**	15.1
Finance lease receivables	**9.0**	4.5
Prepayments and accrued income	**8.0**	8.2
Defined benefit pension plan	**2.7**	1.4
Derivatives	**0.4**	0.8
Other non-current receivables	**0.1**	0.1
	47.8	30.3

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 0.16 (0.05) per cent.

Gross finance lease receivables - maturity of minimum lease payment receivables

EUR million	2012	2011
Not later than one year	**6.7**	3.9
Later than one year not later than five years	**10.0**	4.6
Gross investment in finance leases	**16.8**	8.5
Unearned finance income	**-0.3**	-0.3
Present value of finance lease receivables	**16.5**	8.2

Maturity of present value of future minimun lease payment receivables

EUR million	2012	2011
Not later than one year	**7.4**	3.7
Later than one year not later than five years	**9.0**	4.5
	16.5	8.2

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

21. DEFERRED TAX RECEIVABLES AND LIABILITIES

The change in deferred tax receivables and liabilities during the 2012

Deferred tax receivables EUR million	1 Jan. 2012	Recognised in income statement	31 Dec. 2012
Provisions	0.6	-0.6	**-0.1**
Finance lease agreements	2.8	-0.1	**2.7**
Negative depreciation difference	1.4	-1.0	**0.4**
Internal margins	6.2	-0.6	**5.6**
Share-based incentive plan	0.7	0.9	**1.6**
Other temporary differences	0.2	0.2	**0.4**
	11.9	-1.2	**10.7**

Deferred tax liabilities EUR million	1 Jan. 2012	Recognised in income statement	31 Dec. 2012
Fair value measurement of tangible and intangible assets in business combinations	7.1	-2.1	**5.0**
Accumulated depreciation difference	10.2	-0.7	**9.5**
Other temporary differences	2.1	0.9	**3.1**
	19.4	-1.8	**17.6**

The Group had EUR 2.4 (5.5) million of unused tax losses at 31 December 2012, for which no tax receivable has been recognised. These losses expire in 2013–2021. No tax liability has been recognised for the untaxed retained earnings EUR 129.5 million of the Estonian subsidiary as no profit distribution decision or plans for profit distribution exist for the time being.

Deferred tax liabilities and receivables are not offset.

The change in deferred tax receivables and liabilities during the 2011

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

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

22. INVENTORIES

EUR million	2012	2011
Materials and supplies	**16.3**	11.6
Work in progress	**0.1**	0.2
Finished goods	**43.1**	28.3
	59.4	40.2

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

23. TRADE AND OTHER RECEIVABLES

EUR million	2012	2011
Trade receivables	**282.3**	277.5
Allowances for doubtful accounts	**-7.6**	-7.1
Finance lease receivables	**7.4**	3.7
Prepayments and accrued income	**21.3**	20.7
Receivables from associated companies	**0.9**	
Other receivables	**5.6**	7.9
	310.0	302.7

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

Trade receivables by age

EUR million	2012	2011
Not due	**249.2**	239.7
Overdue		
Less than 30 days	**18.6**	23.9
31-60 days	**3.8**	3.6
61-90 days	**2.1**	2.1
More than 90 days	**1.1**	1.1
	274.8	270.4

The book value of trade receivables approximates their fair value. The credit risk on trade receivables is described in Note 34. The maximum credit risk is the value of trade receivables on the closing of the accounts, EUR 274.8 million.

24. CASH AND CASH EQUIVALENTS

EUR million	2012	2011
Cash assets	**39.8**	59.0
	39.8	59.0

25. DERIVATIVE INSTRUMENTS

Nominal values of derivatives

	2012			2011		
	Period of validity			Period of validity		
EUR million	Less than 1 year	1-5 years	Over 5 years	Less than 1 year	1-5 years	Over 5 years
Interest rate swaps		**150.0**			150.0	
		150.0			150.0	

Fair values of derivatives

	2012			2011		
EUR million	Positive fair value	Negative fair value	Total	Positive fair value	Negative fair value	Total
Interest rate swaps	**0,4**		**0,4**	0,8		0,8
	0,4		**0,4**	0,8		0,8

Determination of fair value

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

Elisa's interest rate swaps are categorized at the fair value hierarchy level 2. See Note 17.

26. EQUITY

Share capital and treasury shares

EUR million	Number of shares (thousands)	Share capital	Treasury shares
1 Jan. 2011	166,308	83.0	-198.8
Subscription rights used	355		2.0
31 Dec. 2011	166,663	83.0	-196.9
Subscription rights used	505		2.9
31 Dec. 2012	167,168	83.0	-194.0

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

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 (1,000) million shares. All issued shares have been paid. Shares do not have nominal value.

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

Treasury shares

	Shares pcs	Accounting counter-value EUR	Holding,% of shares and votes
Treasury shares held by the Group/Elisa Corporation at 1 Jan. 2011	10,534,506		
Transfer, Share incentive plan	-99,231		
Treasury shares held by the Group/Elisa Corporation at 31 Dec. 2011	10,435,275	5,198,830	6.26
Transfer, Share incentive plan	-147,159		
Treasury shares held by the Group/Elisa Corporation at 31 Dec. 2012	10,288,116	5,110,155	6.15

Other reserves

EUR million	Contingency reserve	Fair value reserve	Other reserves	Reserve for invested non-restricted equity	Total
1 Jan. 2011	3,4	9,1	381,0	45,3	**438,8**
Financial assets available-for-sale		-1,2			**-1,2**
Stock options exercised				3,0	**3,0**
31 Dec. 2011	3,4	7,8	381,0	48,3	**440,6**
Financial assets available-for-sale		-1,3			**-1,3**
Stock options exercised				4,4	**4,4**
31 Dec. 2012	3,4	6,6	381,0	52,7	**443,7**

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

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

27. SHARE-BASED PAYMENTS

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

Share-based incentive plan 2012–2014

The first performance-based share incentive plan has three vesting periods: calendar years 2012–2014, 2013–2015 and 2014–2016. The maximum award of the plan equals the value of 3,315,000 Elisa shares. The Board of Directors decides the earnings criteria and the targets separately for each plan in the beginning of the vesting period. After the end of each vesting period, the award is paid as a combination of company shares and cash within one month following the completion of financial statements. If the contract of employment is terminated before the payment of the award, no award shall be paid.

The earnings criteria for the 2012–2014 plan are based on revenue growth of new business operations and earnings per share. The number of key personnel participating in the 2012–2014 plan is 160 and the award equals the value of 983,000 Elisa shares.

The earnings criteria for the 2013–2015 plan are based on revenue growth of new business operations and earnings per share. The number of key personnel participating in the 2013–2015 plan is 157 and the award equals the value of 983,500 Elisa shares.

Share-based incentive plan 2012–2018

The other share incentive plan covers calendar years 2012–2018. The awards granted under the plan have a vesting period of approximately three years. The pontential award is based on the validity of the key personnel contract of employment. The maximum amount of awards paid under the plan equal the value of 500,000 Elisa shares. Resolutions relating to this plan have not yet been made.

Share-based incentive plan for 2009–2011

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

The Board of Directors decided the earnings criteria and the targets separately for each earnings period. The amount of the award to be paid under the share-based incentive plan was tied to the accomplishment of the related targets. After the end of each vesting period, the award was paid as a combination of company shares and cash within one month following the completion of financial statements. The maximum award of the plan was 1,100,000 shares from which 408,619 shares were transferred. 8,106 from the transferred shares were returned. The maximum amount of the award equals the value of 2,200,000 Elisa shares.

The reward for the 2011 share-based incentive plan was determined on the basis of the development of earnings per share and revenue in 2011. The total award amounted to EUR 5.6 million, of which EUR 2.9 million was paid in cash. In accordance with the decision of the Board of Directors, Elisa transferred 152,503 shares to 159 persons covered by the incentive scheme on 1 March 2012, of which 44.345 shares were transferred to members of the Management Board and 13.645 shares were transferred to the CEO. 3.832 of the transferred shares were returned to the company during 2012.

The reward for the 2010 share-based incentive plan was determined on the basis of the development of earnings per share and revenue in 2010. The total award amounted to EUR 3.5 million, of which EUR 1.8 million was paid in cash. In accordance with the decision of the Board of Directors, Elisa transferred 99,483 shares to 48 persons covered by the incentive scheme on 1 March 2011, of which 37,648 shares were transferred to members of the Management Board and 4,408 shares were transferred to the CEO. 252 of the transferred shares were returned to the company during 2011 and 1,512 shares were returned during 2012.

The reward for the 2009 share incentive plan was determined on the basis of the development of earnings per share and revenue in 2009. The total reward amounted to

EUR 5.1 million, of which EUR 2.7 million was paid in cash. In accordance with the decision of the Board of Directors, Elisa transferred 156,633 shares to 47 persons covered by the incentive scheme on 1 March 2010, of which 52,715 shares were transferred to members of the Management Board and 20,083 shares were transferred to the CEO. 2,510 of the transferred shares were returned to the company on 1 June 2010.

If the contract of employment is terminated before the payment of the award, no award shall be paid. The CEO must hold one-half of the shares received under the plan for as long as he serves as the CEO. Others must hold all shares received under the plan for one year and two-thirds of the shares for two years after the end of each vesting period. The award is to be returned if the contract of employment is terminated or cancelled during the restriction period by the company or the employee.

Expenses recognised for share incentive plan was EUR 6.4 (5.4) million in 2012.

Amount of share incentives and terms and assumptions in the fair value calculation

	2011 plan	2010 plan	2009 plan
Number of awards granted	907,000	630,000	624,000
Grant date	31/12/2010	31/12/2009	31/12/2008
Fair value of share at the date of grant, EUR (1	15.47	15.16	11.50
Share price at end of period, EUR	16.73	16.73	16.73
Estimated realisation of share price after one committed year (2	18.37	17.99	13.59
Estimated realisation of share price after two commited years (2	19.72	19.30	14.48
Vesting period starts	01/01/2011	01/01/2010	01/01/2009
Vesting period ends	31/12/2011	31/12/2010	31/12/2009
Restriction period ends	31/12/2013	31/12/2012	31/12/2011
Estimated realisation of earnings criteria at the beginning of vesting period,%	50	50	67
Realisation of earnings criteria, %	36	40	53
Distributed number	152,503	99,483	156,633
Returned number	-3,832	-1,764	-2,510
Share price, EUR	17.91	16.71	15.42
Distributed number out of the maximum number of share awards granted, %	17	16	25
Number of participants in the plan	159	50	47

1) The fair value of the share is the grant date share price less estimated dividend.

2) The estimated realisation of share price is calculated using the CAP model (Capital Asset Pricing Model). The basic variables in the model are interest rate level, general risk premium and the so-called beta risk on the Elisa share.

Amount of share incentives and terms and assumptions in the fair value calculation

	2014 plan	2013 plan	2012 plan
Number of awards granted		983,500	983,000
Grant date	31/12/2013	31/12/2012	31/12/2011
Fair value of share at the date of grant, EUR (1		12.83	12.23
Share price at end of period, EUR		16.73	16.73
Estimated realisation of share price after vesting and restriction period2)		16.24	16.16
Vesting period starts	01/01/2014	01/01/2013	01/01/2012
Vesting and restriction period ends	31/12/2016	31/12/2015	31/12/2014
Estimated realisation of earnings criteria at the beginning of vesting period		50	72
Number of participants in the plan		157	160

1) The fair value of the share is the grant date share price less estimated dividend. Estimated dividend used in the calculation equals the previous period dividend of EUR 1.30 per share.

2) The estimated realisation of share price is calculated using the CAP model (Capital Asset Pricing Model). The basic variables in the model are interest rate level, general risk premium and the so-called beta risk on the Elisa share. The assumed dividend is the previous period dividend.

Stock option plan 2007

On 18 December 2007, Elisa's Board of Directors decided to issue stock options to the Group's key employees and a fully-owned subsidiary of the company. 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. No new option rights are granted from the stock option plan.

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

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

Terms of the arrangement

	Option plan 2007A	Option plan 2007B	Option plan 2007C
Validity period (years)	3.5	3.5	3.5
Exercise period	1.12.2009-31.5.2011	1.12.2010-31.5.2012	1.12.2011-31.5.2013
Exercise price assessment date (1	1.11. - 30.11.2007	1.11. - 30.11.2008	1.11. - 30.11.2009

	Number of options	Number of options	Number of options	Total
Shares under option 1 Jan. 2011	**477,850**	**576,600**	**614,000**	**1,668,450**
Granted		5,000	11,000	**16,000**
Exercised	-12,375	-343,402		**-355,777**
Returned			-20,000	**-20,000**
Expired	-465,475			**-465,475**
Expired, in stock	-372,150			**-372,150**
Shares under option 31 Dec. 2011		**238,198**	**605,000**	**843,198**
Granted		-238,197	-266,822	**-505,019**
Expired		-1		**-1**
Expired, in stock		-268,000		**-268,000**
Shares under option 31 Dec. 2012			**338,178**	**338,178**
In stock 31 Dec. 2011		268,000	245,000	**513,000**
In stock 31 Dec. 2012			245,000	**245,000**
Options exerciseable 31 Dec. 2011		238,198	605,000	**843,198**
Options exerciseable 31 Dec. 2012			338,178	**338,178**
Initial exercise price, EUR	20.84	11.89	13.99	
Exercise price 31 Dec. 2011, EUR	15.72 (2	8.17	11.27	
Exercise price 31 Dec. 2012, EUR		6.87 (2	9.97 (2	

1) Average Elisa share price weighted by trading volume at NASDAQ OMX Helsinki Oy
2) Exercise price at the time of expiry

Fair values of stock options

Elisa calculates the fair value of stock options using the Black-Scholes model at the date of grant. The fair value is recognised as personnel expenses over the vesting period. Grant date is the date on which the recipient confirms in writing the acceptance of the stock options. Expenses recognised for the stock option plan amounted to EUR 0.0 (1.5) million in 2012.

28. PENSION OBLIGATIONS

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

The pension plans of foreign subsidiaries are defined contribution plans.

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

EUR million	2012	2011
Present value of unfunded obligations	**-1.2**	-1.2
Present value of funded obligations	**-47.8**	-43.9
Fair value of plan assets	**41.9**	42.6
Deficit (-) / surplus (+)	**-7.1**	-2.5
Unrecognised actuarial gains(-) / losses(+)	**8.6**	2.7
Net liability (-) / receivable (+) in the statement of financial position	**1.5**	0.2
Amounts in the statement of financial position:		
Liability	**-1.2**	-1.2
Receivable	**2.7**	1.4
Net liability (-) / receivable (+) in the statement of financial position	**1.5**	0.2

Changes in the present value of the obligation:

EUR million	2012	2011
Obligation at the beginning of the period	**-45.1**	-45.9
Current service cost	**-0.1**	-0.1
Interest expenses	**-2.0**	-1.8
Actuarial losses (+) and gains (-)	**-5.8**	-1.2
Benefits paid	**4.0**	3.9
Obligation at end of period	**-49.0**	-45.1

Changes in the fair value of plan assets:

EUR million	2012	2011
Fair value of plan assets at the beginning of the period	**42.6**	43.7
Expected return on plan assets	**1.9**	1.8
Benefits paid	**-4.0**	-3.9
Actuarial gains (+) and losses (-)	**0.0**	0.4
Contributions paid by employer	**1.4**	0.6
Fair value of plan assets at end of period	**41.9**	42.6

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

EUR million	2012	2011
Current service cost	**0.1**	0.1
Interest costs	**2.0**	1.8
Expected return on plan assets	**-1.9**	-1.8
Past service costs	**0.0**	0.0
	0.2	0.1

Actual return on plan assets was EUR 1.9 (2.2) million in 2012 .

The principal actuarial assumptions used:

	2012	2011
Discount rate, %	**3.00**	4.75
Expected return on plan assets, %	**3.00**	4.75
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	2012	2011	2010	2009	2008
Present value of obligation	**-49.0**	-45.1	-45.9	-45.4	-51.9
Fair value of plan assets	**41.9**	42.6	43.7	43.6	49.3
Excess (+) / deficit (-)	**-7.1**	-2.5	-2.2	-1.8	-2.6
Experience-based adjustments to plan assets, gain (-), loss (+)	**0.0**	0.4	2.2	-5.5	-0.7
Experience-based adjustments to plan liabilities, gain (+), loss (-)	**0.8**	-2.0	0.9	4.6	0.3

The Group expects to contribute EUR 1.0 (0.7) million to defined benefit pension plans in 2013 .

29. PROVISIONS

EUR million	Terminatiion benefits	Other	Total
1 Jan. 2012	1.3	3.0	**4.3**
Increases in provisions	0.5	0.0	**0.5**
Reversals of unused provisions		-0.3	**-0.3**
Utilised provisions	-0.7	-0.3	**-0.9**
31 Dec. 2012	1.2	2.4	**3.6**

EUR million	2012	2011
Long-term provisions	**3.3**	3.5
Short-term provisions	**0.3**	0.8
	3.6	4.3

Termination benefits

The provision for termination benefits is related to unemployment pensions, for which the outflows are expected to occur in 2013–2015.

Other provisions

Other provisions include a provision for vacant premises and an environmental provision made for telephone poles. The outflow for the vacant premises provision is expected to occur 2013-2015.

30. FINANCIAL LIABILITIES

	2012		2011	
EUR million	Balance sheet values	Fair values	Balance sheet values	Fair values
Non-current				
Bonds	**449.8**	**470.9**	374.7	392.6
Bank loans	**220.5**	**220.5**	220.7	220.7
Finance lease liabilities	**32.5**	**32.5**	30.4	30.4
	702.8	**723.9**	625.9	643.8
Current				
Bonds	**75.0**	**74.4**		
Bank loans	**0.5**	**0.5**	26.5	26.5
Finance lease liabilities	**4.7**	**4.7**	5.6	5.6
Commercial paper	**95.5**	**95.5**	189.0	189.0
	175.6	**175.1**	221.2	221.2
	878.4	**899.0**	847.0	865.0

Interest bearing liabilities include a total of EUR 37.2 (36.1) million of secured liabilities (finance lease liabilities). In substance the finance lease liabilities are secured liabilities, since rights to the leased property will revert to the lessor if payments are neglected.

All financial liabilities are denominated in euros. Financial liabilities are measured at amortised cost. The fair values of financial liabilities are based on quoted market prices or have been calculated by discounting the related cash flow by the market rate of interest on the balance sheet date.

The average maturity of non-current liabilities was 4.6 (3.1) years and effective average rate of interest 2.8 (3.7) per cent.

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

2012 EUR million	2013	2014	2015	2016	2017	2018-	Total
Bonds	91.7	176.1	6.8	6.8	6.8	313.5	**601.6**
Financial costs	16.7	14.4	6.8	6.8	6.8	13.5	**64.9**
Repayments	75.0	161.7	0.0	0.0	0.0	300.0	**536.7**
Bank loans	9.4	13.7	13.5	133.4	10.0	59.9	**239.9**
Financial costs	4.6	4.5	4.3	4.2	0.9	0.8	**19.2**
Repayments	4.8	9.3	9.2	129.2	9.1	59.1	**220.7**
Committed credit limits	0.2						**0.2**
Repayments	0.2						**0.2**
Commercial paper	95.5						**95.5**
Financial costs	0.4						**0.4**
Repayments	95.1						**95.1**
Finance lease liabilities	7.4	6.2	5.5	4.7	3.7	60.9	**88.4**
Financial costs	2.7	2.5	2.3	2.1	2.0	39.6	**51.2**
Repayments	4.7	3.7	3.2	2.6	1.7	21.3	**37.2**
Interest rate swap	-0.4	-0.4					**-0.8**
Trade payables	126.3						**126.3**
Financial costs	24.0	21.0	13.4	13.0	9.7	53.9	**134.9**
Repayments	306.1	174.7	12.4	131.8	10.8	380.4	**1,016.2**
Total	330.1	195.7	25.8	144.9	20.5	434.3	**1,151.2**

2011 EUR million	2012	2013	2014	2015	2016	2017-	Total
Bonds	16.5	91.5	314.3				422.3
Financial costs	16.5	16.5	14.3				47.3
Repayments		75.0	300.0				375.0
Bank loans	6.1	10.6	14.9	14.5	134.3	71.4	251.8
Financial costs	5.8	5.8	5.6	5.3	5.1	3.2	30.8
Repayments	0.3	4.8	9.3	9.2	129.2	68.2	221.0
Committed credit limits	25.3						25.3
Financial costs	0.0						0.0
Repayments	25.2						25.2
Commercial paper	189.0						189.0
Financial costs	2.1						2.1
Repayments	186.9						186.9
Finance lease liabilities	8.2	7.1	5.2	3.1	2.9	62.1	88.6
Financial costs	2.6	2.4	2.2	2.1	2.0	41.3	52.5
Repayments	5.6	4.7	2.9	1.1	0.9	20.9	36.1
Other liabilities	1.0						1.0
Financial costs	0.0						0.0
Repayments	1.0						1.0
Interest rate swap	-0.4	-0.4	-0.4				-1.1
Trade payables	150.1						150.1
Financial costs	26.7	24.3	21.7	7.4	7.1	44.5	131.6
Repayments	369.1	84.5	312.2	10.3	130.1	89.1	995.3
Total	395.8	108.8	333.9	17.7	137.2	133.6	1,127.0

Future financial costs on variable-rate financial liabilities and interest rate swaps have been calculated at the interest rate prevailing on the period end date.

Bonds

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

	31 Dec. 2012					
	Fair value EUR million	Balance sheet value EUR million	Nominal value EUR million	Nominal interest rate-%	Effective interest-%	Maturity date
EMTN programme 2001 / EUR 1,000 million						
II/2007 (1	168.4	161.6	161.7	4.750	4.789	3.3.2014
I/2010	74.4	75.0	75.0	3.000	3.018	22.3.2013
I/2012 (1	302.5	288.2	300.0	2.250	2.403	4.10.2019
	545.4	524.8	536.7			

The fair value of bonds is based on market quotes.

1) On 4 October 2012, Elisa exchanged bonds issued in 2007 with a nominal value of EUR 138.3 million and maturity in 2014, to new bonds that mature in 2019.

Gross finance lease liabilities -maturity of minimum lease payments

EUR million	2012	2011
Not later than one year	**7.4**	8.2
Later than one year not later than five years	**20.1**	18.3
Later than five years	**60.9**	62.1
Gross finance lease liabilities	**88.4**	88.6
Future financing charges	**-51.2**	-52.5
Present value of finance lease liabilities	**37.2**	36.1

Maturity of present value of finance lease liabilities

EUR million	2012	2011
Not later than one year	**4.7**	5.6
Later than one year not later than five years	**11.2**	9.6
Later than five years	**21.3**	20.9
	37.2	36.1

The Group leases telecom facilities, GSM and optic fibre networks and servers as well as videoconference equipment and infrastructure under finance lease arrangements. The conditions vary in terms of purchase options/redemption clauses, index clauses and lease periods.

31. TRADE PAYABLES AND OTHER LIABILITIES

EUR million	2012	2011
Non-current		
Advances received	**6.1**	6.3
Other liabilities	**7.6**	9.3
	13.7	15.6
Current		
Trade payables	**126.3**	150.1
Advances received	**5.6**	5.3
Accrued employee-related expenses	**40.1**	40.4
Other accruals	**23.2**	26.6
Other liabilities	**48.1**	38.0
	243.3	260.4
	256.9	276.0

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

32. OPERATING LEASES

Group as a lessee

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

EUR million	2012	2011
Not later than one year	**45.5**	43.2
Later than one year not later than five years	**38.0**	37.1
Later than five years	**7.0**	11.3
	90.5	91.6

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

A total of EUR 53.6 (52.5) million was paid as lease expenses on the basis of other lease contracts and recognised through profit or loss in 2012.

Group as a lessor

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

EUR million	2012	2011
Not later than one year	**1.8**	2.0
Later than one year not later than five years	**0.1**	0.3
	1.9	2.2

Elisa acts as a lessor for conventional lease contracts of real estates and lease contracts for telecom premises and equipment space. The lease contract periods are mainly short and their duration is 1–6 months.

33. COLLATERAL, COMMITMENTS AND OTHER LIABILITIES

EUR million	2012	2011
Mortgages		
For own and group companies	**4.8**	2.0
Pledges given		
Bank deposits given for own debt	**0.9**	0.9
Guarantees given		
For others (1	**0.5**	0.5
	6.2	3.4

1) Elisa has guaranteed small short-term loans of less than EUR 20,000 for personnel. The maximum amount of the guarantee limit was EUR 0.5 (0.5) million on 31 December 2012 .

Real estate investments

Real estate investments VAT refund liability is EUR 29.4 (24.2) million at 31 December 2012 .

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 also be used in managing interest rate risk. The aim is to hedge the negative effects caused by changes in the interest rate level. Hedge accounting is not applied to the derivatives.

Timing of interest rate changes for interest-bearing financial liabilities (EUR million), 31 Dec. 2012, 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	95.5			95.5
Bank loans	101.0			101.0
Finance lease liabilities	4.7			4.7
Fixed-rate financing instruments				
Bonds	75.0	161.7	300.0	536.7
Bank loans		120.0		120.0
Finance lease liabilities		11.2	21.3	32.5
	276.2	292.9	321.3	890.3

The Group did not have any interest-bearing financial assets as at 31 December 2012.

The sensitivity analysis includes financial liabilities at the balance sheet date. 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.

	2012		2011	
EUR million	Income statement	Shareholders' equity	Income statement	Shareholders' equity
Change in interest rate level +/- 1%	**+/- 2,0**		+/- 3,1	

Exchange rate risk

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

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

Foreign exchange exposure 31 December 2012

EUR million	Trade receivables	Trade payables
SDR	**3.3**	**5.1**
USD	**0.4**	**1.3**

Foreign exchange exposure 31 December 2011

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

A change of twenty percentage points in SDR would impact consolidated profit before tax by EUR +/- 0.4 (+/- 0.8) million and in USD EUR +/- 0.2 (+/- 0.2)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 536.7 million. The company also has a EUR 250 million commercial paper programme and committed revolving credit facility of EUR 300 million. Both the EUR 170 million revolving credit facility valid until 3 June 2016 and the EUR 130 million revolving credit facility valid until 21 November 2014 were undrawn as of 31 December 2012. 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	2012	2011
Cash and bank	**39.8**	59.0
Credit limits	**300.0**	275.0
	339.8	334.0

Cash and bank as well as unused committed credit limits deducted by commercial papers issued by Elisa amounted to EUR 244.3 (145.0) million on 31 December 2012.

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

Credit risk

Financial instruments contain an element of risk of the respective parties failing to fulfil their obligations. Liquid assets are invested within confirmed limits to investment targets with a good credit rating. Investments and the limits specified for them are reviewed annually, or more often if necessary. Derivative contracts are only signed with Finnish and foreign banks with good credit ratings.

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

Credit risk concentrations in accounts receivable are minor as the Group's customer base is wide; the 10 largest customers represent approximately 6 per cent of customer invoicing. EUR 7.6 (7.1) million of uncertain receivables have been deducted from consolidated accounts receivable. The Group's previous experience in the collection of trade receivables corresponds to the recognised impairment. Furthermore the Group sells the trade receivables of defined customergroups that are overdue by an average of 136 days. Based on these facts, the management is confident that the Group's trade receivables do not involve any substantial credit risk. The maximum credit risk as at 31 December 2012 is the value of trade receivables EUR 274.8 million. The age distribution of trade receivables is described in Note 23.

Other price risk

Elisa's financial assets available-for-sale consist mostly of publicly listed shares in Comptel Corporation. The sensitivity analysis includes shares at the balance sheet date. The analysis assumes a change of twenty percentage points in the share price.

	2012		2011	
EUR million	Income statement	Shareholders' equity	Income statement	Shareholders' equity
Change in Comptel share price +/- 20%	**+/-0**	**+/-1,1**	+/-0	+/-1,4

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 per cent 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 80 per cent to 100 per cent of profit for the period. Furthermore, additional profit distribution to the shareholders may occur. When proposing or deciding on the distribution, the Board takes into account the company's financial position, future financing needs, and the set financial objectives.

Capital structure and key indicators

EUR million	2012	2011
Interest-bearing net debt	**838.6**	788.0
Total equity	**851.4**	840.3
Total capital	**1,690.1**	1,628.3
Gearing ratio	**98.5**	93.8
Net debt / EBITDA	**1.7**	1.6
Equity ratio	**42.6**	42.3

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 Annual General Meeting decides the amount of the share issue authorisation. The authorisation has been used mainly in connection with mergers and acquisitions.

Shareholders' equity	2012	2011
Treasury shares, 1,000	**10,288**	10,435
Share issue authorisation, 1,000	**14,748**	14,901
Maximum total, 1,000 (1	**14,748**	14,901
Share price	**16.73**	16.13
Total, EUR million	**246.7**	240.4

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	2012	2011
Commercial paper programme (non-committed) [2]	**154.5**	61.0
Revolving credits (committed) [3]	**300.0**	275.0
EMTN programme (non-committed) [4]	**463.3**	625.0
Total, EUR million	**917.8**	961.0
Total equity and debt capital	**1,164.5**	1,201.4

1) The authorisation to issue shares at 31 December 2012 amounted to a maximum of 14,748,014 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 95.5 million was in use at 31 December 2012.

3) Elisa has two committed revolving credit facilities to a total of EUR 300 million. Both facilities were unused at 31 December 2012.

4) Elisa has an European Medium Term Note programme (EMTN) to a total of EUR 1,000 million. EUR 536.7 million was in use at 31 December 2012. The program was updated on 16 March 2012 and it is valid for one year as of the update.

35. RELATED PARTY TRANSACTIONS

The Group's related parties consist of the parent company, subsidiaries, associates and joint ventures, as well as Elisa's Board of Directors, the CEO and the Executive Board.

The Elisa Group structure is as follows, 31 December 2012:
The parent company of the Group is Elisa Corporation.

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

Joint ventures		
Kiinteistö Oy Brahenkartano	Turku	60

Associates		
Kiinteistö Oy Helsingin Sentnerinkuja 6	Helsinki	50
Kiinteistö Oy Herrainmäen Luolasto	Tampere	50
Kiinteistö Oy Lauttasaarentie 19	Helsinki	42
Kiinteistö Oy Runeberginkatu 43	Helsinki	30
Kiinteistö Oy Stenbäckinkatu 5	Helsinki	40
Suomen Numerot NUMPAC Oy	Helsinki	33
Sulake Corporation Oy	Helsinki	24

Significant changes in ownership of subsidiaries are presented in Notes 2. and 3. and changes in ownership of associates in Note 16.

Other changes in the Group structure are described next.

On 10 May 2012, the parent company Elisa founded Epic TV SAS. The wholly owned subsidiary was consolidated with the Group since the foundation.

UAB Radiolinja was liquidated on 2 May 2012. The liquidation removed a total of EUR 0.1 million in deferred tax liabilities from the Group. The liquidation did not cause any other earnings effects.

On 31 December 2012 Elisa Links Oy was merged into Elisa Corporation. In addition Supertel Oy and Dial Media Oy were merged into Helsingin Netti Media Oy. The mergers do not affect the consolidated financial statements.

On 17 September 2012, the holding in Asunto Oy Kauniaisten Jalavapiha declined from 27 per cent to 13 per cent as a result of a rights issue in which Elisa did not participate.

The transactions carried out with related parties:

Related party purchases: EUR million	2012	2011
Associates and joint ventures	**0.6**	0.6
	0.6	0.6

Related party receivables: EUR million	2012	2011
Associates and joint ventures	**0.9**	
	0.9	

Employee benefits to key management are presented under Note 7.

36. EVENTS AFTER THE BALANCE SHEET DATE

On 19 December 2012 Elisa and Osuuskunta PPO signed an agreement whereby Elisa will acquire fixed network operator PPO's telecom and IT businesses. The acquisition includes PPO's ownerships in fixed network operators Kymen Puhelin Oy and Telekarelia Oy.

In 2011 revenue of these three companies totalled approximately EUR 100 million and number of personnel was 470.

The acquisition price is approximately EUR 101 million, of which EUR 96 million will be paid in cash and EUR 5 million in Elisa shares (approximately 300,000 shares or 0.2 per cent of Elisa's share capital). The acquisition price consists of 100 per cent of PPO-Yhtiöt Oy, 46 per cent of Kymen Puhelin Oy and 67 per cent of Telekarelia Oy share capital.

The transaction is subject to the approval by the Finnish Competition Authorities and normal conditions precedents. Elisa estimates to close the transaction during the first half of 2013.

Key indicators describing the Group's financial development

	2012	2011	2010
INCOME STATEMENT			
Revenue, EUR million	**1,553**	1,530	1,463
Change of revenue,%	**1.5**	4.6	2.3
EBITDA (EUR million)	**501**	506	485
EBITDA as % of revenue	**32.3**	33.1	33.1
EBIT, EUR million	**299**	295	268
EBIT as % of revenue	**19.2**	19.3	18.3
Profit before tax, EUR million	**269**	265	197
Profit before tax as % of revenue	**17.3**	17.3	13.5
Return on equity (ROE),%	**24.7**	24.1	17.4
Return on investment (ROI),%	**17.4**	17.9	14.0
Research and development costs, EUR million	**9**	5	10
Research and development costs as % of revenue	**0.6**	0.3	0.7
BALANCE SHEET			
Gearing ratio,%	**98.5**	93.8	93.2
Current ratio	**1.0**	0.8	0.6
Equity ratio,%	**42.6**	42.3	42.5
Non-interest bearing liabilities, EUR million	**280**	312	331
Balance sheet total, EUR million	**2,010**	1,999	1,972
INVESTMENTS IN SHARES			
Purchases of shares, EUR million		0	35
CAPITAL EXPENDITURES			
Investments, EUR million	**193**	197	184
Investments as % of revenue	**12.5**	12.9	12.6
PERSONNEL			
Average number of employees during the period	**3,973**	3,757	3,477
Revenue/employee, EUR 1,000	**391**	407	421

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

Formulae for financial summary indicators

Indicator	Formula	
EBITDA	EBIT + depreciation, amortisation and impairment	
EBIT	Profit for the period + income taxes + financial income and expense + share of associated companies' profit	
Return on equity (ROE),%	Profit for the period / Total shareholders' equity (on average during the year)	x 100
Return on investment (ROI),%	Profit before taxes + interest and other financial expenses / Total equity + interest bearing liabilities (on average during the year)	x 100
Gearing ratio,%	Interest-bearing liabilities – Cash and cash equivalents and financial assets at fair value through profit or loss / Total shareholders' equity	x 100
Current ratio	Current assets / Current liabilities – advance payments received	
Equity ratio,%	Total shareholders' equity / Balance sheet total – advance payments received	x 100

Per-share indicators [1]

	2012	2011	2010
Share capital, EUR	**83,033,008.00**	83,033,008.00	83,033,008.00
Number of shares at year-end	**156,879,666**	156,227,740	155,773,080
Average number of shares	**156,548,402**	155,878,493	155,748,377
Number of shares at year-end, diluted	**157,016,312**	156,528,070	156,153,867
Average number of shares, diluted	**156,685,047**	156,178,823	156,129,164
Market capitalisation, EUR million [2]	**2,625**	2,520	2,534
Earnings per share (EPS), EUR	**1.33**	1.29	0.96
Dividend per share, EUR	**1.30** [5]	1.30	1.30
Payout ratio,%	**97.5**	100.6	135.2
Capital repayment per share, EUR			
Capital repayment as % of earnings			
Equity per share, EUR	**5.41**	5.36	5.33
P/E ratio	**12.6**	12.5	16.8
Effective dividend yield,% [2]	**7.8**	8.1	8.0
Effective capital repayment yield,% [2]			
Share performance in NASDAQ OMX Helsinki			
Mean price, EUR	**16.61**	15.41	15.39
Closing price at year-end, EUR	**16.73**	16.13	16.27
Lowest price, EUR	**14.84**	12.70	12.67
Highest price, EUR	**17.97**	17.00	17.43
Trading of shares in NASDAQ OMX Helsinki [3]			
Total trading volume, 1,000 shares	**116,534**	121,878	144,696
Percentage of shares traded [4]	**70**	73	93

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) Elisa share is also traded in alternative marketplaces. According to the Fidessa Fragmentation report, the trading volumes in these markets in 2012 were approximately 104 (87) per cent of NASDAQ OMX Helsinki.
4) Calculated in proportion to the average number of shares for the period.
5) The Board of Directors proposes a dividend payment of EUR 1.30 per share.

Formulae for per-share indicators

Earnings per share (EPS)	Profit for the period attributable to the equity holders of the parent / Average number of shares during the period adjusted for issues	
Dividend per share [1]	Dividend adjusted for issues / Number of shares at the balance sheet date adjusted for issues	
Effective dividend yield, % [1]	Dividend per share / Share price at the balance sheet date adjusted for issues	x 100
Payout ratio, % [1]	Dividend per share / Earnings per share	x 100
Equity per share	Equity attributable to equity holders of the parent / Number of shares at the balance sheet date adjusted for issues	
P/E ratio (Price/Earnings)	Share price on the balance sheet date / Earnings per share	

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

Income statement, parent company, FAS

EUR million	Note	2012	2011
Revenue	1	**1,374.1**	1,165.2
Change in inventories		**-0.2**	-0.2
Other operating income	2	**6.4**	201.3
Materials and services	3	**-615.8**	-513.4
Personnel expenses	4	**-179.6**	-172.7
Depreciation and amortisation	5	**-194.2**	-188.6
Other operating expenses		**-150.3**	-131.8
Operating profit		**240.4**	359.8
Financial income and expenses	7	**-28.5**	-26.4
Profit before extraordinary items		**211.8**	333.4
Extraordinary items	8	**9.1**	60.9
Profit after extraordinary items		**220.9**	394.3
Appropriations	9	**0.2**	17.4
Income taxes	10	**-56.2**	-43.4
Profit for the period		**164.8**	368.3

Balance sheet, parent company, FAS

EUR million	Note	31 Dec. 2012	31 Dec. 2011
ASSETS			
Fixed assets			
Intangible assets	11	**447.8**	480.7
Tangible assets	11	**490.6**	484.7
Investments	12	**283.8**	293.1
		1,222.2	1,258.5
Current assets			
Inventories	13	**48.4**	34.5
Non-current receivables	14	**61.0**	26.8
Current receivables	15	**276.2**	281.8
Cash and bank		**29.0**	52.6
		414.7	395.7
TOTAL ASSETS		**1,636.9**	1,654.1
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	16		
Share capital		**83.0**	83.0
Treasury shares		**-194.0**	-196.9
Contingency reserve		**3.4**	3.4
Reserve for invested non-restricted equity		**50.8**	46.4
Retained earnings		**367.2**	205.2
Profit for the period		**164.8**	368.3
		475.4	509.5
Provisions for liabilities and charges	17	**3.1**	3.9
Liabilities			
Non-current liabilities	18	**689.3**	604.4
Current liabilities	19	**469.1**	536.4
		1,158.4	1,140.7
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,636.9**	1,654.1

Cash flow statement, parent company, FAS

EUR million	2012	2011
Cash flow from operating activities		
Profit before extraordinary items	**211.8**	333.4
Adjustments:		
Depreciation and amortisation	**194.2**	188.6
Financial income (-) and expense (+)	**28.5**	26.7
Gains (-) and losses (+) on the disposal of fixed assets	**-0.6**	-1.4
Gains (-) and losses (+) on the disposal of shares	**0.5**	-184.1
Change in provisions in the income statement	**-0.7**	-1.6
Cash flow before change in working capital	**433.8**	361.6
Increase (+) / decrease (-) in working capital	**-42.8**	-11.3
Cash flow before financial items and taxes	**391.0**	350.3
Dividends received	**1.8**	3.1
Interest received	**8.1**	9.0
Interest paid	**-39.1**	-41.7
Income taxes paid	**-66.1**	-44.8
Net cash flow from operating activities	**295.7**	275.9
Cash flow from investing activities		
Capital expenditure	**-162.7**	-148.7
Proceeds from sale of property, plant and equipment	**1.3**	2.2
Investments in shares and other financial assets	**-6.8**	-5.3
Proceeds from sale of shares and other financial assets	**0.6**	1.5
Loans granted	**-14.5**	-0.1
Repayment of loan receivables	**10.2**	50.0
Net cash flow used in investing activities	**-171.9**	-100.4
Cash flow after investing activities	**123.7**	175.5
Cash flow from financing activities		
Proceeds from long-term borrowings	**150.9**	170.0
Repayment of long-term borrowings		-225.9
Change in short-term borrowings	**-99.6**	102.6
Additions to reserve for invested non-restricted equity from stock option excercises	**4.4**	3.0
Dividends paid	**-203.0**	-202.2
Group contributions given (-) /received (+)		10.0
Net cash flow used in financing activities	**-147.3**	-142.4
Change in cash and cash equivalents	**-23.5**	33.1
Cash and cash equivalents at beginning of period	**52.6**	18.8
Cash and cash equivalents received through business combinations and mergers		0.6
Cash and cash equivalents at end of period	**29.0**	52.6

Notes to the financial statements of the parent company

ACCOUNTING PRINCIPLES

Elisa Corporation's financial statements have been prepared in accordance with the accounting principles based on Finnish accounting legislation.

Comparability with previous year figures

The following should be considered when comparing current period with previous period figures:

- an impairment of shares of EUR 3.3 million is included within financial expenses, and a merger profit of EUR 9.7 million and group contributions given of EUR 0.6 million are included within extraordinary items for 2012 and
- a gain on disposal of shares of EUR 184.8 million is included within other operating income, and a merger profit of EUR 60.9 million is included within extraordinary items for 2011.

Items denominated in foreign currencies

Transactions denominated in a foreign currency are recorded at the rates of exchange prevailing at the dates of transactions. As at the year-end assets and liabilities denominated in a foreign currency are valued at the average rate quoted by the European Central Bank as at year-end.

Fixed assets

The carrying value of intangible and tangible assets is stated at cost less accumulated depreciation, amortisation and impairments. Internally generated fixed assets are measured at variable costs.

The difference between depreciation according to plan and total depreciation presented is under appropriations in the parent company's income statement and the accumulated depreciation difference is presented under accumulated appropriations in the shareholders' equity and liabilities in the balance sheet. The negative depreciation difference transferred from merged companies is recognised as income. Depreciation according to plan is recognised on a straight-line basis over the useful lives from the original acquisition cost.

The useful lives according to plan for the different asset groups are:

Intangible rights	3–5 years
Other expenditure with long-term effects	5–10 years
Buildings and constructions	25–40 years
Machinery and equipment in buildings	10–25 years
Telephone exchanges	6–10 years
Cable network	8–15 years
Telecommunication terminals	1–4 years
Other machines and equipment	3–5 years

Inventories

Inventories are stated at the lowest of variable costs, acquisition price or the likely disposal, or repurchase price. Cost is determined using a weighted average price.

Marketable securities

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

Recognition principles

Sales are recognised as income at the time of transfer and income from services is recognised once the services have been rendered.

Interconnection fees that are invoiced from the customer and paid as such to other telephone companies are presented as a deduction item under sales income (Finnish Accounting Standards Board 1995/1325).

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

Research and development

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

Government grants for product development projects and the like are recognised under other operating income when the product development costs are recognised as annual expenses. If a government grant is associated with capitalised product development costs, the grant reduces the capitalised acquisition cost.

Future expenses and losses

Probable future expenses and losses related to the current or a prior financial period without a corresponding income are recognised in the income statement. Such items are recognised in the balance sheet under provisions if a reliable estimate of the amount or timing of the obligation cannot be made. Otherwise the obligation is recognised within accruals.

Extraordinary income and expenses

Extraordinary items include gains and losses related to Group contributions and mergers.

Income taxes

Income taxes for the financial year are recognised in the income statement. No deferred tax liabilities and receivables have been recognised in the financial statements.

1. REVENUE

EUR million	2012	2011
Sales	**1,496.9**	1,228.1
Interconnection fees and other adjustments	**-122.8**	-62.9
	1,374.1	1,165.2
Geographical distribution		
Finland	**1,332.9**	1,120.6
Rest of Europe	**36.3**	40.3
Other countries	**4.9**	4.3
	1,374.1	1,165.2

2. OTHER OPERATING INCOME

EUR million	2012	2011
Gain on disposal of fixed assets	**0.6**	1.4
Gain on disposal of shares and business	**0.0**	184.8
Others[1]	**5.8**	15.2
	6.4	201.3

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

3. MATERIALS AND SERVICES

EUR million	2012	2011
Materials, supplies and goods		
Purchases	**179.2**	87.9
Change in inventories	**-13.6**	-0.8
	165.7	87.1
External services	**450.2**	426.3
	615.8	513.4

4. PERSONNEL EXPENSES

EUR million	2012	2011
Salaries and wages	**146.4**	141.9
Pension costs	**26.9**	24.8
Other statutory employee costs	**6.3**	5.9
	179.6	172.7
Personnel on average	**2,691**	2,636

CEO remuneration, EUR

	2012	2011
Fixed salary	**531,143.23**	482,844.00
Performance-based bonus	**180,091.34**	121,627.87
Fringe benefits	**18,975.77**	14,764.00
Share-based payments [1]	**497,587.24**	156,247.32
	1,227,797.58	775,483.19

1) In 2012, according to the 2011 share-based payment plan, CEO Veli-Matti Mattila received 13,645 Elisa shares, with a value of EUR 238,310.47 and related cash payment EUR 259,276.77.

The CEO is entitled to retirement at the age of 60. See Note 7 to the consolidated financial statements.

The Board of Directors' remuneration, EUR

	2012	2011
Risto Siilasmaa	**29,500.00**	116,500.00
Pertti Korhonen		18,000.00
Ari Lehtoranta	**74,000.00**	67,000.00
Raimo Lind	**105,000.00**	79,000.00
Leena Niemistö	**66,000.00**	67,000.00
Eira Palin-Lehtinen	**75,000.00**	68,500.00
Mika Salmi	**47,000.00**	
Mika Vehviläinen	**48,000.00**	
Ossi Virolainen		19,500.00
	444,500.00	435,500.00

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

5. DEPRECIATION AND AMORTISATION

EUR million	2012	2011
Amortisation of intangible assets	**59.1**	65.1
Depreciation of tangible assets	**135.1**	123.5
	194.2	188.6

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

6. AUDITOR FEES

EUR million	2012	2011
Auditing	**0.1**	0.1
Tax advisory services	**0.1**	0.1
Education services	**0.1**	0.2
Other services	**0.2**	0.1
	0.5	0.5

7. FINANCIAL INCOME AND EXPENSES

EUR million	2012	2011
Interest income and other financial income		
Dividends received		
from Group companies	**0.9**	2.3
from others	**0.9**	0.8
	1.8	3.1
Other interest and financial income		
from Group companies	**0.3**	0.7
from others	**8.0**	8.7
	8.3	9.5
	10.1	12.6
Interest costs and other financial expenses		
to Group companies	**-2.3**	-0.8
to others	**-33.1**	-38.2
Impairment	**-3.3**	
	-38.7	-39.0
	-28.5	-26.4

8. EXTRAORDINARY ITEMS

EUR million	2012	2011
Extraordinary income		
Merger profit [1]	**9.7**	60.9
Extraordinary income		
Group contributions given	**-0.6**	
	9.1	60.9

1) The merger of Elisa Links Oy at 31 December 2012 and the merger of Saunalahti Group Plc at 31 December 2011.

9. APPROPRIATIONS

EUR million	2012	2011
Change in depreciation difference	**0.2**	17.4
	0.2	17.4

10. INCOME TAXES

EUR million	2012	2011
Regular business	**-56.3**	-43.4
Extraordinary items	**-0.2**	
Previous period taxes	**0.2**	0.0
	-56.2	-43.4

11. INTANGIBLE AND TANGIBLE ASSETS

	Intangible Assets					
2012 EUR million	Development costs	Intangible rights	Goodwill	Other intangible assets	Under construction	Total
Acquisition cost at 1 Jan. 2012	6.0	22.9	769.1	283.7	14.0	**1,095.5**
Transferred in merger	2.0	0.5		0.1		**2.6**
Additions	5.3	3.8		11.8	4.3	**25.2**
Disposals					-10.7	**-10.7**
Reclassifications	3.0	0.0		7.8		**10.8**
Acquisition cost at 31 Dec. 2012	16.2	27.2	769.1	303.4	7.5	**1,123.4**
Accumulated amortisation at 1 Jan. 2012	2.2	16.4	374.4	221.9		**614.8**
Transferred in merger	1.3	0.3		0.0		**1.6**
Amortisation for the period	3.5	2.7	28.2	24.8		**59.1**
Accumulated amortisation at 31 Dec. 2012	7.0	19.4	402.6	246.7		**675.5**
Book value at 31 Dec. 2012	9.3	7.8	366.5	56.7	7.5	**447.8**

	Tangible assets					
2012 EUR million	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Under construction	Total
Acquisition cost at 1 Jan. 2012	4.8	71.7	2,178.0	34.7	26.9	**2,316.0**
Transferred in merger			10.0			**10.0**
Additions	0.0	1.8	130.0	0.0	5.9	**137.6**
Disposals	-0.1	-0.6	-27.7		-11.0	**-39.4**
Reclassifications	0.0	1.0	9.9			**11.0**
Acquisition cost at 31 Dec. 2012	4.8	73.9	2,300.1	34.7	21.7	**2,435.2**
Accumulated depreciation at 1 Jan. 2012		35.4	1,763.6	32.4		**1,831.3**
Transferred in merger			6.3			**6.3**
Accumulated depreciation of disposals and reclassifications		-0.5	-27.7			**-28.2**
Depreciation for the period		3.9	130.3	0.8		**135.1**
Accumulated depreciation at 31 Dec. 2012		38.8	1,872.5	33.3		**1,944.6**
Book value at 31 Dec. 2012	4.8	35.1	427.6	1.4	21.7	**490.6**

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

	Tangible assets					
2011 EUR million	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	Under construction	Total
Acquisition cost at 1 Jan. 2011	4.9	67.0	2,030.0	34.7	25.8	2,162.3
Transferred in merger		0.1	38.5			38.7
Additions	0.0	2.5	103.3		17.6	123.4
Disposals	0.0	-0.2	-8.0			-8.2
Reclassifications	0.0	2.3	14.1		-16.5	-0.1
Acquisition cost at 31 Dec. 2011	4.8	71.7	2,178.0	34.7	26.9	2,316.0
Accumulated depreciation at 1 Jan. 2011		31.7	1,629.8	32.5		1,694.0
Transferred in merger		0.0	20.7			20.7
Accumulated depreciation of disposals and reclassifications		-0.1	-6.7			-6.9
Depreciation for the period		3.7	119.8	-0.1		123.4
Accumulated depreciation at 31 Dec. 2011		35.4	1,763.6	32.4		1,831.3
Book value at 31 Dec. 2011	4.8	36.3	414.4	2.2	26.9	484.7

12. INVESTMENTS

	Shares			Receivables	
2012 EUR million	Group companies	Associated companies	Other companies	Group companies	Total
Acquisition cost at 1 Jan. 2012	261.0	4.1	29.1	2.3	**296.6**
Additions	6.1			0.0	**6.1**
Disposals	-11.9		0.0	-0.2	**-12.1**
Reclassifications		6.4	-6.4		
Acquisition cost at 31 Dec. 2012	255.1	10.5	22.8	2.2	**290.6**
Impairment at 1 Jan. 2012	-3.6				**-3.6**
Additions			-3.3		**-3.3**
Impairment at 31 Dec. 2012	-3.6		-3.3		**-6.8**
Book value at 31 Dec. 2012	251.6	10.5	19.5	2.2	**283.8**

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

	Shares			Receivables	
2011 EUR million	Group companies	Associated companies	Other companies	Group companies	Total
Acquisition cost at 1 Jan. 2011	95.4	5.3	20.5	4.2	125.4
Transferred in merger	194.3		8.9		203.2
Additions	3.7	0.1	0.0	0.0	3.8
Disposals	-32.4	-1.2	-0.3	-1.9	-35.7
Acquisition cost at 31 Dec. 2011	261.0	4.1	29.1	2.3	296.6
Impairment at 1 Jan. 2011			-0.2		-0.2
Transferred in merger	-3.6				-3.6
Accumulated impairment of disposals			0.2		0.2
Impairment at 31 Dec. 2011	-3.6				-3.6
Book value at 31 Dec. 2011	257.4	4.1	29.1	2.3	293.1

13. INVENTORIES

EUR million	2012	2011
Materials and supplies	**15.3**	10.7
Work in progress	**0.1**	0.2
Finished goods	**32.1**	23.1
Advance payment	**0.9**	0.4
	48.4	34.5

14. NON-CURRENT RECEIVABLES

EUR million	2012	2011
Receivables from Group companies		
Loan receivables	**18.1**	4.6
Receivables from others		
Loan receivables [1]	**0.1**	13.7
Trade receivables	**24.6**	0.1
Prepayments and accrued income [1]	**18.1**	0.2
Other receivables	**0.1**	8.2
	61.0	26.8

[1] Breakdown of prepayment and accrued income

Rent advances	**7.7**	7.5
Transaction costs and losses related to loan issuance	**10.5**	0.7
	18.1	8.2

15. CURRENT RECEIVABLES

EUR million	2012	2011
Receivables from Group companies		
Loan receivables	**2.9**	3.4
Trade receivables	**2.1**	12.8
Prepayments and accrued income	**2.2**	0.0
Other receivables	**0.1**	0.2
	7.3	16.4
Receivables from associates		
Loan receivables	**0.9**	
Receivables from others		
Trade receivables	**246.8**	244.5
Prepayments and accrued income [1]	**19.4**	17.2
Other receivables	**1.8**	3.7
	267.9	265.4
	276.2	281.8

1) Breakdown of prepayment and accrued income

Interest	**6.1**	7.0
Rent advances	**0.8**	1.2
Transaction costs and losses related to loan issuance	**2.0**	0.3
Taxes	**0.3**	
Other business expense advances	**10.2**	8.6
	19.4	17.2

16. SHAREHOLDERS' EQUITY

EUR million	2012	2011
Share capital at 1 Jan.	**83.0**	83.0
Share capital at 31 Dec.	**83.0**	83.0
Treasury shares at 1 Jan.	**-196.9**	-198.8
Share-based payment	**2.9**	2.0
Treasury shares at 31 Dec.	**-194.0**	-196.9
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.	**46.4**	43.4
Share subscription on the grounds of stock options	**4.4**	3.0
Reserve for invested non-restricted equity at 31 Dec.	**50.8**	46.4
Retained earnings at 1 Jan.	**573.6**	407.8
Dividend distribution	**-203.4**	-202.7
Withdrawal of dividend liabilities		2.1
Share-based payment	**-2.9**	-2.0
Retained earnings at 31 Dec.	**367.2**	205.2
Profit for the period	**164.8**	368.3
	475.4	509.5
Distributable earnings		
Retained earnings	**367.2**	205.2
Treasury shares	**-194.0**	-196.9
Reserve for invested non-restricted equity	**50.8**	46.4
Profit for the period	**164.8**	368.3
	389.0	423.1

17. PROVISIONS

EUR million	2012	2011
Provision for unemployment pensions	**2.2**	2.4
Other provisions for liabilities and charges (1	**1.0**	1.5
	3.1	3.9

1) Other provisions consist of salaries, including related statutory employee costs for employees not required to work during their severance period provision for vacant premises and provision for other operating expenses.

Provisions of EUR 0.6 (2.7) million were used in 2012.

18. NON-CURRENT LIABILITIES

EUR million	2012	2011
Interest-bearing		
Bonds	**461.7**	375.0
Loans from financial institutions	**220.0**	220.0
	681.7	595.0
Non-interest bearing		
Accruals and deferred income	**7.6**	6.5
Other liabilities		2.8
	7.6	9.4
	689.3	604.4
Liabilities maturing after five years		
Loans from financial institutions	**360.0**	100.0

1) Breakdown of accruals and deferred income

Rent advances	**7.6**	6.5

19. CURRENT LIABILITIES

EUR million	2012	2011
Interest-bearing		
Liabilities to Group companies		
Group account	**79.6**	75.1
Other liabilities	**0.1**	0.1
	79.6	75.1
Liabilities to others		
Bonds	**75.0**	
Loans from financial institutions		25.0
Commercial paper	**95.5**	189.0
	170.5	214.0
	250.1	289.1
Non-interest bearing		
Liabilities to Group companies		
Trade payables	**9.6**	10.3
Other liabilities	**0.6**	0.0
	10.2	10.4
Liabilities to others		
Advances received		
Trade payables	**3.9**	3.7
Other liabilities	**109.1**	134.3
Accruals and deferred income (1	**53.2**	66.6
	42.5	32.3
	208.7	236.8
	219.0	247.2
	469.1	536.3

1) Breakdown of accruals and deferred income

Holiday pay, performance-based bonuses and related statutory employee costs	**32.7**	33.3
Interest	**15.9**	20.0
Direct taxes	**0.7**	10.1
Rent advances	**1.3**	0.9
Advance income	**2.6**	2.4
Others	**0.0**	0.0
	53.2	66.6

20. COLLATERAL, COMMITMENTS AND OTHER LIABILITIES

EUR million	2012	2011
Pledges given		
Bank deposits given for own debt	**0.7**	0.6
Guarantees given		
For others	**0.5**	0.5
	1.2	1.1

Leasing and rental liabilities

EUR million	2012	2011
Leasing liabilities on telecom networks (1		
Due within one year	**0.5**	0.6
Due later than one year and up to five years	**1.2**	1.4
Due later than five years	**0.5**	0.8
	2.2	2.8
Other leasing liabilities (2		
Due within one year	**5.0**	5.2
Due later than one year and up to five years	**6.1**	6.9
	11.1	12.1
Real estate leases (3		
Due within one year	**41.1**	37.6
Due later than one year and up to five years	**51.3**	42.9
Due later than five years	**97.9**	98.9
	190.3	179.5
	203.5	194.3

1) Consists of certain individualised mobile network equipment and access fees for backbone connections.
2) Leasing liabilities consist mainly of leases of cars, office and IT equipment.
3) Real estate leases comprise rental agreements relating to business, office and telecom premises. Real estate leases are presented at nominal prices.

Derivative instruments

EUR million	2012	2011
Interest rate swap		
Nominal value	**150.0**	150.0
Fair value recognised in the balance sheet	**0.4**	0.8

Real estate investments

VAT refund liability of real estate investments is EUR 27.7 (22.7) million at 31 December 2012.

Environmental costs

Environmental costs did not have any material impact on the result for the period or financial position during the financial period.

SHARES AND SHAREHOLDERS

1. SHARE CAPITAL AND SHARES

The company's paid-in share capital registered in the Trade Register stood at EUR 83,033,008 at the end of the financial year.

According to the Articles of Association, the minimum number of shares is 50,000,000 and the maximum is 1,000,000,000. At the end of the financial year, the number of Elisa Corporation shares was 167,167,782, all within one share series.

2. AUTHORISATIONS OF THE BOARD OF DIRECTORS

On 18 March 2010 the Annual General Meeting authorised the Board of Directors to decide on a new share issue, transfer of treasury shares owned by the company and/or granting of special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act subject to the following:

The authorisation allows the Board of Directors to issue a maximum of 15,000,000 shares in one or several issues. The share issue and shares granted by virtue of special rights are included in the aforementioned maximum number. The maximum number is approximately 9 per cent of the entire stock.

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

The Board of Directors shall have the right to decide on all other matters related to the share issue. The authorisation shall be in force until 30 June 2014 and it annuls the authorisation given by the Annual General Meeting to the Board of Directors on 18 March 2009.

The Annual General Meeting on 4 April 2012 authorized the Board of Directors to decide on the acquisition of treasury shares subject to the following:

The Board of Directors may decide to acquire or pledge on non-restricted equity a maximum of 5,000,000 treasury shares. The acquisition may take place as one or several blocks of shares. The consideration payable for the shares shall not be more than the ultimate market price. In purchasing the Company's own shares derivative, share lending and other contracts customary in the capital market may be concluded pursuant to law and the applicable legal provisions.

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

The Board of Directors shall have the right to decide on all other matters related to the purchase of the Company's own shares. The authorisation is in force until 30 June 2013 and it annuls the authorisation given by the Annual General Meeting to the Board of Directors on 25 March 2011.

3. TREASURY SHARES

At the beginning of the financial period, Elisa held 10,435,275 treasury shares.

The Annual General Meeting held on 4 April 2012 authorised the Board of Directors to acquire and assign treasury shares. The authorisation applies to a maximum of 5,000,000 treasury shares. On the basis of the authorisation, Elisa has not acquired treasury shares.

According to the decision of the Board of Directors Elisa transferred on 1 March 2012 a total of 152,503 shares to the personnel under the share incentive plan for 2011. In accordance with the terms and conditions of the share-based incentive plan, 5,344 shares returned to Elisa as the result of the termination of employment during 2012.

At the end of the financial period, Elisa held 10,288,116 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 6.15 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 2012 was 270,149 shares and votes, which represented 0.16 per cent of all shares and votes.

5. SHARE PERFORMANCE

The Elisa share closed at EUR 16.73 on 31 December 2012. The highest quotation of the year was EUR 17.97 and the lowest EUR 14.84. The average price was EUR 16.61.

At the end of the financial year, the market capitalisation of Elisa's outstanding shares was EUR 2,625 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 2012 was 116,533,733 shares for an aggregate price of EUR 1,935 million. The trading volume represented 69.7 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 2012

		Number of shares	Proportion of all shares %
1	Private companies	25,423,266	15.21
2	Financial and insurance institutions	5,877,970	3.52
3	Public corporations	18,609,079	11,13
4	Non-profit organisations	7,635,684	4.57
5	Households	51,954,265	31.08
6	Foreign	1,157,062	0.69
7	Nominee registered	46,222,340	27.65
	Elisa Group	10,288,116	6.15
		167,167,782	100.00

8. DISTRIBUTION OF HOLDING BY AMOUNT AT 31 DECEMBER 2012

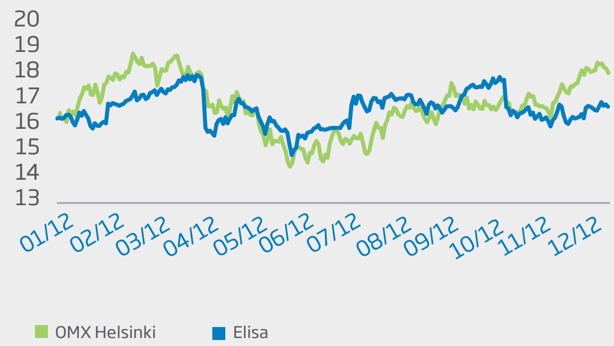
Size of holding	Number of shareholders	%	Number of shares	%
1-100	33,183	14.80	1,793,109	1.07
101-1,000	184,580	82.32	39,858,311	23.84
1,001-10,000	6,026	2.69	14,479,662	8.66
10,001-100,000	372	0.17	9,576,132	5.73
100,001-1,000,000	44	0.02	9,782,676	5.85
1,000,001-	7	0.00	34,750,351	20.79
Nominee registered			46,222,340	27.65
	224,212	100,00	156,462,581	93.60
In special accounts, Elisa Common Clearing account (1			417,085	0.25
Elisa Group			10,288,116	6.15
Issued amount			167,167,782	100.00

9. LARGEST SHAREHOLDERS AT 31 DECEMBER 2012

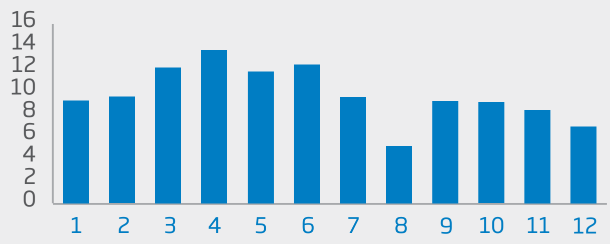
	Name	Number of shares	%
1	Solidium Oy	16,801,000	10.05
2	Varma Mutual Pension Insurance Company	9,231,976	5.52
3	Ilmarinen Mutual Pension Insurance Company	4,805,522	2.87
4	The State Pension Fund	1,710,000	1.02
5	City of Helsinki	1,124,690	0.67
6	KPY Sijoitus LLC	1,077,163	0.64
7	Swiss National Bank	830,461	0.50
8	The Society of Swedish Literature in Finland	775,342	0.46
9	Nordea Finnish Equity Fund	560,000	0.33
10	Danske Invest Finnish Equity Fund	475,118	0.28
11	Op-Delta Mutual Fund	450,000	0.27
12	Nordea Bank Finland PLC	440,850	0.26
13	Op-Focus Special Mutual Fund	440,285	0.26
14	Föreningen Konstsamfundet Rf	380,000	0.23
15	Anvia PLC	375,019	0.22
16	Danske Invest Finnish Institutional Equity Fund	331,290	0.20
17	Folkhälsan Samfundet	315,113	0.19
18	Suomi Mutual Life Assurance Company	300,000	0.18
19	Sigrid Juselius Foundation	297,000	0.18
20	Pension Fennia Mutual Pension Insurance Company	273,000	0.16
		40,993,829	24,52
	Elisa Group	10,288,116	6.15
	Elisa Personnel Fund	142,000	0.08
	Elisa Common Clearing account 1)	417,085	0.25
	Nominee registered	46,222,340	27.65
	Shareholders not specified here	69,104,412	41,34
		167,167,782	100.00

1) Shares in Common Clearing account include shares which have not been transferred to the share owners' book-entry accounts at the time of, or subsequent to, entering the shares into the Finnsh book-entry system.

10. DAILY PRICE DEVELOPMENT
Closing price in EUR



11. TRADING VOLUME
Shares per month (millions)



Share trading volumes are based on the trades made in NASDAQ OMX Helsinki. Elisa share is also traded in alternative marketplaces.

Board’s proposal concerning the disposal of profits

According to the consolidated balance sheet of 31 December 2012, the parent company’s shareholders’ equity is EUR 475,392,143.24 of which distributable funds account for EUR 388,977,198.97.

The parent company’s profit for the period 1 January to 31 December 2012 was EUR 164,845,684.28.

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

- a dividend of EUR 1.30 per share shall be paid for a total of EUR 203,943,565.80
- no dividend shall be paid on shares in the parent company’s possession
- EUR 185,033,633.17 shall be retained in shareholders’ equity.

Signatures to the board of directors’ report and financial statements

Helsinki, 5 February 2013

Raimo Lind Chairman of the Board of Directors	Ari Lehtoranta	Leena Niemistö
Eira Palin-Lehtinen	Mika Salmi	Mika Vehviläinen
Veli-Matti Mattila President and CEO		

Auditor's report

TO THE ANNUAL GENERAL MEETING OF ELISA CORPORATION

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Elisa Corporation for the year ended on 31 December 2012. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

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

Opinion on the company's financial statements and the report of the Board of Directors

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

Other opinions

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the President and CEO be discharged from liability for the financial period audited by us.

Helsinki, February 5, 2013
KPMG OY AB

Esa Kailiala
Authorized Public Accountant

Corporate Governance Statement

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

General Meeting of Shareholders and Articles of Association

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

Notices of General Meetings of Shareholders are posted on Elisa's website, and the information about the time and place, as well as the website address, are given by announcement in one Finnish newspaper no later than 21 days prior to the meeting, as required in the Articles of Association. A stock exchange release is also issued on each notice. It is available on Elisa's website. The agenda of the meeting is specified in the notice. Proposals of the Board of Directors to be submitted to the meeting may be viewed on Elisa's website prior to the meeting.

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

Elisa's 2013 Annual General Meeting will be held 25 March2013 at 2:00 p.m. at the Helsinki Fair Centre, Congress entrance, Messuaukio 1, Helsinki.

Shareholders' Nomination Board

Elisa's Annual General Meeting decided in 2012 to establish a Shareholders' Nomination Board which is a body with responsibility for preparing the proposals to the Annual General Meeting for the election and remuneration of the members of Board of Directors of Elisa and accepted a charter for the Nomination Board. Shareholders' Nomination Board has been established for the time being. The term of each Nomination Board expires when the next shareholders' Nomination Board has been appointed.

The biggest shareholders were determined in the shareholder register of Elisa at 31 August 2012, who named the members to the Nomination Board. The composition of the Nomination Board from September 2012 has been:

- Ms Eija Ailasmaa, Chair (appointed by Solidium Oy)
- Mr Risto Murto (Varma Mutual Pension Insurance Company)
- Mr Timo Ritakallio (Ilmarinen Mutual Pension Insurance Company)
- Mr Dag Wallgren (Svenska litteratursällskapet i Finland r f)
- Mr Raimo Lind (chairman of the board of Elisa Corporation)

The Nomination Board convened 3 times and in addition candidates were interviewed outside the meetings. The Nomination Board discussed the size of the board and present composition as well as the competences, that were seen best for the company. The Nomination Board also looked into the remuneration of the Board members.

Elisa Shareholders' Nomination Board proposes to the annual general meeting that

- the remuneration to be unchanged from the previous year
- number of Board Members to be 7
- current members of the Board to be re-elected
- Jaakko Uotila to be elected as a new member to the Board

Back:Mr Mika Vehviläinen (left), Mr Ari Lehtoranta and Mr Mika Salmi
Front: Ms Eira Palin-Lehtinen (left), Chairman of the Board Mr Raimo Lind and Ms Leena Niemistö

Mr Raimo Lind

- (1953), Chairman of the Board, B.Sc. (Econ.), Graduated 1975 from Helsinki School of Economics and Business Administration, and with M.Sc (Econ.) in 1980, member since 2009
- **Main occupation:** Wärtsilä Group, Executive Vice President and Deputy to the President since 2005
- **Key employment history:** Wärtsilä Group Vice President, CFO since 1998; Tamrock Coal Business, Vice President 1996–97; Tamrock Service Business, Vice President 1994–96; Tamrock Oy, CFO 1992–93; Scantrailer Ajoneuvoteollisuus Oy, President 1990–92; Wärtsilä Service Division, Deputy Vice President 1988–89; Wärtsilä Singapore, Managing Director & Area Director 1984–88; Wärtsilä Diesel Group, Vice President & Controller 1980–84; Wärtsilä Group, positions within control and finance and in development and internationalization 1976–80
- **Main Board memberships and public duties currently undertaken:** Deputy Chairman of the Board, Sato Corporation; member of the Board of the Federation of Finnish Technology Industries and the Wilhelm Wahlforss Foundation

Mr Ari Lehtoranta

- (1963), Vice Chairman of the Board, M.Sc. (electrical engineering), member since 2009
- **Main occupation:** Kone Corporation, Executive Vice President, Central and North Europe and Customer Experience. Member of the Executive Board since 2008
- **Key employment history:** Previously served in KONE Corporation as Executive Vice President, Major Projects 2008–2010; in Nokia Siemens Networks/Nokia Networks as Head of Radio Access (Senior Vice President) 2005–2008; in Nokia Corporation as Vice President of Operational Human Resources 2003–2005; in Nokia Networks as Head of Broadband Division, Head of Systems Integration; Vice President for Customer Services for Europe. Managing Director of Nokia Telecommunications in Italy as well as in various other positions 1985–2003

Ms Leena Niemistö

- (1963), MD, PhD, Specialist in Physical and Rehabilitation Medicine, member since 2010
- **Main occupation:** Dextra Oy, CEO to the present since 2003; Pihlajalinna Oy, Vice President, Private Healthcare since 2013
- **Key employment history:** Doctor of Medicine since 2003, Specialist in Physical and Rehabilitation Medicine in the Invalid Foundation; Orton Rehabilitation Centre in 2000–2004 and specializing in 1995–1999
- **Main Board memberships and public duties currently undertaken:** Member of the Board of Ilmarinen Mutual Pension Insurance Company; Lääkäripalveluyritykset ry; Handelsbanken Finland; Pihlajalinna Oy and HLD Healthy Life Devices Oy; Chairman of the Board of the prize committee of Ars Fennica and Deputy Chairman of the Foundation for the Finnish Cancer Institute

Ms Eira Palin-Lehtinen

- (1950), LL.M., trained on the bench, member 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, The Sibelius Academy Foundation, The Finnish Foundation for Share Promotion and Jalkapallo-Säätiö; the deputy member of the Board and the member of the finance committee of the Sigrid Jusélius Foundation; member of the Board of three Luxembourg-domiciled Nordea funds (Nordea Alternative Investment, Nordea Fund of Funds, and Nordea I Sicav) and member of the investment committee of Svenska Konstsamfundet

Mr Mika Salmi

- (1965), B.Sc (Econ.) 1987, MBA INSEAD 1992, member 2012
- **Main occupation:** creativeLIVE Inc, CEO and member of the Executive Board since June 2012
- **Key employment history:** President, Global Digital Media, Viacom 2006–2009; CEO/Founder, AtomFilms/Shockwave 1998–2006; various internet, media and music executive roles 1988–1998
- **Main Board memberships and public duties currently undertaken:** Board member of INSEAD (International business school with campuses in France, Singapore and Abu Dhabi); voting member, Academy of Television Arts and Sciences (Emmys); Executive Chairman, Pressplane 2009–; Executive Chairman, FUZZ 2010–

Mr Mika Vehviläinen

- (1961), M. Sc (Econ. and BA) HSE 1986, member since 2012
- **Key employment history:** CEO, Finnair 2010–; COO and member of the executive team, Nokia Siemens Networks 2007–2010; Nokia Oyj; different positions in the group 1992–2006
- **Main Board memberships and public duties currently undertaken:** Vacon Oyj, vice-chairman of the board; The Finnish Fair Corporation, Member of the Supervisory Board since 2010–; The Association of Support Service Industries, Member of the Board of Directors 2011-; Confederation of Finnish Industries EK, Member of the Board 2012–

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 6 members. The Annual General Meeting of 4 April 2012 elected the following Board members: Mr Raimo Lind (Chairman), Mr Ari Lehtoranta (Deputy Chairman), Ms Leena Niemistö , Ms Eira Palin-Lehtinen, Mr Mika Salmi and Mr Mika Vehviläinen.

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 2012, the acting committees were: the Compensation & Nomination Committee and the Audit Committee. The duties and charters of the committees are adopted by the Board of Directors.

Charter of the Board

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

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

According to the charter, the following are particularly subject to the Board's decision:

- Elisa's strategic guidelines
- distribution policy
- convening and submitting proposals to General Meetings
- matters having to do with Elisa's stock and Elisa shareholders
- major mergers and acquisitions, as well as investments
- financial statements and interim reports
- appointment, dismissal and terms of employment of the CEO and members of the Executive Board.

The charter also specifies other matters to be addressed by the Board, such as adopting the annual financial plan, the principles of the company's organization and the main business policies. The Board conducts an annual self-evaluation of its activities executed in the form of a questionnaire. Members of the Board of Directors are not allowed to participate in decision making for which they must legally disqualify themselves due to conflict of interests.

Meetings and remuneration

As a rule, the Board convenes 8–10 times a year. In 2012, the members of the Board were paid the following emoluments, which were decided upon and set by the Annual General Meeting:

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

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

In 2012, a total of 2,335 Elisa shares were purchased to Mr Raimo Lind, the Chairman of the Board; 1,624 shares to Mr Ari Lehtoranta, the Deputy Chairman; 1,409 shares to Ms Leena Niemistö; 1,624 shares to Ms Eira Palin-Lehtinen and 1,072 shares to members Mr Mika Salmi and Mr Mika Vehviläinen each. The shares purchased for the current members of Elisa's Board of Directors on 31 December 2012 were not registered in the members' book-entry accounts until 3 January 2013, and are thus not included in the following figures.

Elisa Board members' shareholdings in Elisa,(companies under the member's control)	Number of shares, 31 Dec. 2012
Mr Raimo Lind, Chairman of the Board	6,794
Mr Ari Lehtoranta, Deputy Chairman of the Board	6,538
Ms Leena Niemistö, member	3,747
Ms Eira Palin-Lehtinen, member	7,533
Mr Mika Salmi, member	717
Mr Mika Vehviläinen, member	867

In 2012, the Board of Directors convened 12 times. The average attendance rate at Board meetings was 97 per cent.

Compensation & Nomination Committee

According to its charter, the Compensation & Nomination Committee deals with and prepares the appointment and dismissal of persons within management, the management succession planning and development, matters associated with long-term incentive schemes applicable to management, and other matters relating to the remuneration of management. The Committee shall also deal with incentive schemes for Elisa's personnel.

In 2012, the Compensation & Nomination Committee comprised Chairman of the Board Mr Raimo Lind (Committee Chairman) and members Mr Ari Lehtoranta and Mr Mika Salmi. In 2012, the Compensation & Nomination Committee convened 3 times and the attendance rate was 100 per cent.

Audit Committee

The Audit Committee is tasked with supervising the proper organization of the company's accounting and financial administration, financing, internal and financial auditing, and risk management. According to the charter, the following in particular shall be addressed and prepared by the Audit Committee:

- significant changes in recognition principles
- significant changes in items measured in the balance sheet
- follow-up to ensure the independence of the auditor
- matters reported by internal auditing
- financial statements, interim reports and Corporate Governance Statement
- risk reports and organization of risk management
- organization of financial administration and financing.

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

In 2012, the Audit Committee was chaired by Ms Eira Palin-Lehtinen with Ms Leena Niemistö and Mr Mika Vehviläinen as Audit Committee members. In 2012, the Audit Committee convened 5 times and the attendance rate was 93 per cent. The principal auditor also attends Audit Committee meetings.

Executive Board

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. He as held various positions in the Ericsson Group in Finland and the USA since 1986. Mr Mattila's previous career also includes expert advisory tasks at Swiss Ascom Hasler AG
- **Main Board memberships and public duties currently undertaken:** Member of the Board of Directors of Sampo Ltd, member of the Supervisory Board of the Finnish Fair Association and member of Representative Assembly of Confederation of Finnish Industries EK

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 from 2001 to 2003; Sales Director of Oy LM Ericsson Ab from 1996 to 2001; Tekes, the Finnish Funding Agency for Technology and Innovation, Counsellor, Industry and Technology from 1993 to 1996; Sales Manager at Hewlett Packard Oy from 1987 to 1993
- **Main Board memberships and public duties currently undertaken**: Member of the Board of Directors of Ficom; Chairman of the Data Network Pool in the Information Society Sector (2012) and Deputy Chairman of the Board of Directors of Ficom (2013)

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 from 2002 to 2006; Regional Manager for Central Europe at Netigy Corporation from 2000 to 2002; Vice President, Sales for Europe and the USA at Fujitsu from 1999 to 2000; Sales and Country Manager at Oracle Corporation in Northern, Central and Eastern Europe from 1990 to 1999

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; a member of the Executive Board of Nokia Networks from 2005 to 2007, Production and Network Installation; Various positions in Nokia Networks and its predecessor Nokia Telecommunications from 1992 to 2005
- **Main Board memberships and public duties currently undertaken:** Member of the Board of Directors of the Service Sector Employers' Association Palta

Mr Jari Kinnunen

- (1962), M.Sc. (Bus. Finance and Accounting), 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 from 1999 to 2004; Managing Director of Polar International Ltd from 1996 to 1999 and Controller from 1990 to 1996; Controller in Oy Alftan Ab from 1987 to 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 2008
- **Main occupation:** Executive Vice President, Corporate Communications
- **Key employment history:** Paroc Group Holding Oy, Vice President, Communications from 2000 to 2008; Lotus Development Finland Oy, an IBM subsidiary, Marketing and Communications Manager from 1998 to 2000; Nokia Telecommunications (the predecessor of Nokia Siemens Networks), Dedicated Networks business unit, Marketing Communications Manager from 1994 to 1998

Mr Sami Ylikortes

- (1967), M.Sc.(Econ. & Bus. Adm.), LLM, joined the company in 1996
- **Main occupation:** Executive Vice President, Administration
- **Key employment history:** Executive Vice President, Administration, since 2000. Secretary to the Elisa's Board of Directors from 1998 to 2007. Positions in accounting management in Unilever Finland Oy from 1991 to 1996
- **Main Board memberships and public duties currently undertaken:** Member of Labor Market Committee of Service Sector Employers Association PALTA

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 2012.

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. He as held various positions in the Ericsson Group in Finland and the USA since 1986. Mr Mattila's previous career also includes expert advisory tasks at Swiss Ascom Hasler AG.

Main Board memberships and public duties currently undertaken: Member of the Board of Directors of Sampo Ltd, member of the Supervisory Board of the Finnish Fair Association and member of Representative Assembly of Confederation of Finnish Industries EK

The total salary paid to CEO Veli-Matti Mattila in the financial year was EUR 730,210.34 consisting of a fixed salary including taxable benefits (EUR 550,119.00), and a performance-based bonus (EUR 180,091.34). The performance-based bonus can total a maximum of 90 per cent of the taxable income. Moreover, the sum of EUR 497,587.24 was paid through the 2011 bonus and incentive scheme payable to the management, of which shares in Elisa Corporation, including the asset transfer tax, accounted for EUR 238,310.47 (13,645 shares).

Elisa's CEO is entitled to retire at the age of 60. The supplementary pension arrangement is based on a defined contribution plan. The supplementary pension insurance contribution that covers the pension as of the age of 62 was EUR 121,978.95 for 2012. The additional liability accrued with regard to the age of 60 and 61 (EUR 60,647.00) was entered in the company's balance sheet. Elisa's CEO is entitled to a paid-up pension.

The period of notice for the CEO is 6 months from Elisa's side and 3 months from the CEO's side. Should the contract be terminated by Elisa, the Chief Executive Officer is entitled to receive a severance payment that equals the total salary of 24 months minus his or her salary of the period of notice. CEO Veli-Matti Mattila held 74,731 shares in Elisa on 31 December 2012.

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 2012).

Elisa Executive Board's holdings in Elisa	Number of shares, 31 Dec. 2012
Mr Veli-Matti Mattila, CEO	74,731
Mr Asko Känsälä, Executive Vice President, Consumer Customers	63,753
Mr Pasi Mäenpää, Executive Vice President, Corporate Customers	27,089
Mr Timo Katajisto, Executive Vice President, Production	11,864
Mr Jari Kinnunen, CFO	25,611
Ms Katiye Vuorela Executive Vice President, Corporate Communications	13,212
Mr Sami Ylikortes Executive Vice President, Administration	27,693

Executive Board incentive plan

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

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

Elisa's Executive Board is covered by the company's long-term share-based incentive scheme. The total salary paid to members of the Executive Board in the financial year was EUR 1,703,232.44, which consists of a fixed salary, including taxable benefits (EUR 1,396,133.00), and a performance-based bonus (EUR 307,099.44). Moreover, the sum of EUR 1,368,364.70 was paid through the 2011 bonus and incentive scheme payable to the management, of which shares in Elisa Corporation, including the asset transfer tax, accounted for EUR 655,340.69 (37,523 shares).

The members of Elisa's Executive Board, with the exception of the CEO, are entitled to retire at the age of 62. The pensions are based on a defined contribution plan. The annual supplementary pension insurance contribution in respect of the Executive Board was EUR 119,445.32. The members of the Executive Board are entitled to a paid-up pension.

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

Incentive plans for key personnel

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

Performance Share Plan for 2011

The Performance Share Plan, includes three performance periods, the calendar years of 2012–2014, 2013–2015 and 2014–2016. The rewards equal at most the value of some 3.3 million shares in Elisa. The Board of Directors will decide on the Plan's performance criteria and their targets at the beginning of each performance period.

The Plan's potential reward over the performance period of 2012–2014 and 2013-2015 is based on the increase in the Consumer Customer and Corporate Customer segments' new business revenues and on Elisa's earnings per share (EPS). In 2015 and 2016 respectively, the reward will be paid partly in the company's shares and partly in cash. The portion payable in cash covers taxes and tax-like costs arising from the reward. No reward is paid if a key person's employment ends before the reward payment. The Plan's target group consists of about 160 persons and the rewards equal at most the value of some 1 million shares in Elisa for each year, including the portion payable in cash.

Restricted Stock Plan for 2011

The Restricted Stock Plan, covers the calendar years of 2012–2018. The lock-up period for the rewards paid through the Restricted Stock Plan is about three years. The reward is paid only if a key person's employment is valid when the reward is due to be paid. The rewards to be paid through this stock plan equal at most the value of some 0.5 million shares in Elisa, including the portion payable in cash. So far, no decisions have been made on the basis of this Plan.

Share-based incentive system for 2008

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

The system consists of three earning periods: calendar years 2009, 2010 and 2011. In total, 152,503 shares were transferred in the spring of 2012 as the bonus through the system for the 2011 earnings period. In addition to this, a cash portion that covers taxes was transferred. The shares will be subject to a lock-up period of two years following the earning period, during which time transfer restrictions are in effect. In the event that the employment of a key employee ends during the lock-up period, he or she must return the shares subject to transfer restriction to the company without consideration. In total, 5.344 shares were returned in 2012.

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

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

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

The objective of the internal control 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 control and risk management procedures are integrated into the company's operations and processes. Elisa's internal control 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 controls of financial reporting.

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

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

Risk assessment

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

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

Controls

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

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

Financial information and communication

External communications

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

Internal communications

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

Control

The Board of Directors' Audit Committee 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 audits 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", "the Audit Committee" and "Description of the key features of the internal control and risk management systems associated with the financial reporting process". The company classifies risks into strategic, operational, hazard and financial risks. The hazard risks are identified and insurance is taken out to deal with these risks. Elisa uses an external insurance broker to establish the probability of the risk and the value of the insurance.

Internal auditing

The purpose of internal auditing is to assist the organization in achieving its goals by evaluating and investigating its functions and by monitoring compliance with corporate regulations. For this purpose, internal auditing produces analyses, assessments, recommendations and information for use by the company's senior management. Reports on completed audits are submitted to the CEO and the management of the unit audited, and to the Audit Committee, 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 the Auditors. An annual auditing plan and auditing report are presented to the Board of Directors' Audit Committee. 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 controls 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 had one external authorized auditing company in 2012. The auditing company must be duly authorized by the Central Chamber of Commerce. The auditors' term of office is the current financial period for which they are appointed. The duties of the auditors end at the close of the first Annual General Meeting following the expiration of their term of office.

In the year under review, Elisa's auditor was KPMG Oy Ab, authorized public accountants, with Mr Esa Kailiala (APA) serving as principal auditor. For the 2012 financial period, the auditing fees of the Finnish group companies totaled approximately EUR 194,000.00, of which the parent company accounted for EUR 124,000.00. The auditing fees for the foreign group companies were EUR 25,000.00. The auditing firm has been paid fees of EUR 374,000.00 for services not associated with auditing. These services had to do with mergers and acquisitions, tax services, a review of regulation accounting and other expert services. The fees include payments to a trainings provider Teleware, which is part of the KPMG Group. These payments totaled EUR 107,000.00 and related mainly to Elisa's actual operations.

Company insiders and insider administration

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

In accordance with the Securities Markets Act, Elisa's public insiders include the members of Elisa's Board of Directors, the Chief Executive Officer, and the principal auditor for the company within the auditing firm. In addition to this, the public insiders also include the members of Elisa's Executive Board. Information concerning insiders as required by law is published in Elisa's public insiders register. This information also includes persons closely associated with the public insiders, i.e. related parties, and corporations which are controlled by the related parties or on which they exercise an influence. Information about the holdings of public insiders is available on Elisa's website at: www.elisa.com.

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

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

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