Annual Report 2007

Contents

Shareholder information

ANNUAL GENERAL MEETING

Elisa's 2008 Annual General Meeting will be held at the Helsinki Fair Centre, Messuaukio 1, Helsinki, at 2:00 pm on Tuesday, 18 March 2008.

Shareholders must announce their intention to attend the meeting by 8:00 pm (Finnish time) on Saturday 8 March 2008. This should be done either by writing to Elisa, Contact Center Services/Sö A 6200, P.O. Box 30, FI-00061 ELISA, Finland; by telephone: +358 8000 6242 any day of the week from 8:00 am to 8:00 pm; by fax: +358 10 262 2727; or by e-mail: yhtiokokous@yhteyspalvelut.elisa.fi.

Shareholders registered in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd by Friday 7 March 2008 are eligible to attend the Annual General Meeting.

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

CAPITAL REPAYMENT

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

The Board of Directors proposes to the General Meeting that capital be repaid to shareholders to the amount of EUR 1.80 per share on the basis of the balance sheet of 31 December 2007 approved by the General Meeting. EUR 0.80 per share is in accordance with the profit distribution policy, and EUR 1.00 constitutes additional distribution of funds to develop the capital structure. The capital repayment corresponds to 130 per cent of the period's earnings. The Board of Directors proposes that the funds be distributed out of the reserve for invested non-restricted equity. Shareholders who are listed in the company's register of shareholders maintained by the Finnish Central Securities Depository Ltd on 25 March 2008 are entitled to funds distributed by the General Meeting. The Board of Directors proposes that the payment date be 1 April 2008. The profit for the period shall be added to accrued earnings.

FINANCIAL INFORMATION

In addition to an annual report, Elisa will publish interim reports on 25 April 2008, 1 August 2008 and 24 October 2008. The annual report and interim reports will be published in Finnish and English, and annual reports may be ordered by phone on +358 50 305 1605.

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

THE CONTACT PERSON FOR ELISA'S INVESTOR RELATIONS

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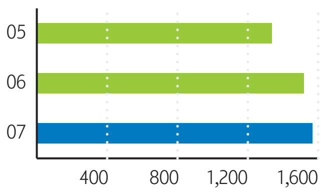
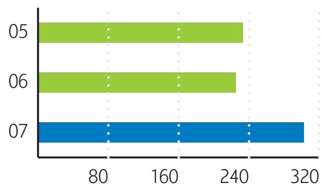
Elisa in brief

Elisa is a leading Finnish communications service company whose mission is to offer its customers telecommunication services for fast, effective and secure communication. Its vision is to be the most attractive and effective operator.

Revenue
EUR million



EBIT
EUR million



Key indicators

EUR million	**2007**	2006	2005
Revenue	**1,568**	1,518	1,337
EBITDA	**499**	434	446
EBIT	**302**	225	233
Profit before taxes	**285**	212	212
Net result	**220**	161	178
Earnings per share, EUR	**1.38**	0.97	1.22
Research and product development	**8**	2	8
Investments in shares	**12**	10	415
Capital expenditures	**206**	207	204
Equity ratio, %	**48**	63	62
Gearing %	**71**	29	22
Employees, 31 Dec.	**3,015**	3,592	4,681

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

Elisa's business operations in Finland comprise the Consumer and Small Enterprise Customers unit, the Corporate Customers unit, the New Services and Operations unit, the Production unit and Support Functions.

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

ELISA IN 2007

2007 was the best year in Elisa's history in terms of profitability and earnings. Revenue increased by more than 3 per cent, which outperforms the average of European operators. Profit before tax increased by 35 per cent on the previous year.

Elisa's market position strengthened further, particularly with regard to 3G services and broadband. The expansion of mobile Internet was boosted by extending 3G network coverage and introducing consumer-friendly pricing and devices that enable a better Internet experience. During the report year, the 3G market was a good booster for the development of the entire industry. 3G subscriptions comprise a significant proportion of new mobile communications subscriptions, and customers were increasingly using a wide variety of content services. The number of 3G customers in Finland exceeded one million at the end of 2007. Elisa has an approximate market share of 50 per cent of 3G users.

Elisa's market position strengthened also in corporate and institutional customers. Mobile work solutions were increasing the efficiency, availability and flexibility of operations for an increasing number of our customers. Customers adopted smartphones and mobile broadband to productive use in the home market as well as internationally.

An important investment in 2007 was the construction of the 3G network that enables faster mobile broadband. By the end of 2007, Elisa's 3G network covered 75 per cent of Finland's population and, according to studies, was the best network in terms of coverage and quality.

Elisa's integration continued in 2007. Lounet Oy merged with Elisa, as did First Orange Contact Oy and Elisa Ventures Oy. Furthermore, Saunalahti's employees were transferred to Elisa in a transfer of business at the beginning of October.

Elisa's profit distribution in 2007 included two dividend payments and the purchase of treasury shares. The Annual General Meeting decided on a dividend of EUR 0.50 and an additional dividend of EUR 1.00. In the summer, Elisa's Board of Directors decided on the distribution of an extra dividend of EUR 1.00. The total amount of dividends paid in 2007 was approximately EUR 400 million. In April–May, Elisa acquired a total of 4,000,000 treasury shares worth approximately EUR 80 million.

Elisa as a promoter of development

People, devices, transport and production equipment, and even buildings communicate online in real time. New services and innovations create opportunities for continuous growth. The number of subscriptions and volume of traffic are still increasing. The development of the industry creates excellent preconditions for Elisa's profitable growth.

Elisa is a significant builder of Finnish society. We develop services to promote the well-being and comfort of Finns. We are one of the largest companies investing in Finland and Estonia. The purpose of our annual investments of some EUR 200 million is to maintain the position of our home markets as world-leading countries in telecommunications and communication services.

Our important investment in 2007 has been the construction of the new 3G network that enables faster transmission connections. We have been constructing faster mobile connections and more extensive network coverage. By the end of 2007, Elisa's 3G network covered 75 per cent of Finland's population and, according to studies, was the best network in terms of quality. We currently cover 40 per cent of Estonia's population. The one-millionth 3G terminal device was sold in Finland late in the year. Elisa has an approximate market share of 50 per cent of 3G users in Finland.

In practice, the entire 3G market has emerged within two years. Elisa's initiative has created the prerequisites for sales of terminal devices and an increase in service volumes and quality. The Internet has entered the pockets of customers.

AIMING AT SERVICE LEADERSHIP

Competition for customers is intense. The threshold for switching operators is low, which results in continuing price competition. Competition with services has also added the intensity of competition. Mobile phone prices are the cheapest in Europe, and the pricing of fixed network broadband is also very low as a result of intense competition.

In addition to price, customers are expecting better and better service. Expectations with regard to customer service and content services have increased, and our task is to respond to this service competition challenge.

We have launched new services and products and, in accordance with our strategy, will continue to do this even more in the future. We are also developing network-independent services. Good examples of services launched in 2007 include the virtual training world Traxmeet and the online community Wippies.

In accordance with our strategy, we are still focusing strongly on three development paths: integrating a single Elisa, strengthening our market position through expanding the service range, and seeking growth with new services and new markets.

We have further improved our operations to comply with the single Elisa policy. Lounet and Saunalahti were fully integrated into the Elisa organisation in 2007. We have also made substantial investments in consistent information systems, the most important of which is the consistent customer care and billing system. The change of system has increased the number of customer contacts more than expected, which resulted in substantial delays in queuing for our telephone service. Our objective is to achieve a clearly better level of telephone service than that experienced by our customers in recent months. To rectify the situation, we have taken a variety of measures such as increasing the number of customer service staff.

Our market position has continued to strengthen particularly in 3G services and broadband. We have also strengthened our market position in corporate and institutional customers.

125 YEARS AT THE FOREFRONT OF CHANGE

We celebrated our 125-year history in 2007. Towards the end of the year, we held celebrations with our stakeholders and staff. We have strong roots in several locations dating back more than a century. Our regional heritage remains our strength today. As the most important telecommunications service company headquartered in Finland, we are close to our customers and present in their everyday life and connections.

125 years of history provide a good perspective for assessing the development of the entire industry. Our industry has always been at the leading edge of development and utilised the freshest inventions and technologies. The pace of change in this millennium is still accelerating. Changes within the last five years have affected both the industry and Elisa more intensively than in the preceding 120 years.

ELISA AS PART OF SOCIETY

Elisa is still a significant employer. We directly employ some 3,000 people but our role as an indirect employer is very significant. The outsourcing of work to partner organisations has provided us not only with flexibility to suit our varying needs but also with the development of special expertise within functions that we have assigned to our competent partners.

Solutions offered to enterprises and corporations increase productivity. Increasing the productivity of work plays a key role with regard to well-being and competitiveness. Improving the productivity and efficiency of work while adding flexibility, creates benefits for all parties, including employees.

Elisa's products and services reduce the burden of traffic on the environment. Communications solutions reduce the need to move people and goods around. For example, mobile work solutions provide flexibility for work and allow for a reduction in commuting.

SUCCESS AND A GOOD EARNINGS CAPACITY

Even if surrounded by pressure for change, we have been successful in our work. Our revenue growth outperformed the industry average. In addition, 2007 became the best year of earnings in our history. This achievement is substantial particularly when considering the magnitude of reductions in customer prices within the last five years. Naturally, the greatest thanks should be awarded to our active customers. Our good partners have also contributed to our success. Every Elisa employee can also be proud – we have developed successfully in line with Elisa's values.

We are embarking on the year 2008 with excitement. Elisa has continued its bold and goal-oriented change, and we have achieved good results. Our customers and shareholders are imposing ever-increasing expectations on us in 2008; we are expected to show service leadership, growth, profitability and internationalisation.

I would like to express my thanks to our customers, staff, shareholders and other interest groups for 2007: together we made the year into the best success in our history. These starting points provide an excellent foothold for making 2008 even better.

Veli-Matti Mattila
President and CEO

Consumer Customers and Small Enterprise Customers

Our customers include Finnish households and small enterprises, and the services are made to the electronic communications needs of these groups.

The Consumer Customers and Small Enterprise Customers unit makes everyday life easier for its customers by providing telecommunications and data communications services for quick, efficient and safe communications. Our brand names in Finland include Elisa, Saunalahti and Kolumbus.

In Finland, the unit operates in a highly competitive telecommunications service market and has performed well in a dynamic competitive environment in all of its main product areas: we are the market leader in broadband services and fixed network voice services, compete for the leading position in mobile communications at roughly equal positions with our major competitor and hold the number two position in cable TV services. The unit is also a significant reseller of mobile phones, computers and associated peripherals.

The unit has approximately 1.5 million household customers, which is almost 75 per cent of all households in Finland, as well as more than 100,000 entrepreneur customers. All in all, these customers have more than three million Elisa subscriptions in the mobile and fixed networks combined. Everyone is served in accordance with the following principle: "Elisa makes it easy". Elisa is able to provide a household or a small enterprise with all of the required electronic communications services securely and easily, at a competitive price.

The unit operates all over Finland with a strong local presence at more than 60 designated Elisa Shopit outlets and hundreds of others operated by representative partners. Nationwide customer service is provided through our contact centre and online services. More than 80 per cent of the unit's approximately 1,000 employees work in these immediate customer service and sales tasks.

MOBILE COMMUNICATIONS SERVICES

The sales of mobile phones and subscriptions as combined service bundles have been allowed in Finland since April 2006. In Finland, these service bundles include third-generation (3G) terminal devices. This market change was efficiently utilised by Elisa and moved the Finns to the front row in European 3G penetration in less than two years: the limit of one million 3G users was exceeded in the turn of 2007–2008.

The year 2007 belonged to 3G as a substantial share of new subscriptions was 3G, and customers were increasingly using versatile content services. Email and the Internet were particularly popular. Elisa's share of the 3G market is about one half.

Our 3G network is the most comprehensive in Finland and we are determinedly expanding it further to respond to the increasing demand. In the beginning of 2008, Elisa's 3G services cover

HOME AND WORK ON THE SAME PROPERTY

Sonja Iiramo, landscape architect

In the Iiramo family, both parents are architects. They and their children have conveniently combined work and family on the same property in the village of Voutila in Vantaa. The run of an architects' office is managed through Elisa's fixed telephone line, mobile telephones and broadband connections.

"Entrepreneurs are not always able to make a clear distinction between working hours and leisure", says Sonja Iiramo, who is a landscape architect. The family business, which engages in residential and landscape design, wants to take good care of its customers, which means that calls and emails will be attended to regardless of time or place – always when possible.

"However, short messages are the most widely used service in our family, as each of our children sends hundreds of messages monthly".

approximately 75 per cent of the population in more than 130 municipalities. In November 2007, Elisa was the first in the world to introduce UMTS900 technology into commercial operation. It allows the construction of a 3G network in rural areas and brings 3G services to all of Finland.

The fastest and most extensive 3G network in Finland supports HSDPA technology at speeds of 1 to 2 Mbps from the network to the terminal. The speed of Elisa's 3G network will be further increased five-fold during 2008, which enables a service similar to very high-speed fixed broadband to be provided over the mobile communications network. The data connection will also work at holiday homes or even abroad without requiring the customer to get any separate subscriptions or equipment.

In the latter half of 2007, the unit introduced mobile broadband. It provides our customers with a flat-rate service corresponding to fixed broadband that is, however, produced using the mobile communications network and thus provides broadband services independent of location. We are expecting a major breakthrough in mobile broadband during 2008, particularly as a product supplementing fixed broadband services at home and in small enterprises.

In order to develop our mobile communications services and improve service to customers, we introduced a new invoicing and customer management system in April 2007, and the system is still partially in the commissioning stage. The new system will be visible to our customers through clearer invoices, faster customer service and improved flexibility.

The unit's customers had approximately two million mobile phone subscriptions at the end of 2007. Our objective for 2008 is to further strengthen our market leadership in data and 3G services.

SERVICES FOR THE HOME

The unit is the market leader in providing telecommunications services for households. Its customers had almost 1.1 million fixed network subscriptions at the end of 2007: approximately 450,000 broadband subscriptions, almost 370,000 fixed network voice subscriptions and almost 240,000 cable TV subscriptions. 30 per cent of the broadband subscriptions had a data rate of 2 Mbps or higher.

During the year, Elisa introduced the Broadband Super service that provides households with a data rate as high as 100 Mbps. It enables the use of services that require increasingly fast connections, such as TV and video on demand. Superfast broadband connections are available to the unit's customers in almost 250,000 households within the areas of the Elisa fibre and cable TV networks.

Saunalahti introduced a totally new type of digital TV set-top box, SaunaVisio. During normal television viewing, SaunaVisio operates as any digital TV set in the antenna network, but when programmes are recorded, they are not recorded in the set-top box's own memory, but rather on a virtual disk in the network, using the customer's broadband connection. SaunaVisio is permanently connected to the Internet through the broadband connection.

Elisa introduced HDTV (High Definition Television) broadcasts to its cable TV network in the autumn of 2007. There are initially two HDTV channels, Voom and Luxe, but the offering will be substantially increased in the future. The unit will put substantial effort into developing its TV services during 2008.

The number of traditional landline telephone subscriptions has decreased steadily for several years. However, the landline telephone still has its loyal and active user base.

In household services, our objective in 2008 is to strengthen our market leadership through new, innovative services and through providing our customers with even better, faster and more reliable connections.

Corporate Customers

The starting point for our operations is a profound understanding of the communications needs between Finnish enterprises and their customers.

The Elisa Corporate Customers unit helps enterprises and public sector organisations to improve efficiency and availability in the domestic market as well as in the international business environment.

The Corporate Customers unit employs approximately 700 people in tasks related to corporate sales, the product and service range, as well as service production. We serve Finnish enterprises nationwide at 12 sites from Rovaniemi to Helsinki. Our customer base includes approximately 15,000 Finnish organisations from various commercial industries and the public sector. We provide reliable communications and interaction solutions for medium-sized and large Finnish organisations nationwide.

Crucial development projects within the Elisa Corporate Customers unit in 2007 included improvements to customer, process and partner competence, as well as the Sources of Growth project that will serve as the basis for refining new services and solutions to respond to our customers' communications and interaction requirements. The Sources of Growth project puts us in a better position to respond to upcoming challenges and intensifying competition in the Finnish communications market.

COMMUNICATION IS INTERACTION

The market that offers and produces telecommunications and other communications services to enterprises is subject to very intense competition. Communications technologies are transforming into tools that end users use in accordance with their needs, desires and habits, both at work and during leisure time. This transition is also challenging for our customer enterprises.

We want to be strongly involved in the change and help our customers to integrate new communications solutions as an integral part of key processes within organisations and interaction between people.

For example, we have developed a mobile work solution that creates a secure connection from a mobile phone to an enterprise's information systems, databases and applications. In addition to mobile email, calendar and contacts, which have been around for some time, you can now use your phone to access internal business applications such as customer management systems or your intranet.

The application mobilisation service expands the opportunities of businesses to truly improve profitability through more efficient work and faster decision-making. For example, unnecessary travel between customer premises and your own office will

BARENTS RESCUE 2007
Martti Soudunsaari, rescue director
Lapland Rescue Department

The Barents Rescue 2007 joint exercise, which focused on rescue operations in the Barents region, was arranged in October 2007 during Finland's chairmanship of the Barents Euro-Arctic Council. The exercise scenario in Ivalo was an aviation accident in which an airliner at the landing stage made a forced landing in the wilderness, leaving more than 200 passengers severely injured or deceased. A major accident alarm was simulated in the Lapland region, and the Barents region countries, including the Nordic countries and Russia, were asked for help.

Elisa planned and implemented the entire communications architecture and secured telecommunications connections for the Barents Rescue 2007 exercise. Elisa's interaction solutions were used to provide a real-time picture of the situation to the rescue services and government departments of several countries. "It was an excellent implementation that provided substantial added value", said Martti Soudunsaari.

be reduced when you can access business-critical information from anywhere.

OPERATING MODEL AND SOLUTIONS

Our core competence involves the planning, coordination and implementation of communications solutions that make interaction more efficient through combining industry-leading applications and technologies into a seamless functional entity, based on the turnkey principle.

The product and service range of the Corporate Customers unit comprises three solution areas: customer service solutions, office work solutions and production solutions. All of our communications solutions can be flexibly combined in accordance with the customer's current needs. For example, efficient and secure mobile work solutions enable a reliable mobile channel for establishing connections to comprehensive management and monitoring services covering a customer enterprise's production solutions.

The Elisa Design consultancy unit surveys and implements new business opportunities jointly with customers and improves productivity through communications technology methods.

DEVELOPMENT WITH PARTNERS

In 2007, we strengthened our core competence and market position through acquisitions, partnership agreements and the development of our own business and technology competence. The Corporate Customers unit serves international customers jointly with an extensive partner network all over the world.

Our partners are significant operators in their respective sectors, such as Vodafone, Cisco and Microsoft. We combine our own competence with solutions provided by our communications and technology partners in a way that provides the best benefit to Finnish customer enterprises with regard to their communications needs.

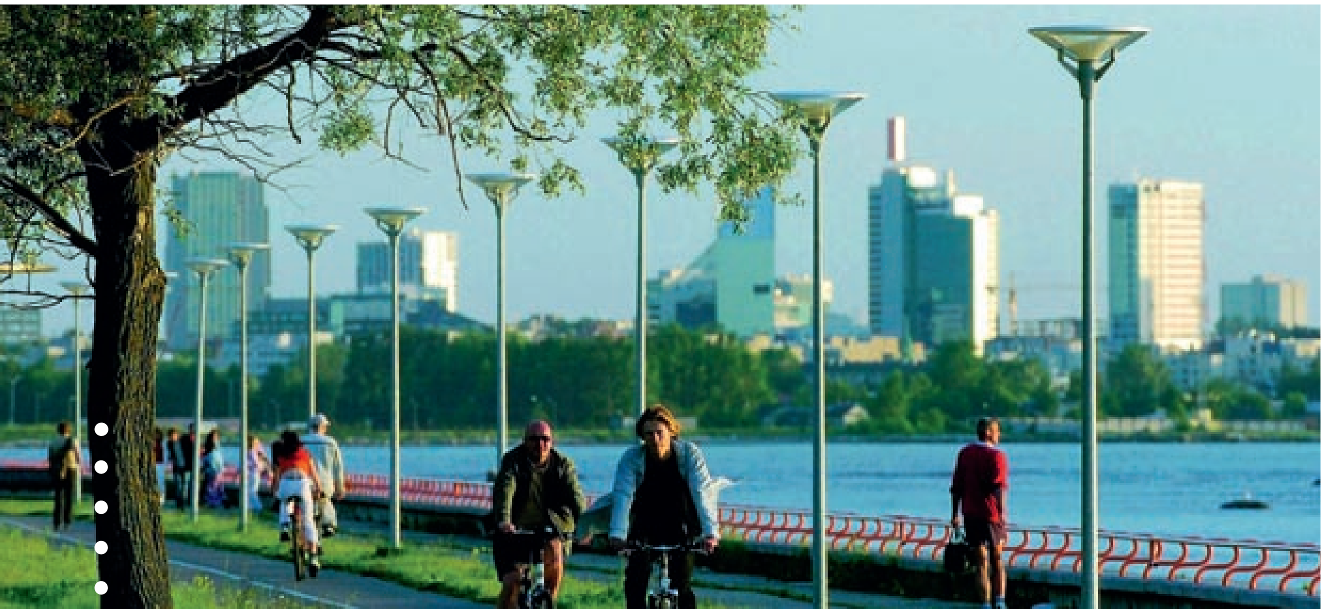
We enhanced our market leadership in customer service solutions by acquiring First Orange Contact Oy, which provides multichannel customer service systems. We initiated a partnership with Microsoft and subsequently introduced advanced interaction services to the market.

Additionally, we received international recognition for our IP and mobile competence when we were the first partner in Europe to receive Gold Partner and Mobility Partner of the Year awards, as well as an Outdoor Wireless Mesh certificate from Cisco.

OBJECTIVES FOR 2008

Changes in the communications market and competitive situation in Finland and abroad make the industry challenging and interesting. Our objective is to strengthen and expand our market position by introducing new innovative solutions to the market, expanding our customer base and deepening our partnership as a communications solution provider for Finnish enterprises and the public sector.

Estonia



Rapid economic growth has enhanced the standard of living in Estonia, changing both people's lifestyles and their living environment. Estonia is at the forefront of European countries regarding the introduction of both public and commercial e-services.

Elisa's business in Estonia continued to grow further in 2007. Elisa's share of the Estonian mobile communications market was 25 per cent. For the third year in a row, the country's leading business newspaper (Äripäev) ranked Elisa number one in its sector on its "Estonian Top 500 Enterprises" list.

COMPREHENSIVE SERVICE AS A COMPETITIVE ADVANTAGE

Elisa's service range in Estonia is almost as comprehensive as in Finland. Elisa provides a complete range of communications services for enterprises, as well as mobile and broadband services for consumers. Unlike other operators in the sector in Estonia, all services are available from a single company, which provides a competitive advantage for Elisa.

The use of services differs from the Finnish market in that prepaid subscriptions have an approximate share of 30 per cent in Estonia. Furthermore, enterprises are only starting the outsourcing of ITC services. Contact Centers, for example, are still mainly operated by enterprises themselves.

Elisa's customer service in Estonia is considered to be of a very high quality. Elisa's Contact Center was ranked the best in the sector in 2007 for the second year in a row. An Elisa employee was also ranked the best customer service person in Estonia.

INVESTMENTS TO DEVELOP THE NETWORK

Substantial effort has been put into expanding the coverage area of the mobile communications network in Estonia and developing it technically in 2006 and 2007. Elisa's GSM network currently covers 98 per cent of the population of Estonia. According to measurements carried out by the market regulator in 2007, Elisa's network exhibits the highest quality in the country.

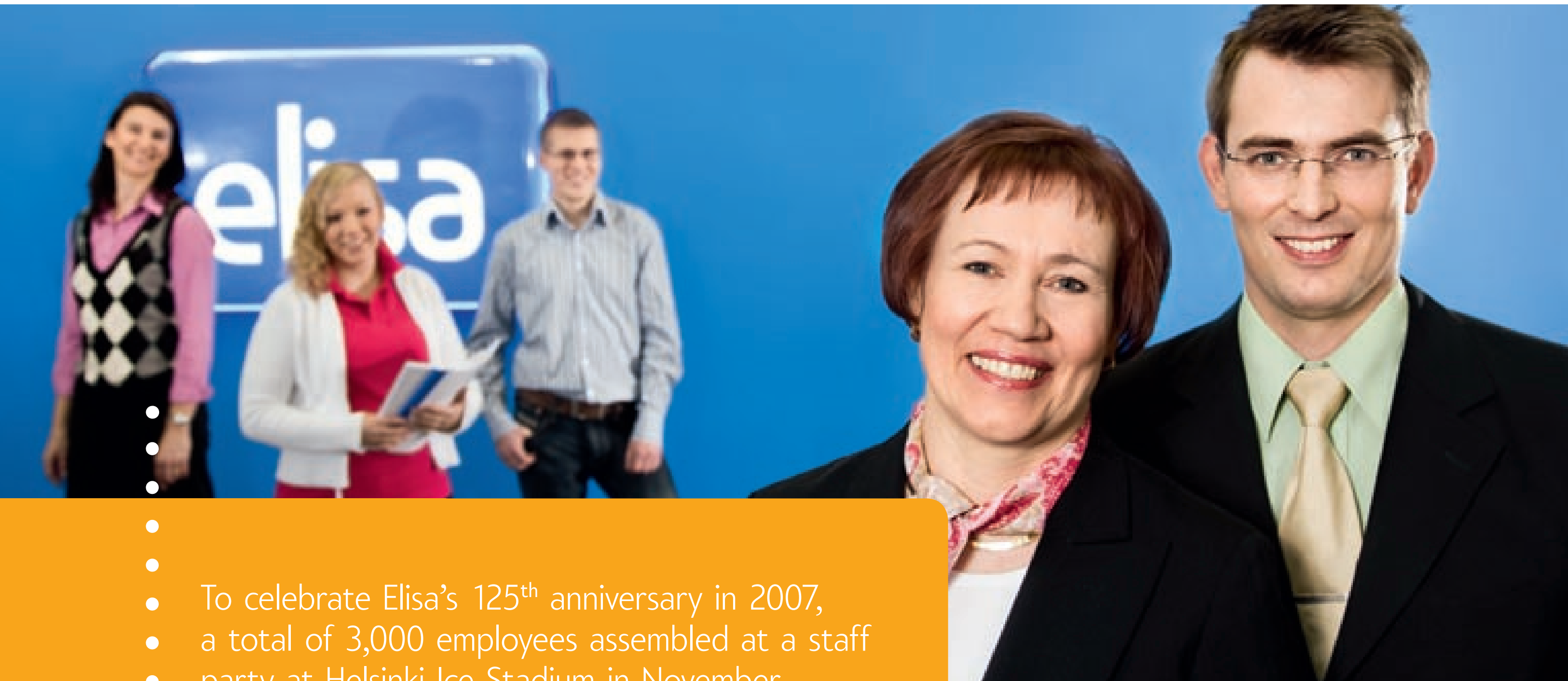
Network development has provided customers with a more extensive range of communications services. For example, the use of mobile data increased tenfold in 2007 compared to the previous year. Fast HSDPA network connections at a maximum speed of 7.2 Mbps are already available in Tallinn and Pärnu. EDGE speeds are also available in most of the country.

GROWTH CONTINUES IN ESTONIA

Mobile communications penetration will not increase substantially but the market for communications services is expected to continue to grow also in 2008 even though economic growth in Estonia is estimated to slow down from the previous years.

Elisa aims to continue to outperform market growth in Estonia. Growth is primarily based on prepaid products, corporate services and mobile data. However, net sales growth is expected to be somewhat more moderate than in the previous years due to an interconnection tariff cut in late 2007. The pricing change does not have any substantial impact on profitability.

Personnel and the environment



To celebrate Elisa's 125th anniversary in 2007, a total of 3,000 employees assembled at a staff party at Helsinki Ice Stadium in November.

WORK COMMUNITY DEVELOPMENT AND WELL-BEING

Jointly with its staff, Elisa is building a work community that attracts active professionals committed to their work and encourages them to develop. Elisa has shared company-wide HR practices in the fields of recruitment, development of the corporate culture and work community, competence development, compensation and incentives.

The work atmosphere at Elisa is monitored annually through personnel surveys. In a survey conducted in September 2007, Elisa employees considered leadership, team spirit in one's own group and Elisa's ability to change to be substantially better compared to the personnel of Finnish enterprises in general. The development of crucial sub-areas was monitored quarterly using a resource index.

The work community is developed under the leadership of every supervisor. In addition to this, there is a work community development group in Elisa that consists of representatives from the staff, industrial safety and management, and makes proposals for Elisa-wide work community development projects. Occupational health care and work environment groups are involved in promoting the well-being of Elisa employees at every location, supporting all employees and supervisors.

A senior programme aimed at Elisa employees older than 55 involved six meetings at four locations discussing topical issues related to well-being at work.

DEVELOPING THE WORK ENVIRONMENT, TOOLS AND PROCESSES

Elisa invests in flexible solutions for the physical work environment and utilises technology solutions for mobile work. A multi-space office in Pasila was completed in 2007 and serves as the daily work environment for approximately one thousand employees. The premises and the placement of functions in different spaces support versatile work, encourage cooperation and make it possible to work also outside one's own office.

Elisa is putting effort into making its internal processes easy from the staff viewpoint. This is promoted by a support process development group. With regard to the identification of disturbances and the development of well-being at work, Elisa developed an occupational well-being workshop model completed in 2007 jointly with the Finnish Institute of Occupational Health.

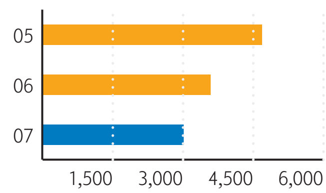
INDUSTRIAL SAFETY AND WORK ENVIRONMENT OPERATIONS

Industrial safety cooperation within Elisa was carried out in domain-specific work environment groups. The groups served as

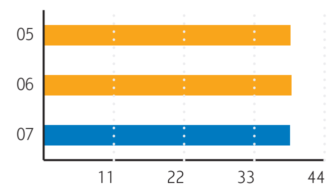
Personnel and the environment

	2007	2006	2005
Total number of the employees	**3,015**	3,592	4,681
Gross capacity	**3,364**	4,094	4,846
Male	**1,906**	2,239	2,680
Female	**1,458**	1,855	2,166

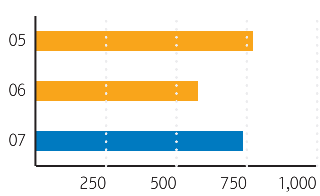
Number of employees



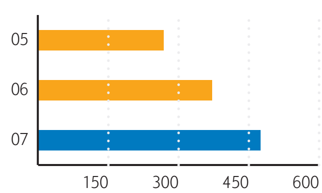
Average age structure



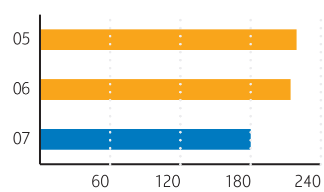
Training expenditure per employee
EUR



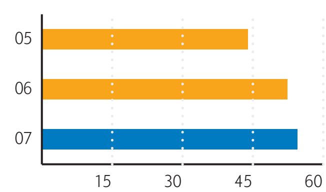
Revenue per employee
EUR 1,000



Personnel costs
EUR million



Personnel costs per employee
EUR 1,000



statutory safety committees. Quantitative metrics and weight factors were specified for targets related to the work environment, and the achievement of targets was monitored in the work environment groups.

Industrial safety at shared workplaces was developed in cooperation with service providers. The dangers of the workplace were surveyed using a method developed for analysing industrial safety risks in the electronics and IT industry. Supervisors received work environment training.

PROMOTING EQUALITY

Elisa's 2007 equality plan focused on three issues:

- Development of equality in compensation
- Increasing the proportion of women in supervisor positions
- Appointing women and men equally to various kinds of working groups.

Elisa's personnel consisted of 1,458 women (1,855) and 1,906 men (2,239). Of Elisa's supervisors, 29 per cent were women (29). The unit-specific management groups comprised 39 men and 7 women.

PERSONNEL DEVELOPMENT

Involvement in business development projects is a crucial form of learning within Elisa. More than 200 Elisa employees participated in unit-wide or Elisa-wide development projects in 2007.

Elisa supported leadership by providing training for new supervisors. The training modules involved leadership, business, finance, employment legislation and employment relationships. A total of 46 employees completed a training programme tailored for more experienced supervisors and experts with development responsibilities during the year. Project managers were trained in two training programmes of different durations.

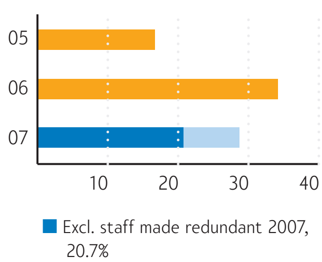
One of the largest training projects during the year involved training for the introduction of new processes and tools related to customer management and invoicing, which involved almost half of the entire personnel. The customer service and sales teams were provided with continuous training on products and operating methods.

Elisa supports independent study among its personnel, both financially and by allowing the use of working time for studying. In 2007, there were over 40 Elisa employees who qualified for study support.

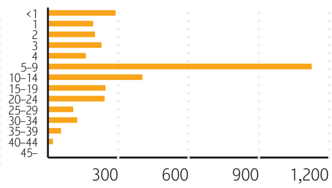
COOPERATION WITH EDUCATIONAL INSTITUTIONS

Elisa is actively involved in cooperation with several educational institutions, providing students with different kinds of opportunities for becoming familiar with today's working life. Closer cooperation involved, for example, the HAMK University of Applied Sciences and Helsinki School of Economics.

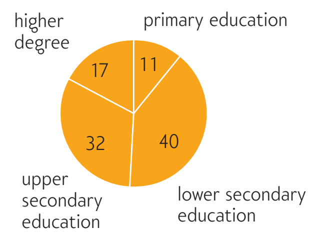
Staff turnover rate %



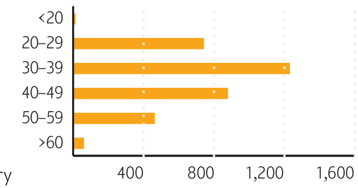
Distribution according to length of employment



Educational structure, %



Personnel age structure



EMPLOYER-EMPLOYEE COOPERATION

2007 was an exceptional year with regard to employer-employee cooperation, particularly in the autumn due to collective agreement negotiations that lasted for almost three months. Agreements were eventually reached in mid-November – this time with the help of the Conciliator General – and industrial peace was maintained. However, this was preceded by a one-day walkout in customer service at Joensuu and Kokkola.

Similar to previous years, corporate arrangements and associated cooperation in personnel matters continued to be active. For example, the personnel impacts of the Lounet merger, the Saunalahti business transfer and the outsourcing of various functions were reviewed proactively in employer-employee cooperation.

A new change planning model was introduced at Elisa at the beginning of 2007 for the purpose of preparing and investigating upcoming changes in cooperation with personnel representatives. This has enabled a careful cooperative review of the justification for necessary changes and alternative ways of action before proceeding to actual statutory negotiations.

Elisa has continued to provide support in excess of the statutory requirements for dismissed employees. Support was expanded in 2007 with the ChangePath service that provides personnel with the opportunity to engage in an intensive relocation programme. The operating model was developed in cooperation with personnel representatives.

ENVIRONMENTAL RESPONSIBILITY

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

Elisa monitors the environmental impact of its operations and continuously strives to improve their environmental friendliness. Elisa evaluates suppliers and subcontractors according to their environmental criteria.

BASIC PRINCIPLES FOR ELISA'S ENVIRONMENTAL OPERATIONS

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

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

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

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

The report of the Board of Directors and financial statements

The report of the Board of Directors for the year 2007

The financial statements have been duly prepared in accordance with the International Financial Reporting Standards.

MARKET SITUATION

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

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

DEVELOPMENT OF REVENUE, EARNINGS AND FINANCIAL POSITION

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

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

Revenue development by segments:

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

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

Earnings development by segment:

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

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

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

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

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

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

CHANGES IN CORPORATE STRUCTURE

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

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

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

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

MOBILE COMMUNICATION BUSINESS

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

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

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

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

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

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

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

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

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

Saunalahti was the first company in Finland to start selling Mobile VoIP subscriptions. Saunalahti's service is based on standardised UMA (Unlicensed Mobile Access) technology. UMA combines the GSM network and WLAN networks into a seamless whole, enabling subscription users to make calls even without a charge.

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

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

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

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

FIXED NETWORK BUSINESS

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

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

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

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

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

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

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

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

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

In November, Elisa introduced an automatic fault reporting service for broadband customers based on voice recognition. The solution provides customers with an easy and quick way of making fault reports as you do not need to queue, and the service is available around the clock.

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

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

PERSONNEL

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

Personnel by segments:

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

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

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

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

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

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

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

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

INVESTMENTS

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

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

FINANCIAL POSITION

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

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

In March, Elisa made an arrangement for hedging the financial institution risk associated with a QTE arrangement made in 1999. The risk was hedged using a CDS debt derivative. The hedge was covered by a CDO debt derivative portfolio from approximately 125 issuers with credit ratings corresponding to the original. The arrangement is not expected to have any essential cash or earnings effects.

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

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

Financial key indicators:

EUR million	**31 Dec. 2007**	31 Dec. 2006
Net debt	**738**	377
Gearing, %	**71.3**	28.7
Equity ratio, %	**47.9**	63.1

	1–12/2007	1–12/2006
Cash flow after investments	**114**	118

Valid financing arrangements:

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

[1] The programme is not committed

[2] European Medium Term Note programme, not committed

Long-term credit ratings:

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

SHARE

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

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

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

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

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

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

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

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

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

DISTRIBUTABLE FUNDS

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

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

RESEARCH AND DEVELOPMENT

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

ELISA'S GENERAL MEETING OF SHAREHOLDERS

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

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

THE BOARD OF DIRECTORS' AUTHORISATIONS

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

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

ELISA'S EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

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

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

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

SIGNIFICANT LEGAL ISSUES

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

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

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

SUBSTANTIAL RISKS ASSOCIATED WITH ELISA'S OPERATIONS

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

Strategic and operational risks

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

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

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

Accident risks

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

Financial risks

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

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

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

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

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

The company used credit derivatives to manage counterparty risks.

ENVIRONMENTAL ISSUES

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

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

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

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

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

EVENTS AFTER THE FINANCIAL PERIOD

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

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

Other events after the financial period

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

OUTLOOK FOR 2008

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

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

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

CAPITAL REPAYMENT

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

The Board of Directors proposes to the General Meeting that funds be distributed to shareholders to the amount of EUR 1.80 per share on the basis of the balance sheet of 31 December 2007 approved by the General Meeting. EUR 0.80 per share is in accordance with the profit distribution policy, and EUR 1.00 constitutes additional distribution of funds to develop the capital structure. The capital repayment corresponds to 130 per cent of the period's earnings. The Board of Directors proposes that the funds be distributed out of the reserve for invested non-restricted equity. Shareholders who are listed in the company's register of shareholders maintained by the Finnish Central Securities Depository Ltd. on 25 March 2008 are entitled to funds distributed by the General Meeting. The Board of Directors proposes that the payment date be 1 April 2008. The profit for the period shall be added to retained earnings.

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

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

The parent company's distributable funds at year-end amounted to EUR 657 million.

Consolidated income statement

EUR million	Note	2007	2006
Revenue	4	**1,568.4**	1,518.4
Other operating income	5	**21.0**	8.7
Materials and services	6	**–707.0**	–689.3
Employee expenses	7	**–181.2**	–213.9
Other operating expenses		**–201.8**	–189.4
EBITDA		**499.4**	434.5
Depreciation and amortisation	9	**–197.4**	–209.1
EBIT		**302.0**	225.4
Financial income	10	**27.9**	9.8
Financial expense	10	**–44.7**	–23.5
Share of associated companies’ profit		**0.0**	0.1
Profit before tax		**285.2**	211.8
Income taxes	11	**–64.9**	–50.4
Profit for the period		**220.3**	161.4
Attributable to:			
Equity holders of the parent		**219.8**	160.3
Minority interest		**0.5**	1.1
		220.3	161.4
Earnings per share (EUR/share) calculated from the profit attributable to equity holders of the parent:			
Basic		**1.38**	0.97
Diluted		**1.38**	0.97
Average number of outstanding shares (1,000 shares):			
Basic		**159,417**	165,417
Diluted		**159,417**	165,417

Consolidated balance sheet

EUR million	Note	**31 Dec. 2007**	31 Dec. 2006
ASSETS			
Non-current assets			
Property, plant and equipment	13	**637.3**	645.5
Goodwill	14	**773.6**	772.3
Other intangible assets	14	**194.5**	190.4
Investments in associated companies	15	**0.1**	0.4
Available-for-sale investments	17	**30.9**	48.4
Receivables	18	**7.3**	4.8
Deferred tax assets	19	**31.7**	33.7
		1,675.4	1,695.5
Current assets			
Inventories	20	**28.5**	38.4
Trade and other receivables	21	**454.6**	334.6
Tax receivables		**0.2**	0.2
Financial assets at fair value through profit or loss	22	**2.7**	
Cash and cash equivalents	23	**14.2**	22.2
		500.2	395.4
TOTAL ASSETS		**2,175.6**	2,090.9
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		**83.0**	83.0
Share premium		**0.0**	530.4
Treasury shares		**–165.8**	–81.3
Contingency reserve		**3.4**	3.4
Fair value reserve		**19.5**	37.7
Other reserves		**381.0**	381.0
Reserve for invested non-restricted equity		**535.7**	
Retained earnings		**176.6**	353.4
Equity attributable to equity holders of the parent	25	**1,033.4**	1,307.6
Minority interest		**2.0**	4.7
Total shareholders' equity		**1,035.4**	1,312.3
Liabilities			
Non-current liabilities			
Deferred tax liabilities	19	**34.9**	36.3
Pension obligations	27	**2.1**	2.2
Provisions	28	**5.2**	6.0
Interest-bearing liabilities	29	**627.3**	321.1
Other liabilities	30	**24.6**	16.1
		694.1	381.7
Current liabilities			
Trade and other payables	30	**303.2**	287.5
Tax liabilities		**10.8**	28.7
Provisions	28	**4.1**	2.7
Interest-bearing liabilities	29	**128.0**	78.0
		446.1	396.9
Total liabilities		**1,140.2**	778.6
TOTAL EQUITY AND LIABILITIES		**2,175.6**	2,090.9

Consolidated cash flow statement

EUR million	Note	2007	2006
Cash flow from operating activities			
Profit before tax		**285.2**	211.8
Adjustments			
Depreciation and amortisation	9	**197.4**	209.1
Financial income and expense		**16.8**	13.7
Gains and losses on the disposal of fixed assets		**–14.7**	–3.2
Gains and losses on the disposal of shares		**–0.1**	–0.9
Change in provisions in the income statement		**0.5**	–1.9
Other adjustments		**1.1**	0.6
		201.0	217.4
Change in working capital			
Change in trade and other receivables		**–116.0**	–95.4
Change in inventories		**10.0**	–18.1
Change in trade and other payables		**6.5**	36.7
		–99.5	–76.8
Dividends received		**1.2**	1.0
Interest received		**6.8**	7.3
Interest paid		**–26.9**	–25.8
Taxes paid		**–82.2**	–0.3
Net cash flow from operating activities		**285.6**	334.6
Cash flow from investing activities			
Acquisition of subsidiaries net of cash acquired		**–4.2**	–25.3
Capital expenditure		**–203.7**	–205.7
Acquisition of available-for-sale investments		**–2.0**	–0.1
Proceeds from sale of subsidiaries			4.5
Proceeds from sale of associated companies		**0.3**	
Proceeds from sale of property, plant and equipment		**23.8**	5.1
Proceeds from available-for-sale investments		**14.1**	1.1
Non-current receivables			4.2
Net cash flow used in investing activities		**–171.7**	–216.2
Cash flow from financing activities			
Purchase of treasury shares	25	**–85.6**	–79.4
Proceeds from treasury shares		**1.7**	1.0
Proceeds from long-term borrowings		**350.0**	
Repayment of long-term borrowings		**–44.2**	–122.4
Change in short-term borrowings		**67.0**	25.0
Repayment of finance lease liabilities		**–6.7**	–9.5
Dividends paid		**–401.4**	–123.6
Net cash used in financing activities		**–119.2**	–308.9
Change in cash and cash equivalents		**–5.3**	–190.5
Cash and cash equivalents at beginning of period		**22.2**	212.7
Cash and cash equivalents at end of period	23	**16.9**	22.2

Consolidated statement of changes in equity

	Equity attributable to equity holders of the parent								
EUR million	Share capital	Share premium	Treasury shares	Other reserves	Reserve for invested non-re-stricted equity	Retained earnings	Total	Minority interest	Total sharehold-ers' equity
Shareholders' equity at 1 Jan. 2006	83.0	530.4	–2.5	418.9		307.5	1,337.3	12.4	1,349.7
Available-for-sale investments				3.4			3.4		3.4
Other changes				–0.2		–0.5	–0.7		–0.7
Items recognised directly in equity				3.2		–0.5	2.7		2.7
Profit for the period						160.3	160.3	1.1	161.4
Total recognised income and expense for the period				3.2		159.8	163.0	1.1	164.1
Acquisitions of subsidiaries			–0.2				–0.2	–5.8	–6.0
Dividends						–116.2	–116.2	–3.0	–119.2
Purchase of treasury shares			–79.4				–79.4		–79.4
Sales of treasury shares			0.8			0.1	0.9		0.9
Share-based compensation						2.2	2.2		2.2
Shareholders' equity at 31 Dec. 2006	83.0	530.4	–81.3	422.1		353.4	1,307.6	4.7	1,312.3
Shareholders' equity at 1 Jan. 2007	83.0	530.4	–81.3	422.1		353.4	**1,307.6**	**4.7**	**1,312.3**
Share premium reduction and transfer		–530.4			530.4				
Available-for-sale investments				–18.2			**–18.2**		**–18.2**
Other changes						1.6	**1.6**		**1.6**
Items recognised directly in equity		–530.4		–18.2	530.4	1.6	**–16.6**		**–16.6**
Profit for the period						219.8	**219.8**	**0.5**	**220.3**
Total recognised income and expense for the period		–530.4		–18.2	530.4	221.4	**203.2**	**0.5**	**203.7**
Acquisitions of subsidiaries					5.3	–0.8	**4.5**	**–2.8**	**1.7**
Dividends						–401.7	**–401.7**	**–0.4**	**–402.1**
Purchase of treasury shares			–85.6				**–85.6**		**–85.6**
Sales of treasury shares			1.1			0.4	**1.5**		**1.5**
Share-based compensation						3.9	**3.9**		**3.9**
Shareholders' equity at 31 Dec. 2007	83.0		–165.8	403.9	535.7	176.6	**1,033.4**	**2.0**	**1,035.4**

Notes to the consolidated financial statements

BASIC INFORMATION ON THE COMPANY

The Elisa Group engages in telecommunications activities, providing data communications services in Finland and select international market areas. The parent company of the Group is Elisa. The domicile of the parent company is Helsinki, and its registered address is Rajavartijankatu 5. The shares of the parent company, Elisa, have been listed on the Helsinki Stock Exchange since 1999.

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

ACCOUNTING PRINCIPLES

Basis of preparation

Elisa's consolidated financial statements have been prepared according to the International Financial Reporting Standards, and the IAS and IFRS standards and the SIC and IFRIC interpretations valid on 31 December 2007 have been followed in their preparation. The International Financial Reporting Standards refer to standards and interpretations of them that have been approved for application in the EU in the Finnish Accounting Act and the provisions issued pursuant to it according to the procedures provided for in EU regulation (EC) No. 1606/2002. The Group adopted the IFRS standards for its reporting in 2005.

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

The Group has adopted the following standards, amendments and interpretations as of 1 January 2007:

- IFRS 7 Financial Instruments; Disclosures and IAS 1 Presentation of Financial Statements; Capital Disclosures. The standard and the amendment both call for new notes to the financial statements, IFRS 7 concerning financial instruments and IAS 1 concerning capital. IFRS 7 does not have any effect on the categorisation or measurement of the Group's financial instruments.
- IFRIC 8 Scope of IFRS 2.
- IFRIC 9 Reassessment of Embedded Derivatives. The interpretation calls for an assessment whether contracts include an embedded derivative that must be separated from the main contract and handled as a derivative.
- IFRIC 10 Interim Financial Reporting and Impairment. IFRIC 10 disallows the reversal of an impairment loss booked as goodwill in interim financial statements on any subsequent date of closing the accounts during the reporting period.

The newly adopted interpretations have had no effect on the reported income statement, balance sheet or notes.

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

Subsidiaries

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

Subsidiaries are consolidated from the time of acquisition. Similarly, divested companies are consolidated to the date of disposal.

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

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

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

Associates

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

Joint ventures

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

Conversion of items denominated in a foreign currency

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

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

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

Revenue recognition

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

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

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

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

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

Research and development

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

Income taxes

The tax expenses in the income statement include current taxes and deferred taxes. The taxes for the financial year are calculated from the taxable profit according to the valid tax rate and are adjusted by the possible taxes related to previous financial years.

Deferred taxes are calculated from all temporary differences arising between carrying amount in consolidated financial statements and tax bases of assets and liabilities. Principal temporary differences arise from tax losses carried forward, depreciation difference and the measurement at fair value in subsidiary acquisitions. Deferred tax is not recognised for value adjustments of goodwill not deductible in taxation. Deferred tax is not recognised for non-distributed profits of subsidiaries insofar as the difference is not likely to be discharged in the foreseeable future. Deferred tax is not recognised for differences in the valuation of shares on which any sales gains are not taxable.

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

Interest and dividends

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

Intangible Assets

Goodwill

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

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

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work voice and data communications services offered to Elisa's consumer, corporate and operator customers. Goodwill is valued at original acquisition cost deducted by impairment.

Other intangible assets

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

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

Amortisation periods for intangible assets:

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

Property, plant and equipment

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

Costs arising later, such as the costs of renovation and refurbishment projects, are capitalised when it is probable that future economic benefit will flow to the Group. Ordinary repair, service and maintenance costs are booked as expenses in the financial year during which they arise. Interest during building is not capitalised in property, plant and equipment.

Depreciation periods for property, plant and equipment:

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

No depreciation is made on land areas.

Public government grants

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

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

Financial assets and liabilities

Financial assets

The Group's financial assets are classified according to standard IAS 39 Financial Instruments: Recognition and Measurement into financial assets recognised at fair value through profit or loss, loans and other receivables, and financial assets available for sale. This classification takes place on the basis of the purpose of the acquisition of the financial assets and they are classified at initial recognition. The purchases and sales of financial assets are recognised on the settlement date. Financial assets are taken off the balance sheet once the Group loses a contractual right to the cash flow or once it has transferred a substantial part of the risks and gains outside the Group.

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

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

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

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

Cash and cash equivalents

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

Financial liabilities

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

Impairment

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

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

Inventories

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

Treasury shares

Elisa shares owned by the subsidiaries, associated companies and the parent company (treasury shares) are reported as deduction from equity.

Provisions

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

Employee Benefits

Pension obligations

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

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

Performance-based bonus scheme and personnel fund

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

Share-based incentives

In 2006, Elisa introduced a share-based incentive system with the aim of commit top management to the long-term development of the company's value. Any rewards will be based on the total return on the company's share. The share-based incentive system is measured at fair value at the time of granting and allocated over the vesting period. The proportion settled in shares is recognised in equity, while the proportion settled in cash is recognised as a liability. Elisa estimates the realised number of shares on the basis of

Notes to the consolidated financial statements

the share price at the closing date. The returns on the plan for the remaining vesting period are estimated using the CAP model. If the assumption of the realised number of shares changes, an adjustment is made through profit and loss. The fair value of the portion settled in cash shall be reassessed on each balance sheet date until the end of the vesting period. Transfer restrictions related to the scheme are not taken into account in fair valuation or expense recognition. The scheme does not involve any other terms and conditions not based on market terms.

Stock options

On 18 December 2007, Elisa's Board of Directors decided to grant stock options to the Group's key employees and a fully-owned subsidiary of Elisa Corporation. The grant date was in January 2008, which means that no entries related to the scheme were made in the 2007 financial statements.

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

Leases

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

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

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

Use of estimates

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

Impairment testing

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

Share incentive plan for 2006

The expense recognition for the share incentive plan is based on an estimate of the total return on the Elisa share between March 2006 and March 2008. The estimate has been prepared using the Capital Asset Pricing Model. The estimate may deviate from the actual total return for the period. See Note 26.

Income and expenses

The measurement and allocation of income and expenses to the correct financial period is partially based on experienced assessments. Based on previous experience, changes in measurement have not had any substantial effect.

Taxes

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

New accounting pronouncements under IFRS

On 1 January 2009, Elisa will adopt the following new or amended standards and new interpretations published by the IASB in 2006 and 2007 if approved by the EU by the planned date of adoption.

IFRS 8 Operating Segments (valid for financial periods starting after 1 January 2009) will change the Group's segment reporting.

Amendment to IAS 23 Borrowing Costs (valid for financial periods starting after 1 January 2009). The amendment concerns the capitalisation of borrowing costs as part of the acquisition cost of an asset. According to the Group's estimate, the amendment will not substantially affect the Group's upcoming financial statements.

Amendment to IAS 1 Presentation of Financial Statements. Amendments concerning the income statement, balance sheet and presentation of equity will enter into force on 1 January 2009. The amendments will affect the presentation of consolidated financial statements.

IFRIC 13 Customer Loyalty Programmes (valid for financial periods starting after 1 July 2008). The Group has started to investigate the effects of the standard. It is estimated that the amendment will not substantially affect the Group's upcoming financial statements.

IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

1. SEGMENT INFORMATION

In accordance with IAS 14, business segments are defined as the Group's primary reporting segments and geographical segments as secondary. Pricing of inter-segment transactions is based on fair value.

The Group's business segments are Mobile communications, Fixed network and Other businesses.

The mobile communications business involves mobile network-based voice and data services for consumer, corporate and operator customers.

The fixed network business involves fixed network-based voice and data services for consumer, corporate and operator customers. The service portfolio also includes comprehensive ICT services and contact centre services.

Other business involves non-core business activities.

The segment-specific assets and liabilities comprise items that are directly or justifiably attributable to the business. The allocated assets comprise tangible and intangible items, inventories and trade and other receivables. The liabilities consist of trade payables, other non-interest bearing liabilities and pension obligations. The items not allocated to the business segments consist of income taxes and financial items and Group-level items such as corporate administration expenses.

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

Business segments

2007 EUR million	Mobile communications	Fixed network	Other business	Unallocated items	Eliminations	**Group total**
External sales	959.7	608.7				**1,568.4**
Inter-segment sales	20.2	33.5			–53.7	**0.0**
Revenue	979.9	642.2			–53.7	**1,568.4**
EBITDA	299.5	206.0		–6.1		**499.4**
EBIT	194.8	113.4		–6.2		**302.0**
Financial income and expense				–16.8		**–16.8**
Share of associated companies' profit						**0.0**
Profit before tax						**285.2**
Investments in associated companies				0.1		**0.1**
Total assets	1,516.6	571.9		87.1		**2,175.6**
Total liabilities	174.9	162.3		803.0		**1,140.2**
Investments	92.8	113.6				**206.4**
Depreciation	104.7	92.6		0.1		**197.4**
Personnel at year-end	1,252	1,727		36		**3,015**

Notes to the consolidated financial statements

2006 EUR million	Mobile communications	Fixed network	Other business	Unallocated items	Eliminations	Group total
External sales	905.5	612.8	0.1			1,518.4
Inter-segment sales	24.4	52.2			–76.6	0.0
Revenue	929.9	665.0	0.1		–76.6	1,518.4
EBITDA	259.0	181.1		–5.6		434.5
EBIT	161.7	70.6		–6.9		225.4
Financial income and expense				–13.7		–13.7
Share of associated companies' profit				0.1		0.1
Profit before tax						211.8
Investments in associated companies				0.4		0.4
Total assets	1,384.2	597.0		109.7		2,090.9
Total liabilities	181.2	170.8		426.6		778.6
Investments	80.0	127.4				207.4
Depreciation	97.2	110.8		1.1		209.1
Personnel at year-end	1,329	2,224		39		3,592

Geographical segments

2007 EUR million	Finland	Rest of Europe	Other countries	Eliminations	**Group total**
Revenue	1,406.0	170.2	7.9	–15.7	**1,568.4**
Total assets	2,115.8	59.8			**2,175.6**
Investments	193.5	12.9			**206.4**

2006 EUR million	Finland	Rest of Europe	Other countries	Eliminations	Group total
Revenue	1,365.9	175.3		–22.8	1,518.4
Total assets	2,007.5	83.4			2,090.9
Investments	193.6	13.8			207.4

2. ACQUISITIONS

Acquisitions in 2007

The Group did not make any significant acquisitions in 2007.

Acquisition of First Orange Oy in 2007

Elisa acquired all shares of First Orange Contact Oy from its executive management and Aura Capital Oy in February 2007. First Orange Contact Oy was a Finnish software house that designed, implemented and sold systems and services for contact control and management. First Orange Contact Oy was consolidated with the Group since February 2007 and merged with the parent company on 31 August 2007. If the acquisition had been made as of the beginning of the financial period 2007, it would not have had any major impact in Group's revenue or earnings for the period.

Acquisition of a minority in Lounet Oy in 2007

At the beginning of 2007, Elisa's holding in Lounet Oy was 80.2%. As a consequence of additional purchases during the year and a merger plan approved by Lounet Oy's General Meeting and Elisa's Board of Directors on 5 July 2007, the holding increased to 100%. According to the merger plan, New Elisa shares were issued to Lounet shareholders. 0.07 Elisa shares were issued in exchange for each Lounet share. In the acquisition, the issued shares were measured at the share price of 28 September 2007. The merger was registered on 30 September 2007.

Lounet Group constituted the parent company Lounet Oy and its subsidiaries Lounet Oy Call Center, Kiinteistö Oy Paimion Puhelinkulma and Kiinteistö Oy Brahenkartano. Lounet Oy was engaged in telecommunications operations in Southwest Finland and southern Satakunta, focusing on the Turku region. The company's service and product range covered all of the telecommunications needs of households and businesses.

Components of acquisition cost

EUR 5.1 million of the acquisition costs in 2007 was allocated to acquired technology, and EUR 1.0 million to the customer base. The business combinations resulted in goodwill of EUR 1.1 million.

EUR million	
Cash paid	5.2
Fair value of issued shares	5.3
Total cost of acquisition	10.5
Fair value of net assets acquired	9.4
Goodwill	1.1

Analysis of net assets acquired	Recognised fair values	Book values before consolidation
Cash and cash equivalents	2.3	2.3
Intangible Assets	6.1	0.0
Tangible assets	3.5	3.2
Receivables	0.8	0.8
Liabilities	–3.3	–2.0
Net assets acquired	9.4	4.3

Effects of acquisitions on cash flow

Cash paid	–4.4
Cash and cash equivalents of the acquired subsidiary	0.5
Cash flow	–3.9

Acquisitions in 2006

Acquisition of a minority in Lounet Oy in 2006

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

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

Details on Lounet Group's structure and business are provided under Acquisitions in 2007.

EUR 1.8 million of the cost of acquisition was allocated to the customer base. The business combination resulted in goodwill of EUR 0.3 million.

Components of acquisition cost

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

Analysis of net assets acquired	Recognised fair values [1]	Book values before consolidation [2]
Cash and cash equivalents	2.4	2.4
Intangible Assets	1.8	0.2
Tangible assets	6.5	6.0
Receivables	0.8	0.8
Liabilities	–2.6	–2.1
Net assets acquired	8.9	7.3

[1] The recognised fair values have been calculated per acquisition on the basis of the acquired share and represent the acquired share of 33.47%

[2] The book values also represent the percentage corresponding to the acquired share

Effects of acquisition on cash flow

Cash paid	–9.1
Expenses allocated to the acquisition	–0.1
Cash flow	–9.2

3. DISPOSALS

Disposals in 2007 and 2006

There were no disposals in 2007, and the disposals in 2006 had very minor impact.

4. REVENUE

EUR million	**2007**	2006
Rendering of services	**1,467.1**	1,394.1
Sale of goods	**101.3**	124.3
Total revenue	**1,568.4**	1,518.4

Notes to the consolidated financial statements

5. OTHER OPERATING INCOME

EUR million	2007	2006
Gain on disposal of property, plant and equipment	14.6	2.5
Gain on disposal of shares	0.1	0.9
Public subsidies	0.5	
Others [1]	5.8	5.3
Total	21.0	8.7

[1] Other income items include rental income of real estate, received indemnities and miscellaneous other operating income

6. MATERIALS AND SERVICES

EUR million	2007	2006
Purchases of materials, supplies and goods	148.3	264.8
Change in inventories	9.8	–18.1
External services	548.9	442.6
Total	707.0	689.3

7. EMPLOYEE EXPENSES

EUR million	2007	2006
Salaries and wages	139.2	168.1
Share-based compensation expenses	9.2	5.0
Pension expenses – defined contribution plans	21.9	28.9
Pension expenses – defined benefit plans	0.5	–1.7
Other statutory employee costs	10.4	13.6
Total	181.2	213.9

A more detailed analysis of defined benefit plans are shown in note 27, Pension obligations.

Management remuneration

EUR million	2007	2006
Managing Directors and deputies [1]	2.0	2.0
Members and deputy members of Boards of Directors	0.5	0.4
Members and deputy members of Supervisory Boards	0.0	0.0

[1] The salary cost includes EUR 0.8 million of share-based compensation expenses in 2007 (EUR 0.4 million)

Managing Directors' pension commitments

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

Personnel of the Group on average	3 299	4 086

Employment benefits for key managemen

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

EUR million	2007	2006
Salaries and other short-term employment benefits	3.6	3.7
Termination benefits	0.4	
Share-based compensation expenses [1]	5.0	2.8
	9.0	6.5

[1] The share-based compensation expenses in 2007 is EUR 9.2 million (EUR 5.0 million), of which EUR 0.8 million (EUR 0.4 million) is allocated to the CEO and a total of EUR 4.2 million (EUR 2.4 million) is allocated to the other members of Elisa's Executive Board. The terms and conditions of share-based incentive plan are described under note 26, Share-based payments.

During the financial period, the CEO was paid a total salary of EUR 789,556.66. In addition to fixed salary (EUR 462,920.00) and a performance-based bonus (EUR 310,713.00), this sum also includes fringe benefits as telephone and a company-owned car. Moreover, in the framework of a deposit made under the 2004 incentive plan, the CEO was paid a reward of EUR 257,134.34. The period of notice for the CEO is six months from Elisa's side and three months from the CEO's side. Should the contract be terminated by Elisa, the Chief Executive Officer is entitled to receive a severance payment equalling the total salary of 24 months minus his salary of the period of notice. Elisa's CEO is entitled to retire at the age of 60 on the basis of supplementary pension insurance.

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

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

Share options granted to the key management

The Members of the Board, the CEO and members of the Executive Board did not have any share options outstanding.

Elisa shares held by the key management

The members of Elisa's Board of Directors, the CEO and the members of the Executive Board held a total of 63,717 shares and votes, corresponding to 0.04% of all shares and votes.

Employee bonus and incentive schemes

Performance-based bonus scheme

All personnel is included in performance or commission-based bonus scheme. Rewards are based on the financial metrics of the Group, unit and the employee's team, and on either personal or team-specific operational metrics. Targets are set and the maximum amount of reward is confirmed semiannually. Some of the Group's key people have the opportunity to receive an additional performance-based bonus that will be deposited for one year, and the return on the deposit depends on the return on the Elisa share.

Personnel fund

The objective of the personnel fund is to secure the commitment of the personnel to Elisa's long-term objectives and to reinforce their interest in the company's financial success and its metrics.

The evaluation tool for the performance-based bonus system is the adjusted earnings per share (EPS), based on Elisa Group's audited performance and calculated in the manner defined by the Board of Directors. The Board of Directors makes annual decisions on the performance-based bonus scheme and defines the values that determine the reward amount.

The members of the personnel fund are the employees of Elisa and its 100% owned subsidiaries, provided the respective subsidiary's Board of Directors has decided to join Elisa Corporation's personnel fund. In 2007 the members of the personnel fund included the personnel of Elisa Corporation, the subsidiaries that merged with the company during the year and Ecosite Oy.

EUR 4.3 million was booked in the personnel fund on the basis of the 2007 earnings (EUR 6.0 million in 2006).

Share-based incentive plan

On 2 March 2006, Elisa's Board of Directors decided on a share-based incentive plan for key personnel. The plan is described in detail under note 26, Share-based payments.

Stock option plan

On 18 December 2007, Elisa's Board of Directors decided to offer a maximum of 2,550,000 stock options for subscription by Elisa Group's key personnel and a fully-owned subsidiary of Elisa. The plan is described in detail under note 26, Share-based payments.

8. RESEARCH AND DEVELOPMENT COSTS

EUR million	**2007**	2006
Research and development costs recognised as expenses	**7.5**	6.0
Capitalised development costs	**0.0**	

Focal areas for research and development in 2007 included service solutions improving the efficiency of mobile work and availability, as well as new service opportunities related to the home and health. Capitalisation of development costs was small-scale.

9. DEPRECIATION AND AMORTISATION

EUR million	**2007**	2006
Amortisation of intangible assets		
Customer base	**14.5**	14.2
Other intangible assets	**24.0**	21.3
Total	**38.5**	35.5
Depreciation of tangible assets		
Buildings and constructions		
Owned buildings and constructions	**8.5**	8.9
Buildings and constructions on finance lease	**0.7**	0.7
Telecom devices, machines and equipment		
Owned telecom devices, machines and equipment	**141.3**	150.5
Assets on finance lease	**6.9**	11.8
Other tangible assets	**1.5**	1.7
Total	**158.9**	173.6
Total depreciation and amortisation	**197.4**	209.1

No impairments were made on the assets in 2006–2007.

10. FINANCIAL INCOME AND EXPENSE

EUR million	**2007**	2006
Financial income		
Dividend income from available-for-sale investments	**1.2**	1.0
Interest and financial income from loans and other receivables	**3.2**	6.1
Interest and financial income from assets recognised at fair value through profit or loss	**2.0**	1.3
Interest income from derivatives	**6.0**	
Financial income from QTE arrangement	**1.3**	1.3
Other financial income	**0.3**	0.1
Gains on disposals of available-for-sale investments	**13.2**	
Gains/losses of financial assets at fair value through profit or loss, derivatives not in hedge accounting	**0.7**	
Total	**27.9**	9.8

Notes to the consolidated financial statements

Financial expense

Interest expenses on financial liabilities measured at amortised cost	**–34.1**	–22.3
Other financial expenses on financial liabilities measured at amortised cost	**–0.4**	–0.3
Interest expenses on derivatives	**–5.9**	
Other interest expenses	**–0.2**	–0.4
Other financial expenses	**–1.1**	–0.6
Gains/losses of financial liabilities at fair value through profit or loss, derivatives not in hedge accounting	**–3.0**	
Total	**–44.7**	–23.6

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

11. INCOME TAXES

EUR million	**2007**	2006
Taxes for the period	**–63.7**	–46.1
Taxes for previous periods	**–0.4**	–0.3
Deferred taxes	**–0.4**	–2.4
Deferred taxes for previous periods	**–0.4**	–1.6
Total	**–64.9**	–50.4

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

EUR million	**2007**	2006
Profit before tax	**285.2**	212.0
Tax according to the domestic tax rate	**–74.2**	–55.1
Tax effects of the following:		
Tax-free gains/losses on the disposal of shares	**3.5**	
Non-deductible expenses	**–0.8**	–0.6
Tax effects of foreign subsidiaries	**6.6**	6.5
Other items	**0.8**	0.7
Taxes for previous periods	**–0.8**	–1.9
Taxes in the income statement	**–64.9**	–50.4
Effective tax rate	**22.8%**	23.8%

12. 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.

	2007	2006
Profit for the period attributable to the equity holders of the parent (EUR million)	**219.8**	160.3
Weighted average number of shares during the financial year (1,000)	**159,417**	165,417
Undiluted earnings per share (EUR/share)	**1.38**	0.97

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

	2007	2006
Profit for the period attributable to the equity holders of the parent (EUR million)	**219.8**	160.3
Profit for the period for the purpose of calculating EPS adjusted for dilution (EUR million)	**219.8**	160.3
Weighted average number of shares during the financial year (1,000)	**159,417**	165,417
Weighted average number of shares for the purpose of calculating EPS adjusted for dilution (1,000)	**159,417**	165,417
Earnings per share adjusted for dilution (EUR/share)	**1.38**	0.97

13. PROPERTY, PLANT AND EQUIPMENT

2007 EUR million	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	In progress and pre-payments	**Total**
Acquisition cost on 1 Jan. 2007	6.5	208.0	1,765.2	36.5	46.4	**2,062.7**
Additions	0.1	9.4	133.3	0.1	28.1	**171.0**
Acquisitions of subsidiaries			0.0			**0.0**
Disposals	–0.4	–39.1	–22.4			**–61.9**
Reclassifications	0.1	7.6	37.0	0.1	–44.7	**0.1**
Acquisition cost on 31 Dec. 2007	6.3	185.9	1,913.1	36.7	29.8	**2,171.8**
Accumulated amortisation and impairment on 1 Jan. 2007		73.9	1,312.8	30.5		**1,417.2**
Acquisitions of subsidiaries			0.0			**0.0**
Depreciation		9.2	148.2	1.5		**158.9**
Accumulated amortisation on disposals and reclassifications		–21.4	–20.1	–0.1		**–41.6**
Accumulated amortisation and impairment on 31 Dec. 2007		61.7	1,440.9	31.9		**1,534.5**
Book value on 1 Jan. 2007	6.5	134.1	452.4	6.0	46.4	**645.5**
Book value on 31 Dec. 2007	6.3	124.2	472.2	4.8	29.8	**637.3**

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

Commitments to purchase property, plant and equipment and intangible assets at 31 Dec. 2007 were EUR 24.2 million.
The additions in 2007 include EUR 2.7 million (EUR 1.8 million) property, plant and equipment leased under finance lease agreements.

Notes to the consolidated financial statements

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

2007 EUR million	Buildings and constructions	Machinery and equipment	**Total**
Acquisition cost	17.4	88.9	**106.3**
Accumulated depreciation	1.9	80.8	**82.7**
Book value at 31 Dec. 2007	15.5	8.1	**23.6**
2006			
Acquisition cost	29.3	105.3	134.6
Accumulated depreciation	3.2	90.0	93.2
Book value at 31 Dec. 2006	26.1	15.3	41.4

14. INTANGIBLE ASSETS

2007 EUR million	Goodwill	Customer base	Other intangible assets	In progress and pre-payments	**Total**
Acquisition cost at 1 Jan. 2007	772.3	72.2	167.5	71.6	**1,083.6**
Additions			24.2	16.9	**41.1**
Acquisitions of subsidiaries	1.1	1.0	0.0		**2.1**
Disposals			–0.4		**–0.4**
Reclassifications	0.2		36.4	–36.3	**0.3**
Acquisition cost at 31 Dec. 2007	773.6	73.2	227.7	52.2	**1,126.7**
Accumulated amortisation at 1 Jan. 2007		18.0	102.9		**120.9**
Acquisitions of subsidiaries			0.0		**0.0**
Amortisation		14.5	24.0		**38.5**
Accumulated amortisation on disposals and reclassifications			–0.8		**–0.8**
Accumulated amortisation at 31 Dec. 2007		32.5	126.1		**158.6**
Book value at 1 Jan. 2007	772.3	54.2	64.6	71.6	**962.7**
Book value at 31 Dec. 2007	773.6	40.7	101.6 [1]	52.2	**968.1**

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

[1] Includes IT software for a book value of EUR 58.6 million (EUR 18.4 million) and brand for a book value of EUR 31.2 million (EUR 35.2 million)

Impairment testing of goodwill

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

EUR million	2007	2006
Mobile communications	**712.9**	712.9
Fixed network	**56.1**	54.8
Saunalahti	**4.6**	4.6
Total	**773.6**	772.3

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

Elisa does not have any other intangible assets with an unlimited useful life.

In impairment tests the recoverable amount of the segments is determined based on the value in use, which is calculated on the basis of projected discounted cash flows (DCF model). The cash flows projections are based on plans approved by the management covering a five-year period. The projections are mostly uniform with information from external sources and reflect actual development. The discount rate used is 11.1% to 13.0% depending on the segment. Cash flows after five years have been projected by estimating the change in future cash flows either as zero or decreasing on a straight-line basis. As a result of the performed impairment tests, there is no need for impairment of the segments' goodwill. Use of the DCF model requires forecasts and assumptions concerning market growth, prices, volume development, investment needs and general interest rate. The major sensitivities in the performance are associated with the forecast revenue and profitability levels and investment needs.

Sensitivity analysis

	Mobile communications		Fixed network		Saunalahti	
Projection parameters applied	**2007**	2006	**2007**	2006	**2007**	2006
Amount in excess of book value, EUR million	**1,456**	1,301	**202**	398	**288**	217
EBITDA margin on average, % (*	**39.3**	31.9	**28.2**	31.3	**17.4**	11.2
Investments on average, % of revenue (*	**8.9**	9.9	**16.1**	15.2	**1.3**	1.3
Horizon growth, %	**0.0**	0.0	**–2.0**	–2.0	**0.0**	0.0
General interest rate level, %	**4.3**	3.7	**4.3**	3.7	**4.3**	3.7

*) On average during five-year projection period

Percentage change in crucial projection parameters that makes the fair value equal to book value (*

	Mobile communications		Fixed network		Saunalahti	
	2007	2006	**2007**	2006	**2007**	2006
EBITDA margin on average, %	**–17.4**	–13.2	**–4.8**	–8.2	**–11.4**	–7.5
Investments on average, % of revenue	**12.8**	9.7	**4.5**	6.1	**8.4**	5.5
Horizon growth, %	**–32.0**	–18.0	**–7.0**	–19.6	**–335.0**	–75.0
General interest rate level, %	**12.6**	10.0	**4.5**	10.0	**22.9**	19.7

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

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15. ASSOCIATES AND JOINT VENTURES

Associates

EUR million	2007	2006
At beginning of period	**0.4**	0.4
Share of associated companies' profit	**0.0**	0.1
Reclassifications	**–0.2**	
Changes in corporate structure	**–0.1**	
Other changes		–0.1
At end of period	**0.1**	0.4

Elisa sold its 30% holding in Joensuun Datalaite Oy during the financial period 2007.

Goodwill of associates on the balance sheet at 31 Dec. 2007 was EUR 0.1 million (EUR 0.1 million).

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

Joint ventures

At the end of 2007 Elisa had two mutual real estate companies, which have been consolidated corresponding to the Group's ownership interest. Elisa's holding in Kiinteistö Oy Paimion Puhelinkulma was 77% and in Kiinteistö Oy Brahenkartano 60%.

16. BOOK VALUES OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT GROUPS

2007 EUR million	Financial assets available sale	Loans and receivables	Financial assets/liabilities recognised at fair value through profit or loss [1]	Financial assets/liabilities recognised at fair value through profit or loss [2]	Financial liabilities measured at amortised cost	**Book values**	**Fair values**	Note
Non-current financial assets								
Available-for-sale investments	30.9					**30.9**	**30.9**	17
Receivables		6.3		1.0		**7.3**	**7.3**	18
Current financial assets								
Trade and other receivables		454.6				**454.6**	**454.6**	21
Financial assets at fair value through profit or loss			2.7			**2.7**	2.7	22
	30.9	460.9	2.7	1.0	0.0	**495.5**	**495.5**	
Non-current financial liabilities								
Interest-bearing liabilities					627.3	**627.3**	**616.1**	29
Other liabilities				3.0	21.6	**24.6**	**24.6**	30
Current financial liabilities								
Interest-bearing liabilities					128.0	**128.0**	**128.0**	29
Trade and other payables					303.2	**303.2**	**303.2**	30
				3.0	1,080.1	**1,083.1**	**1,071.9**	

1) Held for trading

2) Assets defined as such at initial recognition

2006 EUR million	Financial assets available sale	Loans and receivables	Financial liabilities measured at amortised cost	Book values	Fair values	Note
Non-current financial assets						
Available-for-sale investments	48.4			48.4	48.4	17
Receivables		4.8		4.8	4.8	18
Current financial assets						
Trade and other receivables		334.6		334.6	334.6	21
	48.4	339.4	0.0	387.8	387.8	
Non-current financial liabilities						
Interest-bearing liabilities			321.1	321.1	327.0	29
Other liabilities			16.1	16.1	16.1	30
Current financial liabilities						
Interest-bearing liabilities			78.0	78.0	78.6	29
Trade and other payables			287.5	287.5	287.5	30
			702.7	702.7	709.2	

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

17. AVAILABLE-FOR-SALE INVESTMENTS

EUR million	2007	2006
Publicly listed shares	**20.3**	38.3
Unlisted shares	**10.6**	10.1
Total	**30.9**	48.4

Gains on disposal of shares during the period have been booked for EUR 13.2 million (EUR 0.8 million), of which EUR 13.1 million from Comptel shares. Changes in the fair value of listed shares EUR –4.9 million (EUR 3.4 million) have been recognised in equity.

18. NON-CURRENT RECEIVABLES

EUR million	2007	2006
Accruals from associates		0.1
Loan receivables	**0.1**	0.1
Prepayments and accrued income	**5.0**	3.2
Derivatives	**1.0**	
Other non-current receivables	**1.2**	1.4
Total	**7.3**	4.8

Derivates are classified under Financial assets/liabilities recognised at fair value through profit or loss.

Other non-current receivables are classified under Loans and receivables. The effective interest rate on receivables (current and non-current) was 0 (0).

19. DEFERRED TAX RECEIVABLES AND LIABILITIES

The change in deferred tax receivables and liabilities during the 2007 is divided as follows:

Deferred tax receivables EUR million	1 Jan. 2007	Recognised in income statement	Reclassifi-cations	Recognised in equity	Acquired/sold subsidiaries	31 Dec. 2007
Provisions	**2.5**	0.2		0.2		**2.9**
Unused tax losses	**14.6**	–2.7				**11.9**
Finance lease agreements	**3.2**	0.3	–0.3			**3.2**
Negative depreciation difference	**2.5**	–2.5				**0.0**
Internal margins	**10.2**	–1.5		1.3		**10.0**
Share-based incentive plan	**0.7**	2.4				**3.1**
Other temporary differences		0.8	–0.2			**0.6**
Total	**33.7**	–3.0	–0.5	1.5		**31.7**

Notes to the consolidated financial statements

Deferred tax liabilities EUR million	**1 Jan. 2007**	Recognised in income statement	Reclassifi-cations	Recognised in equity	Acquired/sold subsidiaries	**31 Dec. 2007**
Fair value measurement of tangible and intangible assets in acquisition	**24.1**	–5.3			1.3	**20.1**
Accumulated depreciation difference	**10.9**	2.4				**13.3**
Finance lease contracts	**0.3**		–0.3			**0.0**
Other temporary differences	**1.0**	0.7	–0.2			**1.5**
Total	**36.3**	–2.2	–0.5		1.3	**34.9**

The Group had EUR 5.8 million (EUR 5.8 million) of unused tax losses at 31 December 2007, which have not been recognised in tax receivables. These losses expire in 2009–2016. No tax liability has been recognised for the untaxed retained earnings of the Estonian subsidiary as no profit distribution decision or plans for profit distribution exist for the time being.

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

Deferred tax receivables EUR million	1 Jan. 2006	Recognised in income statement	Reclassifi-cations	Recognised in equity	Acquired/sold subsidiaries	31 Dec. 2006
Provisions	3.4	–0.9				2.5
Unused tax losses	22.4	–7.8				14.6
Finance lease contracts	2.4	0.8				3.2
Negative depreciation difference	5.4	–2.9				2.5
Internal margins	8.4	1.8				10.2
Share-based incentive plan, part payable in cash		0.7				0.7
Other temporary differences	0.5	–0.5				0.0
Total	42.5	–8.8				33.7

Deferred tax liabilities EUR million	1 Jan. 2006	Recognised in income statement	Reclassifi-cations	Recognised in equity	Acquired/sold subsidiaries	31 Dec. 2006
Fair value measurement of tangible and intangible assets in acquisition	28.4	–4.8			0.5	24.1
Accumulated depreciation difference	11.1	–0.2				10.9
Finance lease agreements	0.3					0.3
Other temporary differences	0.8	0.2				1.0
Total	40.6	–4.8			0.5	36.3

20. INVENTORIES

EUR million	2007	2006
Materials and supplies	**9.7**	11.3
Work in progress	**1.2**	0.7
Finished products/goods	**17.6**	26.4
Total	**28.5**	38.4

An impairment of EUR 1.5 million (EUR 4.6 million) on inventories was recognised during the period.

21. TRADE AND OTHER RECEIVABLES

EUR million	2007	2006
Trade receivables	**436.0**	317.3
Receivables from associates		0.1
Prepayments and accrued income	**13.3**	12.8
Loan receivables		0.1
Other receivables	**5.3**	4.3
Total	**454.6**	334.6

Prepayments and accurred income includes interest receivables and regular accruals from operating activities.

Trade receivables by age

EUR million	2007	2006
Not due	**353.8**	286.6
Overdue less than 30 days	**58.0**	23.6
Overdue 31–60 days	**10.6**	3.8
Overdue 61–90 days	**5.5**	2.1
Overdue more than 90 days	**8.1**	1.2
Total	**436.0**	317.3

The book value of trade receivables is a reasonable estimate of their fair value. The credit risk on trade receivables is described in Note 33.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

EUR million	2007	2006
Commercial paper	**2.7**	
Total	**2.7**	

23. CASH AND CASH EQUIVALENTS

EUR million	2007	2006
Cash assets	**13.6**	21.1
Cash at bank	**0.6**	1.1
Total	**14.2**	22.2

The effective interest rate of bank deposits was 3.25% and the average maturity 2 days.

Cash and cash equivalents on the cash flow statement is as follows:

EUR million	2007	2006
Cash assets and cash at bank	**14.2**	22.2
Commercial paper	**2.7**	
Total	**16.9**	22.2

24. DERIVATIVE INSTRUMENTS

Nominal values of derivatives

2007 EUR million	Period of validity less than 1 year	1–5 years	Over 5 years
Interest rate swaps			150.0
Credit default swaps (CDS) (*			45.6
Total			195.6

Fair values of derivatives

2007 EUR million	Positive fair value	Negative fair value	**Total**
Interest rate swaps		–3.0	**–3.0**
Credit default swaps (CDS) (*	1.0		**1.0**
Total	1.0	–3.0	**–2.0**

*) CDS is related to hedging the guarantor bank risk for the QTE agreement

Determination of fair value

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

Notes to the consolidated financial statements

25. EQUITY

Share capital, share premium and treasury shares EUR million	Number of shares (thousands)	Share capital	Share premium	Treasury shares	**Total**
1 Jan. 2006	166,066	83.0	530.4	–2.5	**610.9**
Purchase of treasury shares				–79.4	**–79.4**
Disposal of treasury shares				0.8	**0.8**
Other changes				–0.2	**–0.2**
31 Dec. 2006	166,066	83.0	530.4	–81.3	**532.1**
Purchase of treasury shares				–85.6	**–85.6**
Disposal of treasury shares				1.1	**1.1**
Share issue	242				
Transfer to reserve for invested non-restricted equity			–530.4		**–530.4**
31 Dec. 2007	166,308	83.0	0.0	–165.8	**–82.8**

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

According to its Articles of Assocation, Elisa only has one series of shares, each share entitling to one vote. In accordance with the Articles of Association, the maximum number of shares is 1,000 million shares (1,000 million shares). All issued shares have been paid.

Elisa's Extraordinary General Meeting on 28 June 2007 decided to reduce the share premium in the balance sheet by EUR 530,412,283.69. The reduction was executed on 5 November 2007. After the reduction, the share premium that existed in Elisa's balance sheet at 31 December 2006 amounts to zero. The reduction amount has been transferred to the reserve for invested non-restricted equity and belongs to distributable earnings after the financial statements are confirmed.

Treasury shares include the acquisition cost of treasury shares held by the Group. Elisa acquired a total of 4,000,000 treasury shares during 2007. The acquisition price was EUR 85.6 million, which is reported as a deduction of equity. The Elisa shares held by Lounet Oy were transferred to Elisa Corporation upon the Lounet merger.

Treasury shares	Shares pcs	Accounting counter-value EUR	Holding, % of shares and votes
Held by Lounet Oy at 31 Dec. 2006	125,000	62,500	0.08%
Held by Elisa Corporation at 31 Dec. 2006	4,000,000	2,000,000	2.41%
Treasury shares held by the Group at 31 Dec. 2006	4,125,000	2,062,500	2.48%
Shares sold by Lounet Oy	–75,024	–37,437	–0.05%
Elisa Corporation acquired treasury shares from 25 Apr. to 15 May	4,000,000	1,996,000	2.41%
Treasury shares held by the Group at 31 Dec. 2007	8,049,976	4,021,063	4.84%

Other funds EUR million	Contingency reserve	Fair value reserve	Other reserves	Reserve for invested non-restricted equity reserve	**Total**
1 Jan. 2006	3.4	34.3	381.2		**418.9**
Available-for-sale investments		3.4			**3.4**
Other changes			–0.2		**–0.2**
31 Dec. 2006	3.4	37.7	381.0		**422.1**
Available-for-sale investments		–18.2			**–18.2**
Acquisitions of subsidiaries				5.3	**5.3**
Transfer from share premium				530.4	**530.4**
31 Dec. 2007	3.4	19.5	381.0	535.7	**939.6**

The EUR 3.4 million contingency reserve includes the amount transferred from the distributable equity under the Articles of Association or by a decision by the General Meeting. The fair value reserve of EUR 19.5 million includes changes in the fair value of the available-for-sale investments. The other reserves of EUR 381.0 million were formed through the use of an equity issue in acquisitions. Translation differences are minimal, less than EUR 0.1 million.

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

26. SHARE-BASED PAYMENTS

Share incentive plan for 2006

On 2 March 2006, Elisa's Board of Directors decided on a new share-based incentive plan. Under the plan, members of key management are eligible to receive shares in the Elisa as a reward for their performance over an earnings period of two calendar years. The earnings periods are from 2 March 2006 to 31 March 2008 for Plan A and from 1 January 2008 to 31 March 2010 for Plan B.

The amount of the award to be paid out of the share option plan is tied to the total return on the share over the earnings period. The rewards will be paid at the end of the earnings period partly in company shares (50%) and partly in cash (50%). The Board of Directors is entitled to change the proportions in certain circumstances.

The maximum aggregate award for Plan A is EUR 51.6 million, payable 50% in Elisa shares and 50% in cash. The maximum award for Plan A will be achieved if Elisa's share price adjusted for dividends paid during the earnings period is EUR 32. The maximum amount of award corresponds to one per cent of the number of shares outstanding at the end of the period. Any payment for Plan A will be determined on the basis of the average share price in March 2008 weighted by trading volume and paid in May 2008. Expenses recognised for share-based incentive Plan A in 2007 amounted to EUR 9.2 million (EUR 5.0 million).

The maximum aggregate award for Plan B is EUR 67.1 million, payable 50% in Elisa shares and 50% in cash. The maximum award for Plan B will be achieved if Elisa's share price adjusted for dividends paid during the earnings period is EUR 41.62. The maximum amount of award corresponds to one per cent of the number of shares outstanding at the end of the period. Any payment for Plan B will be determined in March 2010 and paid in May 2010. No expenses have been recognised for Plan B in 2007.

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

	2007		2006	
Amount of share incentives	**A**	**B**	A	B
Minimum level, pcs [1]	**172,800**	**172,800**	172,800	not determined
Maximum level, pcs	**1,612,800**	**1,612,800**	1,612,800	not determined
Share price at end of period, EUR	**21.00**	**21.00**	20.75	
Earnings period starts	**2 Mar. 2006**	**1 Jan. 2008**	2 Mar. 2006	1 Oct. 2007
Earnings period ends	**31 Mar. 2008**	**31 Mar. 2010**	31 Mar. 2008	31 Mar. 2010
Estimated realisation on closing date, pcs	**874,136**		727,375	
Fair value on closing date, EUR	**16,171,521**		13,365,516	
Distributed amount	**78%**	**68%**	80%	0%
Persons covered by plan	**46**	**39**	46	0

[1] If the share price of the Elisa share adjusted by dividends paid during the earnings period is less than EUR 16.00, no share-based incentive shall be distributed for Plan A, and if the price is less than EUR 20.81, no incentive shall be distributed for Plan B

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	2007		2006	
Calculation of fair value of share incentives	**A**	**B**	A	B
Share price on closing date, EUR	**21.00**	**21.00**	20.75	
Estimated realisation, pcs	**874,136**		727,375	
share price, EUR	**21.56**		23.50	
total return, % (*	**67.3%**		51.3%	
Fair value of portion paid in shares, EUR	**6,993,090**		5,819,000	
Fair value of portion paid in cash, EUR	**9,178,431**		7,546,516	
Fair value of share incentive plan, EUR	**16,171,521**		13,365,516	

*) Increase in value and dividends during the earnings period

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

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 to 200 key employees who are not included in the share-based incentive plan for senior management decided in 2006. No-one is allowed to belong to both the stock option scheme and the share-based incentive plan. The stock options are granted without consideration.

At time of issuance, all stock options 2007B and 2007C, as well as those stock options 2007A 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.

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.

No options had been granted out of the stock option plan at the time of closing the accounts.

Arrangement	2007A	2007B	2007C
Granting date	-	-	-
Number of instruments granted	-	-	-
Subscription price	EUR 20.84 [1]	[2]	[3]
Share price at date of granting	-		
Validity period (years)	3.5	-	-
Subscription period	1 Dec. 2009–31 May 2011	1 Dec. 2010–31 May 2012	1 Dec. 2011–31 May 2013
Terms and conditions of vesting			

1) Average price weighted by trading volume at OMX Nordic Exchange Helsinki Oy from 1 November to 30 November 2007

2) Average price weighted by trading volume at OMX Nordic Exchange Helsinki Oy from 1 November to 30 November 2008

3) Average price weighted by trading volume at OMX Nordic Exchange Helsinki Oy from 1 November to 30 November 2009

Fair values of options

Elisa uses the Black–Scholes model to determine fair value on the granting date. The fair value is allocated as an expense over the earnings period. No expenses on stock option plans have been recognised in 2007.

27. PENSION OBLIGATIONS

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

The pension plans of foreign subsidiaries are defined contribution plans.

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

EUR million	2007	2006
Present value of unfunded obligations	1.2	1.4
Present value of funded obligations	56.7	59.9
Fair value of plan assets	–54.9	–58.1
Deficit/excess	3.0	3.2
Unrecognised actuarial gains (+) / losses (–)	–0.9	–1.0
Pension liability in the balance sheet	2.1	2.2

Changes in the present value of the obligation:

EUR million	2007	2006
Obligation at beginning of period	61.3	68.8
Service cost	0.4	0.2
Interest expenses	2.6	2.8
Actuarial losses (+) and gains (–)	–2.4	0.6
Benefits paid	–4.0	–3.5
Gains(–) and losses(+) on curtailment		–7.6
Obligation at end of period	57.9	61.3

Changes in the fair value of plan assets:

EUR million	2007	2006
Fair value of plan assets at beginning of period	58.1	64.2
Expected return on plan assets	2.5	3.2
Benefits paid	–4.0	–3.5
Actuarial gains (+) and losses (–)	–2.3	–0.2
Contributions paid by employer	0.6	0.6
Losses/gains on curtailment		–6.2
Fair value of plan assets at end of period	54.9	58.1

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

EUR million	2007	2006
Current service cost	–0.2	–0.2
Past service cost	–0.2	
Interest costs	–2.6	–2.8
Expected return on plan assets	2.5	3.2
Losses/gains on curtailment		1.5
	–0.5	1.7

Actual return on plan assets was EUR 0.2 million in 2007 (EUR 3.0 million).

The principal actuarial assumptions used:

	2007	2006
Discount rate	5.00%	4.50%
Expected return on plan assets	5.00%	4.50%
Future salary increase	3.30%	3.30%
Future pension increase	2.10%	2.10%

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

EUR million	2007	2006	2005
Present value of obligation	57.9	61.3	68.8
Fair value of plan assets	–54.9	–58.1	–64.2
Excess (+) / deficit (–)	–3.0	–3.2	–4.6
Experience-based adjustments to plan assets	–2.3	–0.2	
Experience-based adjustments to plan liabilities	–0.5	–0.6	

The Group expects to contribute EUR 0.2 million to defined benefit pension plans in 2008.

Notes to the consolidated financial statements

28. PROVISIONS

EUR million	Re-structuring	Other	**Total**
1 Jan. 2007	7.0	1.7	**8.7**
Increases in provisions	5.0	1.3	**6.3**
Used provisions	–5.6	–0.1	**–5.7**
31 Dec. 2007	6.4	2.9	**9.3**

EUR million	**2007**	2006
Long-term provisions	**5.2**	6.0
Short-term provisions	**4.1**	2.7
Total	**9.3**	8.7

Restructuring provision
As part of the Group's rationalisation Elisa has carried out statutory employee negotiations leading to personnel reductions in 2007. The restructuring provision includes provisions for both unemployment pensions and other expenses due to redundancies. The provision associated with redundancies will be realised in 2008, and the provision associated with unemployment pensions will be realised in 2008–2009.

Other provisions
Other provisions in 2007 consist of a provision for vacant premises and an environmental provision made for telephone poles.

29. INTEREST-BEARING LIABILITIES

	2007		2006	
EUR million	**Balance sheet values**	**Fair values**	Balance sheet values	Fair values
Non-current				
Bonds	**604.1**	**592.8**	283.0	288.9
Finance lease liabilities	**22.9**	**23.0**	37.9	37.9
Other non-current liabilities	**0.3**	**0.3**	0.2	0.2
	627.3	**616.1**	321.1	327.0
Current				
Bonds	**30.0**	**30.0**	44.1	44.7
Finance lease liabilities	**5.4**	**5.4**	8.3	8.3
Commercial paper	**92.0**	**92.0**	25.0	25.0
Other current liabilities	**0.6**	**0.6**	0.6	0.6
	128.0	**128.0**	78.0	78.6
Total	**755.2**	**744.1**	399.1	405.6

Interest-bearing liabilities include a total of EUR 28.4 million (EUR 45.4 million) of secured liabilities (leasing liabilities). In substance the finance lease liabilities are secured liabilities, since rights to the leased property will revert to the lessor if payments are neglected.

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

The average maturity of non-current liabilities was 5.4 (5.4) years and effective average rate of interest 5.174 per cent (4.95).

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

2007

EUR million	2008	2009	2010	2011	2012	2013–	**Total**
Bonds	60.7	64.9	76.5	248.8	14.4	316.8	**782.1**
Financial costs	30.7	28.9	26.5	22.9	14.4	16.8	**140.2**
Repayments	30.0	36.0	50.0	225.9	0.0	300.0	**641.9**
Commercial paper	92.0	0.0	0.0	0.0	0.0	0.0	**92.0**
Financial costs	0.4	0.0	0.0	0.0	0.0	0.0	**0.4**
Repayments	91.6	0.0	0.0	0.0	0.0	0.0	**91.6**
Finance lease liabilities	7.5	5.1	2.6	2.3	2.2	63.9	**83.6**
Financial costs	2.1	1.8	1.8	1.7	1.8	46.1	**55.3**
Repayments	5.4	3.3	0.8	0.6	0.4	17.8	**28.3**
Other liabilities	0.6	0.1	0.1	0.1	0.0	0.0	**0.9**
Financial costs	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Repayments	0.6	0.1	0.1	0.1	0.0	0.0	**0.9**
Interest rate swap	0.6	0.6	0.6	0.6	0.6	0.6	**3.5**
Total	161.4	70.7	79.8	251.8	17.2	381.3	**962.1**

2006

Eur million	2007	2008	2009	2010	2011	2012–	Total
Bonds	59.1	43.4	48.0	11.7	234.5	0.0	396.6
Financial costs	15.0	13.4	12.0	11.7	8.6	0.0	60.6
Repayments	44.1	30.0	36.0	0.0	225.9	0.0	336.0
Commercial paper	25.0	0.0	0.0	0.0	0.0	0.0	25.0
Financial costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	25.0	0.0	0.0	0.0	0.0	0.0	25.0
Finance lease liabilities	11.3	8.2	5.8	3.3	3.1	68.6	100.3
Financial costs	3.0	2.7	2.5	2.4	2.3	41.2	54.1
Repayments	8.3	5.5	3.3	0.9	0.8	27.4	46.2
Other liabilities	0.6	0.0	0.0	0.0	0.0	0.0	0.8
Financial costs	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Repayments	0.6	0.0	0.0	0.0	0.0	0.0	0.8
Interest rate swap	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	96.0	51.6	53.8	15.0	237.6	68.6	522.7

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

Elisa has finance lease agreements concerning telecom facilities, GSM and optic fibre networks and servers. The conditions vary in terms of purchase options/redemption clauses, index clauses and lease periods. The lease contract on business premises was dissolved in 2007.

Notes to the consolidated financial statements

Bonds

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

	31 Dec. 2007 Fair value EUR million	31 Dec. 2007 Balance sheet value EUR million	31 Dec. 2007 Nominal value EUR million	Nominal interest rate	31 Dec. 2007 Effective interest	Maturity date
EMTN programme 2001 / EUR 1,000 million						
III/2002	20.0	20.0	20.0	6-month euribor + 1.02%	5.756%	8 Apr. 2009
IV/2002	30.0	30.0	30.0	3-month euribor + 0.93%	5.773%	8 Apr. 2008
V/2002	6.0	6.0	6.0	6-month euribor + 1.00%	5.753%	8 Apr. 2009
VI/2002	10.0	10.0	10.0	6-month euribor + 1.00%	5.753%	8 Apr. 2009
IX/2004	220.3	218.9	225.9	4.375%	5.226%	22 Sep. 2011
I/2007	50.0	49.9	50.0	3-month euribor + 0.22%	5.045%	3 Mar. 2010
II/2007	286.5	299.3	300.0	4.750%	4.789%	3 Mar. 2014
Total	622.8	634.1	641.9			

The fair value of bonds is based on market quotes.

30. TRADE PAYABLES AND OTHER LIABILITIES

EUR million	**2007**	2006
Non-current		
Advances received	**7.2**	5.8
Derivatives	**3.0**	
Other liabilities	**14.4**	10.3
	24.6	16.1
Current		
Trade payables	**168.9**	169.8
Advances received	**5.2**	6.4
Accrued employee-related expenses	**33.3**	38.9
Other accruals	**42.6**	43.1
Other liabilities	**53.2**	29.3
	303.2	287.5
Total	**327.8**	303.6

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

31. OPERATING LEASES

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

EUR million	**2007**	2006
Within one year	**16.3**	21.5
Later than one year and up to five years	**35.3**	37.8
Later than five years	**21.1**	21.4
Total	**72.7**	80.7

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

32. COLLATERAL, COMMITMENTS AND OTHER LIABILITIES

EUR million	**2007**	2006
Pledges given		
Bank deposits given for own debt	**1.3**	0.7
Guarantees given	**42.3**	0.5
Total	**43.6**	1.2

Elisa has guaranteed small short-term loans of less than EUR 20,000 for personnel. The maximum amount of the guarantee limit was EUR 0.5 million on 31 December 2007 (EUR 0.5 million). The guarantee for EUR 40.8 million relates to the QTE arrangement described below.

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

EUR million	2007	2006
Total value of the arrangement	**137.9**	154.1
Risk of interruption	**14.5**	18.6

In September 1999, Elisa signed a leaseback agreement (a so-called QTE facility) with U.S.-based financial institutions. The arrangement concerns certain parts of the telecommunication network to which Elisa group companies retain the title in accordance with the agreement. The overall leasing assets and liabilities arising from the arrangement were paid at the time the facility was arranged, and the companies received net compensation of approximately EUR 13 million. The overall value of the arrangement was approximately EUR 137.9 million (approximately USD 203 million). The Group capitalised EUR 1.3 million of the compensation as other financial income in 2007 (EUR 1.3 million in 2006). The compensation will be capitalised in full within ten years of the agreement having been signed.

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

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

In relation to the arrangement, Elisa has a counterparty risk of approximately USD 67.2 million concerning an international insurance and finance company with a long-term credit rating of Aa2/AA/AA (Moody's/S&P/Fitch). The counterparty risk is included in the total value of the arrangement. Elisa signed a credit risk derivative contract (CDS) concerning the finance company in 2007 to diversify its counterparty risk. In the same connection, Elisa provided a guarantee for a credit derivative portfolio of approximately USD 60 million investing in approximately 125 issuers. The credit rating for the CDO portfolio corresponds to the original credit rating of the finance company. As a consequence of the transaction, Elisa's credit risk associated with the arrangement remained at the same magnitude but concerns approximately 125 counterparties instead of one.

	EUR million	USD million
Nominal value of CDS agreement related to the arrangement [1]	−45.6	−67.2
Nominal value of CDO portfolio guarantee related to the arrangement [2]	40.8	60.0
Net credit risk	−4.8	−7.2

1) Also presented in Note 24

2) Also presented under "Guarantees given"

Other contractual obligations

EUR million	2007	2006
Repurchase commitments	0.2	0.4

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

33. FINANCIAL RISK MANAGEMENT

The objective of Elisa's economic risk management is to identify risks affecting business.

The main principle for risk management is that risks are managed at business units in accordance with the origination principle. Business risk management is a part of continuous business and strategy planning. The Group's financing unit prepares an overall risk survey annually. The financing unit also works in close co-operation with the business units and coordinates insurance plans, for example.

Elisa's centralised financing function is responsible for exchange rate, interest rate, liquidity and refinancing risks for the entire Group.

Market risks

Interest rate risk

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

Notes to the consolidated financial statements

Times of interest rate changes for interest-bearing financial liabilities (EUR million), 31 Dec. 2007, 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	92.0			**92.0**
Bonds	30.0	86.0		**116.0**
Liabilities to financial institutions				**0.0**
Finance lease	6.0			**6.0**
Other	1.0			**1.0**
Fixed-rate financing instruments				
Bonds		225.9	300.0	**525.9**
Finance lease		5.0	17.3	**22.3**
Other				
Effect of derivatives	150.0		–150.0	**0.0**
Total	279.0	316.9	167.3	**763.2**

Times of interest rate changes for interest-bearing investments (EUR million), 31 Dec. 2007, at nominal value

Variable-rate financing instruments		
Money market investments	3.0	**3.0**
Total	3.0	**3.0**

The sensitivity analysis includes financial liabilities in the balance sheet of 31 December 2007 (31 December 2006). 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.

		2007		2006	
		Income statement	**Shareholders' equity**	Income statement	Shareholders' equity
Change in interest rate level +/–1%	EUR million	**+/–2.7**		+/–0.9	

Exchange rate risk

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

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

Elisa's lease and leaseback arrangement described under Note 32 is based on US dollars. This means that Elisa's risks and liabilities presented in euros will change with the EUR/USD exchange rate.

Elisa's foreign exchange exposure 31 December 2007

EUR million	Trade receivables	Trade payables	Net investments in foreign subsidiaries
SDR	0.6	9.9	
USD	0.6	1.4	
EEK			527.0

Elisa's foreign exchange exposure 31 December 2006

EUR million	Trade receivables	Trade payables	Net investments in foreign subsidiaries
SDR	1.7	14.5	
USD	0.5	2.5	
EEK			513.3

A change of twenty percentage points would impact consolidated equity by EUR 6.7 million (EUR 6.6 million) and profit before tax by EUR 2.1 million (EUR 3.2 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 666 million. The company also has a EUR 250 million commercial paper programme and committed credit limits of EUR 170 and EUR 130 million.

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	2007	2006
Cash and bank	16.9	22.2
Credit limits	300.0	170.0
Total	316.9	192.2

Contract-based cash flows for interest-bearing liabilities are presented under Note 29.

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. Investment activities are monitored, and the outstanding investments are not expected to result in credit losses. Derivative contracts are only signed with Finnish and foreign banks with good credit ratings.

See Note 31 for the counterparty risk associated with Elisa's lease and leaseback arrangement.

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

Credit risk concentrations in accounts receivable are minor as the Group's customer base is wide; the 10 largest customers represent approximately 5 per cent of customer invoicing. EUR 12.5 million (EUR 10.8 million) of uncertain receivables have been deducted from consolidated accounts receivable. The Group's previous experience in the collection of trade receivables corresponds to the recognised impairment. Since 2007, the Group has sold its trade receivables that are overdue by an average of 136 days. Based on these facts, the management is confident that the Group's trade receivables do not involve any substantial credit risk. The age distribution of trade receivables is described in Note 21.

Elisa's available-for-sale investments consist mostly of publicly listed shares in Comptel Corporation. The sensitivity analysis includes shares in the balance sheet of 31 December 2007 (31 December 2006). The analysis assumes a change of twenty percentage points in the share price.

	2007		2006	
EUR million	Income statement	Shareholders' equity	Income statement	Shareholders' equity
Change in Comptel share price +/– 20%	+/–0	+/–4.1	+/–0	+/–7.7

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 capital structure is a gearing ratio of 50 per cent to 100 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. The long-term profit distribution target is 40 per cent to 60 per cent of profit for the period. Deviations from the profit distribution target can be made in the short term in accordance with the capital structure targets.

Capital structure and key indicators

	31 Dec. 2007	31 Dec. 2006
Interest-bearing net debt	738.4	376.9
Total equity	1,035.4	1,312.3
Total capital	1,773.8	1,689.2
Gearing ratio	71.3%	28.7%
Net debt / EBITDA	1.5	0.9
Equity ratio	47.9%	63.1%

Notes to the consolidated financial statements

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 share issue authorisation has conventionally been 15% to 25% of the number of shares. The authorisation has been used in connection with mergers and acquisitions.

Shareholders' equity	31 Dec. 2007	31 Dec. 2006
Treasury shares, 1,000	**8,049**	4,125
Share issue authorisation, 1,000 [1]	**27,208**	16,600
Maximum total, 1,000 [2]	**27,208**	20,725
Share price	**21.00**	20.75
Total, EUR million	**571.4**	344.5

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

Debt capital	31 Dec. 2007	31 Dec. 2006
Commercial paper programme (non-committed) [3]	**158.0**	150.0
Revolving credits (committed) [4]	**300.0**	170.0
EMTN programme (non-committed) [5]	**333.9**	684.0
Total	**791.9**	1,004.0
Total equity and debt capital	**1,363.3**	1,348.5

[1] Share issue authorisation 30,000,000. The authorisation has been used for 241,570 shares in connection with the Lounet merger and 2,550,000 shares for the stock option scheme.

[2] The authorisation to issue shares on 31 December 2007 amounted to a maximum of 27,208,430 shares. This may be effected through an issue of new shares or sale of treasury shares.

[3] The commercial paper programme amounts to EUR 250 million, of which EUR 92 million was in use on 31 December 2007.

[4] Elisa has two committed revolving credit arrangements to a total of EUR 300 million. Both arrangements were unused on 31 December 2007.

[5] Elisa has an European Medium Term Note programme (EMTN) to a total of EUR 1,000 million. EUR 666 million was in use on 31 December 2007.

34. RELATED PARTY TRANSACTIONS

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

The parent company of the Group is Elisa.

The Group's subsidiaries	Domicile	31 Dec. 2007 Group's ownership, %
Ecosite Oy	Espoo	100
Elisa Eesti As	Tallinn	100
Fiaset Oy	Jyväskylä	100
Fonetic Oy	Jyväskylä	100
JMS Group Oy	Helsinki	100
Kiinteistö Oy Brahenkartano	Turku	60
Kiinteistö Oy Paimion Puhelimenkulma	Paimio	77
Kiinteistö Oy Raision Luolasto	Espoo	100
Kiinteistö Oy Rinnetorppa	Kuusamo	80
Kiinteistö Oy Tapiolan Luolasto	Espoo	100
LNS Kommunikation AB	Stockholm	100
Lounet Oy Call Center	Turku	100
Preminet Oy	Helsinki	100
OOO LNR	St. Petersburg	100
Saunalahti Group Plc	Espoo	100
Helsingin Netti Media Oy	Helsinki	100
Supertel Oy	Helsinki	100
SIA Radiolinja Latvija	Riga	100
Tampereen Tietoverkko Oy	Tampere	63
UAB Radiolinja	Vilnius	100

The Group's associates		
City-Suvanto Oy	Joensuu	36
Kiinteistö Oy Herrainmäen Luolasto	Tampere	50
Kiinteistö Oy Lauttasaarentie 19	Helsinki	42
Kiinteistö Oy Runeberginkatu 43	Helsinki	30
Kiinteistö Oy Stenbäckinkatu 5	Helsinki	40
Pispalan Televisio Oy	Tampere	28
Suomen Numerot NUMPAC Oy	Helsinki	33
Vantaan Yhteisverkko Oy	Vantaa	24

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

The following transactions have been carried out with related parties:

Related party purchases:

EUR million	2007	2006
Associates and joint ventures	**0.6**	0.6
Total	**0.6**	0.6

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

Employee benefits to key management are presented in Note 7.

35. EVENTS AFTER THE BALANCE SHEET DATE

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

Key indicators

KEY INDICATORS DESCRIBING THE GROUP'S FINANCIAL DEVELOPMENT

	IFRS 2007	IFRS 2006	IFRS 2005
INCOME STATEMENT			
Revenue, EUR million	**1,568**	1,518	1,337
Change of revenue, %	**3.3**	13.5	–1.4
EBITDA (EUR million)	**499**	434	446
EBITDA as % of revenue	**31.8**	28.6	33.4
EBIT, EUR million	**302**	225	233
EBIT as % of revenue	**19.3**	14.8	17.4
Profit before tax, EUR million	**285**	212	212
Profit before tax as % of revenue	**18.2**	13.9	15.8
Return on equity (ROE), %	**18.8**	12.1	15.9
Return on investment (ROI), %	**18.8**	13.2	14.7
Research and development costs, EUR million	**8**	6	8
Research and development costs as % of revenue	**0.3**	0.4	0.6
BALANCE SHEET			
Gearing ratio, %	**71.3**	28.7	21.7
Current ratio	**1.1**	1.0	1.4
Equity ratio, %	**47.9**	63.1	61.7
Non-interest bearing liabilities, EUR million	**385**	380	347
Balance sheet total, EUR million	**2,175**	2,091	2,202
INVESTMENTS IN SHARES			
Purchases of shares, EUR million	**12**	10	415
of which paid in equity issue	**5**		361
CAPITAL EXPENDITURES			
Investments, EUR million	**206**	207	204
Investments as % of revenue	**13.2**	13.7	15.3
PERSONNEL			
Average number of employees during the period	**3,299**	4,086	4,989
Revenue/employee, EUR 1,000	**475**	372	268

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

Key indicators

PER-SHARE INDICATORS [1]

	IFRS 2007	IFRS 2006	IFRS 2005
Share capital, EUR	**83,033,008.00**	83,033,008.00	83,033,008.00
Number of shares at year-end	**158,257,610**	161,941,016	165,886,016
Average number of shares	**159,417,319**	165,416,720	144,806,906
Number of shares at year-end, diluted	**158,257,610**	161,941,016	165,886,016
Average number of shares, diluted	**159,417,319**	165,416,720	144,806,906
Market capitalisation, EUR million [2]	**3,323**	3,360	2,596
Earnings per share (EPS), EUR	**1.38**	0.97	1.22
Dividend per share, EUR		2.50	0.70
Payout ratio, %		250.3	57.4
Capital repayment per share, EUR	**1.80** [*]		
Capital repayment as % of earnings	**129.6**		
Equity per share, EUR	**6.53**	8.07	8.06
P/E ratio	**15.2**	21.4	12.8
Effective dividend yield, %		12.05	4.47
Effective capital repayment yield, %	**8.57**		
Share performance on the Helsinki Stock Exchange			
Mean price, EUR	**21.31**	17.06	13.95
Closing price at year-end, EUR	**21.00**	20.75	15.65
Lowest price, EUR	**18.63**	14.00	10.56
Highest price, EUR	**24.41**	20.76	16.79
Trading of shares			
Total trading volume, 1,000 shares	**316,087**	247,303	248,290
Percentage of shares traded [3]	**200**	150	172

[*] The Board of Directors proposes a capital repayment of EUR 1.80 per share

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

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

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

FORMULAE FOR FINANCIAL SUMMARY INDICATORS

EBITDA	EBIT + depreciation, amortisation and impairment		
Return on equity (ROE), %	Profit for the period	Total shareholders’ equity (on average during the year)	x 100
Return on investment (ROI), %	Profit before taxes + interest costs and other financial expenses	Balance sheet total – non-interest bearing liabilities (on average during the year)	x 100
Gearing ratio, %	Interest-bearing liabilities – liquid assets and financial assets recognised at fair value through profit or loss	Total shareholders’ equity	x 100
Current ratio	Current assets	Current liabilities – advances received	
Equity ratio, %	Total shareholders’ equity	Balance sheet total – advances received	x 100

FORMULAE FOR PER-SHARE INDICATORS

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

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

Income statement, parent company, FAS

EUR million	Note	2007	2006
Revenue	1	**1,353.7**	1,315.2
Change in inventories		**0.3**	–1.5
Other operating income	2	**23.2**	62.8
Materials and services	3	**–617.4**	–611.5
Personnel expenses	4	**–153.7**	–183.5
Depreciation and amortisation	5	**–221.0**	–225.4
Other operating expenses		**–179.7**	–165.3
Operating profit/loss		**205.4**	190.8
Financial income and expenses	6	**–7.0**	–6.1
Profit/loss before extraordinary items		**198.4**	184.7
Extraordinary items	7	**–13.2**	–34.6
Profit/loss after extraordinary items		**185.2**	150.1
Appropriations	8	**–6.4**	6.0
Income taxes	9	**–62.4**	–44.5
Profit/loss for the period		**116.4**	111.6

Balance sheet, parent company, FAS

EUR million	Note	**31 Dec. 2007**	31 Dec. 2006
ASSETS			
Fixed assets			
Intangible assets	10	**726.4**	781.6
Tangible assets	10	**497.8**	482.7
Investments	11	**74.4**	104.4
		1,298.6	1,368.7
Current assets			
Inventories	12	**23.2**	30.8
Non-current receivables	13	**13.3**	78.1
Current receivables	14	**439.9**	308.9
Marketable securities	15	**2.7**	
Cash and bank		**6.9**	9.6
		486.0	427.4
TOTAL ASSETS		**1,784.6**	1,796.1
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	16		
Share capital		**83.0**	83.0
Share premium			530.4
Treasury shares		**–165.6**	–79.4
Contingency reserve		**3.4**	3.4
Reserve for invested non-restricted equity		**533.8**	
Retained earnings		**172.5**	462.3
Profit/loss for the period		**116.4**	111.6
		743.5	1,111.3
Accumulated appropriations		**9.7**	
Provisions for liabilities and charges	17	**8.8**	8.7
Liabilities			
Non-current liabilities	18	**618.3**	299.1
Current liabilities	19	**404.3**	377.0
		1,022.6	676.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,784.6**	1,796.1

Cash flow statement, parent company, FAS

EUR million	2007	2006
Cash flow from operating activities		
Profit before extraordinary items	198.4	184.7
Adjustments:		
Depreciation and amortisation	221.0	225.4
Financial income and expense	20.2	6.1
Gains and losses on the disposal of fixed assets	–15.3	–5.0
Gains and losses on the disposal of shares	–12.8	–53.9
Change in provisions in the income statement	0.1	–2.3
Other adjustments	–0.7	4.9
Cash flow before change in working capital	410.9	359.9
Change in working capital	–113.3	–12.0
Cash flow before financial items and taxes	297.6	347.9
Interest paid and interest and dividends received	–17.3	–8.1
Income taxes paid	–79.9	1.2
Net cash flow from operating activities	200.4	341.0
Cash flow from investing activities		
Capital expenditure	–178.8	–186.4
Proceeds from sale of fixed assets	24.3	6.4
Investments in shares and other financial assets	–6.7	–25.3
Proceeds from sale of shares and other financial assets	13.6	6.6
Loans granted	–11.4	
Repayment of loan receivables	62.9	3.0
Net cash flow used in investing activities	–96.1	–195.7
Cash flow after investing activities	104.3	145.3
Cash flow from financing activities		
Purchase of treasury shares	–85.6	–79.4
Change in non-current liabilities	305.8	–122.4
Change in current liabilities	66.5	40.1
Dividends paid	–400.3	–120.7
Group contributions given	–0.4	–30.0
Net cash flow used in financing activities	–114.0	–312.4
Change in cash and cash equivalents	–9.7	–167.1
Cash and cash equivalents at beginning of period	9.6	172.0
Cash and cash equivalents transferred for merger/business transfer	9.7	4.7
Cash and cash equivalents at end of period	9.6	9.6

Notes to the financial statements of the parent company

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

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

One-off items during the year 2007:
- merger losses EUR 12.8 million
- sales gains on real estate EUR 12.7 million
- restructuring provision for expenses due to redundancies EUR 2.6 million
- sales gain on Comptel Corporation shares EUR 13.1 million

One-off items during the comparison year 2006:
- restructuring provision for expenses due to redundancies EUR 10.1 million
- merger profits of EUR 7.7 million and merger losses of EUR 12.3 million
- Group contributions given EUR 30.0 million.

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

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

The difference between depreciation according to plan and total depreciation made is shown under appropriations in the parent company's income statement and the accumulated depreciation difference is shown under accumulated appropriations in the shareholders' equity and liabilities on the balance sheet. The negative depreciation difference transferred from merged companies is recognised as income. Depreciation according to plan is calculated on the basis of financial service life as straight-line depreciation from the original acquisition cost.

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

Intangible rights	3–5 years
Other expenditure with long-term effects	5–10 years
Buildings and structures	25–40 years
Machinery and equipment in buildings	10–25 years
Telephone exchanges	6–10 years
Cable network	8–15 years
Telecommunication terminals (rented to customers)	3–5 years
Other machines and equipment	3–5 years

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

Turnover and other operating income
The sale of performances is recognised as income at the time of assignment and income from services is booked once the services have been rendered.

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

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

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

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

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

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

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

Notes to the financial statements of the parent company

1. REVENUE

EUR million	2007	2006
Sales	**1,433.7**	1,392.6
Interconnection fees and other adjustments	**–80.0**	–77.4
Total revenue	**1,353.7**	1,315.2

Geographical distribution		
Finland	**1,299.7**	1,258.5
Rest of Europe	**46.1**	50.5
Other countries	**7.9**	6.2
Total	**1,353.7**	1,315.2

2. OTHER OPERATING INCOME

EUR million	2007	2006
Gain on disposal of fixed assets	**13.4**	4.4
Gain on disposal of shares and business	**2.0**	54.4
Others [1]	**7.8**	4.0
Other operating income total	**23.2**	62.8

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

3. MATERIALS AND SERVICES

EUR million	2007	2006
Materials, supplies and goods		
Purchases	**71.9**	117.4
Change in inventories	**8.2**	–13.7
	80.1	103.7
External services	**537.3**	507.8
Materials and services total	**617.4**	611.5

4. PERSONNEL EXPENSES

EUR million	2007	2006
Salaries and wages	**124.9**	147.0
Pension costs	**20.9**	25.8
Other statutory employee costs	**7.9**	10.7
Personnel expenses total	**153.7**	183.5
Personnel on average	**2,765**	3,425

Management remuneration, EUR		
Remuneration to CEO Veli-Matti Mattila	**789,556.66**	878,370.93

Furthermore, out of a deposit made within the incentive plan in 2004, the CEO was paid a remuneration of EUR 257,134.34 in 2007 (185,268.43 in 2006).

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

The Board of Directors' remuneration, EUR	2007	2006
Pekka Ketonen	**113,040**	79,800
Mika Ihamuotila	**79,200**	59,900
Lasse Kurkilahti	**65,600**	47,700
Matti Manner	**67,000**	49,100
Risto Siilasmaa	**51,000**	
Ossi Virolainen	**80,200**	64,300
Matti Aura		11,700
Jussi Länsiö		11,400
Keijo Suila		20,100
	456,040	344,000

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

5. DEPRECIATION AND AMORTISATION

EUR million	2007	2006
Amortisation of intangible assets	**94.9**	93.6
Depreciation of tangible assets	**126.1**	131.8
Total	**221.0**	225.4

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

6. FINANCIAL INCOME AND EXPENSES

EUR million	2007	2006
Dividends received		
from Group companies	**3.1**	4.3
from others	**1.2**	1.0
Total dividends received	**4.3**	5.3
Capital gains on investments	**13.2**	
Other interest and financial income		
from Group companies	**3.4**	1.7
from others	**11.0**	6.9
Other interest and financial income, total	**14.4**	8.6
Interest income and other financial income, total	**31.9**	13.9

Interest costs and other financial expenses		
to Group companies	**–0.5**	–0.9
to others	**–38.4**	–19.1
Interest costs and other financial expenses, total	**–38.9**	–20.0
Financial income and expenses, total	**–7.0**	–6.1

7. EXTRAORDINARY ITEMS

EUR million	2007	2006
Extraordinary income		
Merger gain		7.7
Extraordinary expenses		
Merger loss	**–12.8**	–12.3
Group contributions paid	**–0.4**	–30.0
Extraordinary items total	**–13.2**	–34.6

8. APPROPRIATIONS

EUR million	2007	2006
Change in depreciation difference	**–6.4**	–6.0
Appropriations, total	**–6.4**	–6.0

9. INCOME TAXES

EUR million	2007	2006
Income tax on extraordinary items		7.8
Income tax on regular business	**–62.0**	–52.2
Income tax for previous periods	**–0.4**	–0.1
Income taxes, total	**–62.4**	–44.5

10. INTANGIBLE AND TANGIBLE ASSETS

				Intangible Assets		
EUR million	Development expenditures	Intangible rights	Goodwill	Other intangible assets	In progress	**Total**
Acquisition cost at 1 Jan.		9.4	769.1	115.8	71.2	**965.5**
Transferred in mergers		0.1		0.9		**1.0**
Additions		1.8		18.9	16.8	**37.5**
Disposals				–1.9		**–1.9**
Reclassifications		0.6		37.1	–35.8	**1.9**
Acquisition cost at 31 Dec.	0.0	11.9	769.1	170.8	52.2	**1,004.0**
Accumulated amortisation at 1 Jan.		4.8	82.9	96.3		**184.0**
Transferred in mergers		0.1		0.6		**0.7**
Accumulated amortisation of disposals and reclassifications				–1.9		**–1.9**
Amortisation for the period		1.7	78.3	14.8		**94.8**
Accumulated amortisation at 31 Dec.	0.0	6.6	161.2	109.8		**277.6**
Book value at 31 Dec. 2007	0.0	5.3	607.9	61.0	52.2	**726.4**

Notes to the financial statements of the parent company

EUR million	Land and water	Buildings and constructions	Machinery and equipment	Other tangible assets	In progress	Total
			Tangible assets			
Acquisition cost at 1 Jan.	5.6	75.0	1,508.6	35.0	41.0	**1,665.2**
Transferred in mergers	0.1	0.6	27.6			**28.3**
Additions		2.0	118.0		21.3	**141.3**
Disposals	–0.5	–26.9	–2.0	–0.5		**–29.9**
Reclassifications		5.1	29.3	0.1	–36.4	**–1.9**
Acquisition cost at 31 Dec.	5.2	55.8	1,681.5	34.6	25.9	**1,803.0**
Accumulated depreciation at 1 Jan.		41.5	1,111.2	29.8		**1,182.5**
Transferred in mergers		0.3	18.0			**18.3**
Accumulated depreciation of disposals and reclassifications		–20.0	–1.2	–0.4		**–21.6**
Depreciation for the period		3.3	121.4	1.3		**126.0**
Accumulated depreciation at 31 Dec.		25.1	1,249.4	30.7		**1,305.2**
Book value at 31 Dec. 2007	5.2	30.7	432.1	3.9	25.9	**497.8**

11. INVESTMENTS

EUR million	Group companies	Associated companies	Other companies	Group companies	Total
	Shares			**Receivables**	
Acquisition cost at 1 Jan.	74.6	5.9	11.4	12.8	**104.7**
Transferred in mergers	6.0		0.2		**6.2**
Removed in mergers	–35.0				**–35.0**
Additions	8.6		2.0		**10.6**
Sales/disposals		–0.6	–0.2	–11.0	**–11.8**
Acquisition cost at 31 Dec.	54.2	5.3	13.4	1.8	**74.7**
Impairment at 1 Jan.			–0.3		**–0.3**
Impairment at 31 Dec.			–0.3		**–0.3**
Book value at 31 Dec. 2007	54.2	5.3	13.1	1.8	**74.4**

The repurchase price of publicly quoted shares at 31 December 2007 was EUR 20.1 million higher than the book value of the owner company (EUR 38.1 million higher).

12. INVENTORIES

EUR million	2007	2006
Materials and supplies	9.6	10.8
Work in progress	1.2	0.7
Finished products/goods	12.4	19.3
Inventories total	23.2	30.8

13. NON-CURRENT RECEIVABLES

EUR million	2007	2006
Receivables from Group companies		
Loan receivables	1.8	67.1
Receivables from associates		0.1
Receivables from others		
Loan receivables [1]	0.1	0.1
Other receivables	1.0	1.2
Prepayments and accrued income [2]	10.4	9.6
Non-current receivables total	13.3	78.1

[1] Loan receivables in 2007 include EUR 100,000 of loan receivables from Sofia Digital Oy

[2] Prepayments and accrued income in 2007 include bond issue loss allocations for EUR 5.2 million (EUR 6.4 million) and rent advances for EUR 5.0 million (EUR 3.2 million)

14. CURRENT RECEIVABLES

EUR million	2007	2006
Receivables from Group companies		
Trade receivables	22.0	20.7
Loan receivables	45.3	43.1
Prepayments and accrued income	1.6	0.7
	68.9	64.5
Receivables from associates		
Trade receivables		0.1
Prepayments and accrued income	0.1	
	0.1	0.1
Receivables from others		
Trade receivables	356.3	234.9
Other receivables	1.0	1.3
Prepayments and accrued income [1]	13.6	8.1
	370.9	244.3
Total	439.9	308.9

[1] The most important accruals constitute of interest receivables for EUR 7.5 million (0.4) and conventional allocations of business expenses

15. MARKETABLE SECURITIES

Securities mainly comprise investments in money market funds and short-term certificates of deposit and commercial paper. Investments in money market funds are recognised at the repurchase price. Investments in certificates of deposit and commercial paper are recognised at the acquisition cost, as the difference between the repurchase price and cost of acquisition is not significant. At the balance sheet date 31 December 2007, the balance sheet value of financial securities was EUR 2.7 million.

16. SHAREHOLDERS' EQUITY

EUR million	2007	2006
Share capital at 1 Jan.	83.0	83.0
Share capital at 31 Dec.	83.0	83.0
Share premium at 1 Jan.	530.4	530.4
Transfer to reserve for invested non-restricted equity	–530.4	
Share premium at 31 Dec.		530.4
Treasury shares at 1 Jan.	–79.4	
Purchase of treasury shares	–86.2	–79.4
Treasury shares at 31 Dec.	–165.6	–79.4
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.		
Transfer from share premium	530.4	
Increase	3.4	
Reserve for invested non-restricted equity at 31 Dec.	533.8	
Retained earnings at 1 Jan.	573.9	578.5
Distribution of dividend	–401.4	–116.2
Retained earnings at 31 Dec.	172.5	462.3
Profit for the period	116.4	111.6
Total shareholders' equity	743.5	1,111.3
Distributable earnings		
Retained earnings	172.5	462.3
Treasury shares	–165.6	–79.4
Reserve for invested non-restricted equity	533.8	
Profit for the period	116.4	111.6
Distributable funds at 31 Dec., total	657.1	494.5

Notes to the financial statements of the parent company

17. PROVISIONS FOR LIABILITIES AND CHARGES

EUR million	2007	2006
Provision for unemployment pensions	4.7	5.7
Other provisions for liabilities and charges [1]	4.1	3.0
Provisions for liabilities and charges, total	8.8	8.7

[1] Other provisions for liabilities and charges mainly consist of salaries, including related statutory employee costs, for employees not required to work during their severance period.
Provisions of EUR 6.1 million were recognised as income in 2007 (EUR 12.9 million).

18. NON-CURRENT LIABILITIES

EUR million	2007	2006
Interest-bearing		
Bonds	611.9	291.9
Non-interest bearing		
Other liabilities	6.4	7.2
Non-current liabilities, total	618.3	299.1
Liabilities maturing after five years		
Bonds	300.0	

19. CURRENT LIABILITIES

EUR million	2007	2006
Interest-bearing		
Liabilities to Group companies		
Group account	2.1	24.8
Other liabilities		0.5
	2.1	25.3
Liabilities to others		
Bonds	30.0	
Other liabilities	92.5	69.7
	122.5	69.7
Interest-bearing, total	124.6	95.0
Non-interest bearing		
Liabilities to Group companies		
Trade payables	6.0	7.1
Other liabilities		0.2
Accruals and deferred income	0.1	0.1
	6.1	7.4
Liabilities to others		
Advances received	3.4	2.6
Trade payables	138.9	160.2
Other liabilities	54.3	23.4
Accruals and deferred income [1]	77.0	88.3
	273.6	274.5
Non-interest bearing, total	279.7	282.0
Current liabilities, total	404.3	377.0

[1] Major accruals and deferred income consist of the following: holiday pay, performance-based bonuses and related statutory employee costs, EUR 33 million (EUR 37 million), interest expenses, EUR 19 million (EUR 4 million), income taxes, EUR 11 million (EUR 28 million) and other regular accruals, mainly of advance income, EUR 14 million (EUR 19 million).

20. COLLATERAL, COMMITMENTS AND OTHER LIABILITIES

EUR million	2007	2006
Pledges given		
Other liabilities		
Bank deposits given	1.3	0.7
Pledges, total	1.3	0.7
Guarantees given		
for others	42.3	0.5
Guarantees, total	42.3	0.5
Total	43.6	1.2

Leasing and rental liabilities

EUR million	2007	2006
Leasing liabilities on telecom networks [1], due within one year	3.7	5.2
Leasing liabilities on telecom networks [1], due within 1–5 years	6.4	10.0
Leasing liabilities on telecom networks [1], due later	1.7	2.3
	11.8	17.5
Other leasing liabilities [2], due within one year	3.9	4.9
Other leasing liabilities [2], due within 1–5 years	5.9	7.0
	9.8	11.9
Total repurchase liabilities [3]	3.2	5.0

Real estate leases [4], due within one year	**15.5**	16.5
Real estate leases [4], due within 1–5 years	**46.0**	42.1
Real estate leases [4], due later	**111.7**	96.6
	173.2	155.2
Leasing and rental liabilities, total	**198.0**	189.6

[1] Consists of certain individualised GSM network equipment and access fees for backbone connections.
[2] Leasing liabilities consist mainly of leases of cars, office and IT equipment.
[3] Repurchase liabilities mainly relate to telecom network equipment purchased with leasing financing and to terminal devices purchased with leasing financing by customers, such as corporate PBXs.
[4] Real estate leases comprise rental agreements relating to business, office and telecom premises. Real estate leases are presented at nominal prices.

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

EUR million	**2007**	2006
Total value of the arrangement	**137.9**	154.1
Risk of interruption, due later (more than 5 years)	**14.5**	18.6

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

In September 1999, Elisa signed a leaseback agreement (a so-called QTE facility) with U.S.-based capital investors. The arrangement concerns telecom network equipment to which Elisa retains the title in accordance with the agreement. The overall leasing assets and liabilities arising from the arrangement were paid at the time the facility was arranged, and the companies received net compensation of approximately EUR 13 million. The total value of the arrangement was approximately USD 203 million. Of the compensation, the Group recognised other financial income of EUR 1.3 million in 2007. The compensation will be capitalised in full within ten years of the agreement having been signed.

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

Derivative instruments

EUR million	**2007**	2006
Interest rate swap		
Nominal value	**150.0**	
Fair value recognised in the balance sheet	**–3.0**	
Credit default swaps		
Nominal value	**45.6**	
Fair value recognised in the balance sheet	**1.0**	

Environmental costs

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

Shares and shareholders

1. SHARE CAPITAL AND SHARES

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

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

2. AUTHORISATIONS OF THE BOARD OF DIRECTORS

The Annual General Meeting of Shareholders on 19 March 2007 authorised the Board of Directors to decide on issuing new shares, transferring treasury shares possessed by the company and/or granting of special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act subject to the following:

The authorisation allows the Board of Directors to issue a maximum of 30,000,000 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 18 per cent of the entire stock. The share issue can be free or for consideration and can be directed to the Company itself subject to the terms and conditions defined by law. The authorisation shall be in force until 31 March 2009. The authorisation entitles the Board to make an exemption to the pre-emptive right of the shareholders to subscribe to new shares subject to the terms and conditions defined by law. The authorisation may be used for making acquisitions or implementing other arrangements related to the Company's business, to finance investments, to improve the company's financial structure, to be used as part of the incentive compensation plan, or for other purposes decided by the Board of Directors. The authorisation includes the right to pass a resolution as to how the subscription price is entered in the Company's balance sheet. The subscription price may be paid with money or partly or in full with other assets (subscription in kind) or by using the receivables due to the subscriber to offset the subscription price. The Board of Directors shall have the right to decide on other matters related to the share issue.

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

The Board of Directors may decide to acquire a maximum of 16,000,000 treasury shares. The number is approximately 9.6 per cent of the entire stock. The authorisation shall be in force until 31 August 2008. The authorisation covers the purchase of shares in the course of public trading on the Helsinki Stock Exchange in accordance with its rules. The consideration payable for the shares shall be based on the 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 subject to the provisions of the applicable law. 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 other matters related to the purchase of the Company's own shares.

The Extraordinary General Meeting on 28 June 2007 authorised the Board of Directors to pass a resolution concerning the payment of additional dividends to a maximum amount of EUR 165,000,000 in addition to the resolution to pay dividends made by the Annual General Meeting of Shareholders on 19 March 2007. The dividend may be paid in one or several instalments. The Board of Directors has the right to decide on other matters related to the payment of dividends. The authorisation is valid until the beginning of the following Annual General Meeting of Shareholders. Based on the authorisation, Elisa's Board of Directors decided on 31 July 2007 to distribute an additional dividend of EUR 1 per share, excluding treasury shares. The additional dividends totalled approximately EUR 158,300,000 and were paid on 25 October 2007.

3. TREASURY SHARES

At the beginning of the financial period, Elisa held 4,000,000 treasury shares, in addition to which Elisa's subsidiary Lounet Oy held 125,000 Elisa shares. Lounet Oy sold its holdings during the first half of the year, and when Lounet Oy merged with Elisa on 30 September 2007, 49,976 Elisa shares were transferred to Elisa.

The Annual General Meeting held on 19 March 2007 authorised the Board of Directors to acquire and assign treasury shares. The authorisation applies to a maximum of 16,000,000 treasury shares. On the basis of the authorisation, Elisa acquired 4,000,000 treasury shares through stock exchange trading between 25 April and 15 May 2007.

At the end of the financial period, Elisa held 8,049,976 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 4.84 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 2007 was 52,870 shares and votes, which represented 0.03 per cent of all shares and votes.

5. SHARE PERFORMANCE

The Elisa share closed at EUR 21.00 on 28 December 2007. The highest quotation of the year was EUR 24.41 and the lowest EUR 18.63. The average price was EUR 21.31.

At the end of the financial year, the market capitalisation of Elisa's outstanding shares was EUR 3,323 million.

6. QUOTATION AND TRADING

The Elisa share is quoted on the Main List of the Helsinki Stock Exchange with the ticker ELI1V. The aggregate volume of trading on the Helsinki Stock Exchange between 1 January and 31 December 2007 was 316,086,786 shares for an aggregate price of EUR 6,737 million. The trading volume represented 199.7 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 2007

	Shares	Proportion of all shares %
1. Companies	27,532,175	16.55
2. Financial and insurance institutions	7,167,346	4.31
3. Public corporations	17,765,030	10.68
4. Non-profit organisations	2,607,683	1.57
5. Households	39,155,180	23.54
6. Foreign	219,418	0.13
7. Special accounts	444,981	0.27
Nominee registered	63,365,797	38.10
Elisa Group	8,049,976	4.84
Total	166,307,586	100.00

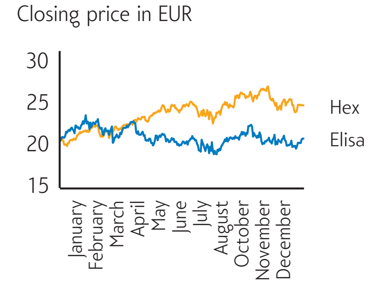
8. DISTRIBUTION OF HOLDING BY AMOUNT AT 31 DECEMBER 2007

Size of holding	Number of share-holders	%	Number of shares	%
1–100	26,867	11.92	1,359,045	0.82
101–500	191,237	84.85	34,345,052	20.65
501–1 000	4,858	2.16	3,305,317	1.99
1 001–5 000	2,054	0.91	3,813,692	2.29
5 001–10 000	162	0.07	1,148,535	0.69
10 001–50 000	136	0.06	3,210,698	1.93
50 001–100 000	31	0.01	2,323,317	1.40
100 001–500 000	26	0.01	5,352,622	3.22
500 001–	14	0.01	102,954,281	61.91
Grand total	225,385	100.00	157,812,559	94.89
Total on waiting list			70	0.00
In special accounts			444,981	0.27
Elisa Group			8,049,976	4.84
Issued amount			166,307,586	100.00

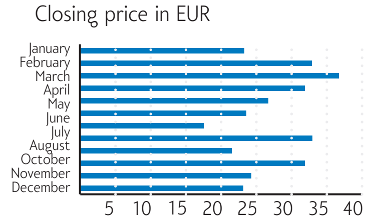
9. LARGEST SHAREHOLDERS AT 31 DECEMBER 2007

	Name	Shares	%
1	Novator Finland Oy	19,903,680	11.97
2	Ilmarinen Mutual Pension Insurance Company	8,150,000	4.90
3	Varma Mutual Pension Insurance Company	2,999,196	1.80
4	Ajanta Oy	2,074,176	1.25
5	OP-Delta Mutual Fund	1,417,106	0.85
6	Nordea Bank Finland Plc	1,234,781	0.74
7	City of Helsinki	1,124,690	0.68
8	Prime Minister's Office	1,085,642	0.65
9	State Pension Fund	1,050,000	0.63
10	Etera Mutual Pension Insurance Company	950,000	0.57
11	Mutual Insurance Company Pension-Fennia	680,000	0.41
12	Sampo Suomi Osake Mutual Fund	483,183	0.29
13	Nordea Fennia Mutual Fund	365,966	0.22
14	Säästöpankki Kotimaa Mutual Fund	330,000	0.20
15	OP-Focus Special Mutual Fund	303,000	0.18
16	ABN Amro Finland Mutual Fund	298,734	0.18
17	Gyllenberg Finlandia Mutual Fund	290,841	0.17
18	City of Vantaa	258,738	0.16
19	Nordea Pro Suomi Mutual Fund	239,448	0.14
20	OMX Helsinki 25 Special Mutual Fund	237,204	0.14
	Total	43,476,385	26.14
	Elisa Group total	8,049,976	4.84
	Elisa Group Personnel Fund	100,300	0.06
	Nominee registered	63,365,797	38.10
	Shareholders not specified here	51,315,128	30.86
	Total	166,307,586	100.00

10. DAILY PRICE DEVELOPMENT (CLOSING PRICE IN EUR)



11. TRADING VOLUME (SHARES PER MONTH)



Board's Proposal Concerning The Disposal of Profits

According to the consolidated balance sheet of 31 December 2007, the parent company's shareholders' equity is EUR 743,481,303.06, of which distributable funds account for EUR 657,066,358.79.

The parent company's profit for the period 1 January to 31 December 2007 was EUR 116,399,320.83.

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

- capital repayment shall be distributed out of the reserve for invested non-restricted equity for EUR 1.80 per share, totalling EUR 284,863,698.00
- no capital repayment shall be distributed for shares in the parent company's possession
- EUR 372,202,660.79 shall be retained in shareholders' equity.

Helsinki, 11 February 2008

Pekka Ketonen Chairman of the Board of Directors	Mika Ihamuotila	Lasse Kurkilahti
Matti Manner	Risto Siilasmaa	Ossi Virolainen

Veli-Matti Mattila
President and CEO

Auditors' report

TO THE SHAREHOLDERS OF ELISA

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Elisa for the period January 1, 2007–December 31, 2007. The Board of Directors and the President and CEO have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

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

CONSOLIDATED FINANCIAL STATEMENTS

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

PARENT COMPANY'S FINANCIAL STATEMENTS, REPORT OF THE BOARD OF DIRECTORS AND ADMINISTRATION

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

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

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

Helsinki, February 11, 2008

KPMG OY AB
Pekka Pajamo
Authorized Public Accountant

Corporate governance and structure

Elisa's core business in Finland comprises the Consumer and Small Enterprise Customers unit, the Corporate Customers unit, the New Services and Operations unit (as of 1 January 2008), the Production unit and Support Functions.

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

GENERAL MEETING OF SHAREHOLDERS

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

Elisa's 2008 Annual General Meeting will be held on Tuesday, 18 March 2008 at 2:00 pm at the Helsinki Fair Centre, Messuaukio 1, Helsinki.

BOARD OF DIRECTORS

Composition and term of office

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

At present, the Board of Directors comprises six members. The following members of the Board were appointed at the Annual General Meeting on 19 March 2007: Mr Pekka Ketonen (Chairman), Mr Mika Ihamuotila (Deputy Chairman), Mr Lasse Kurkilahti, Mr Matti Manner, Mr Risto Siilasmaa and Mr Ossi Virolainen.

Tasks

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

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

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

Committees

In its organising meeting, the Board of Directors annually decides upon committees, their chairmen and members. In 2007, the acting committees were: the Committee for Remuneration Evaluation and Appointments and the Committee for Auditing. The committees do not make actual resolutions, but prepare issues, which fall under the respective committee's duties, for the decision of the Board of Directors. The minutes of the committees are distributed to all members of the Board of Directors.

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

In 2007, the Chairman of the Board of Directors, Mr Pekka Ketonen, served as the Chairman of the Committee for Remuneration Evaluation, the members being Mr Mika Ihamuotila and Mr Lasse Kurkilahti.

The task of the Committee for Auditing is to ensure that financial reporting, accounting and asset management as well as external and internal auditing have been duly organised. To fulfil its duties, the committee:

- reviews the contents of the annual accounts and interim reports before their actual handling by the Board of Directors;
- internal auditing presents an auditing plan and auditing report for the previous year;
- the external auditors present an auditing plan for the forthcoming year and an auditing report for the previous year; and

– the organising of risk management is also presented, and the Committee reviews a report on major risks.

The principal auditor also attends Committee meetings.

In 2007, Mr Ossi Virolainen served as the chairman of the Committee for Auditing, with Mr Matti Manner and Mr Risto Siilasmaa as members.

In 2007, the Committee for Remuneration Evaluation and Appointments convened 5 times and the Committee for Auditing convened 6 times.

Meetings and remuneration

The Board of Directors normally convenes monthly. The CEO of Elisa acts as the reporting official at the meeting.

In 2007, the members of the Board were paid the following emoluments, which were decided upon and set by the Annual General Meeting:

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

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

In 2007, a total of 1,933 Elisa shares were issued to the Chairman of the Board, 1,300 shares to the Deputy Chairman, 1,300 shares to the chairman of the Committee for Auditing, and 1,051 shares to Board members. The shares purchased for the members of Elisa's Board of Directors on 28 December 2007 were entered in the members' book-entry accounts on 3 January 2008. This amount is therefore not included in the number of shares mentioned in the details provided on each member below.

The holdings of Elisa's Board of Directors in Elisa	Number of shares, 31 Dec. 2007
Mr Pekka Ketonen, Chairman of the Board of Directors	7,414
Mr Mika Ihamuotila, Deputy Chairman of the Board of Directors	4,639
Mr Lasse Kurkilahti, Board member	2,236
Mr Matti Manner, Board member	1,736
Mr Risto Siilasmaa, Board member	564
Mr Ossi Virolainen, Board member	8,402

In 2007, the Board of Directors convened 21 times. The average participation percentage in the Board meetings was 94 per cent.

CHIEF EXECUTIVE OFFICER

Elisa's Chief Executive Officer (CEO) is responsible for the day-to-day business activities and administration of the company in accordance with instructions and orders from the Board of Directors and the Finnish Companies Act. The CEO is appointed by the Board of Directors. Mr Veli-Matti Mattila served as CEO in 2007.

Remuneration of the Chief Executive Officer

During the financial period, CEO Veli-Matti Mattila was paid a total salary of EUR 789,556.66. In addition to a regular monthly salary (EUR 462,920) and a performance-based bonus (EUR 310,713), this sum also includes taxable benefits for the use of a telephone and a company-owned car. Moreover, in the framework of the 2004 management incentive plan, the CEO was paid a reward of EUR 257,134.34.

The period of notice for the CEO is six months from Elisa's side and three months from the CEO's side. Should the contract be terminated by Elisa, the Chief Executive Officer is entitled to receive a severance payment equalling the total salary of 24 months minus his salary of the period of notice.

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

Remuneration and incentive plans applicable to the CEO are described in more detail under Notes 7 and 26 to the financial statements.

ELISA'S EXECUTIVE BOARD

Elisa's Executive Board prepares the company strategy, monitors the development of results and deals with issues having substantial financial or other impacts on Elisa. The following table presents the composition of the Executive Board (1 January 2008) and the members' holdings.

The holdings of Elisa's Executive Board in Elisa	Number of shares, 31 Dec. 2007
Mr Veli-Matti Mattila, CEO	23,879
Mr Asko Känsälä, Executive Vice President, Consumer and Small Enterprise Customers	3,172
Mr Panu Lehti, Executive Vice President, Products (Consumer and Small Enterprise Customers)	300
Mr Pasi Mäenpää, Executive Vice President, Corporate Customers	–
Mr Timo Katajisto, Executive Vice President, Production	–
Mr Tapio Karjalainen, Executive Vice President, New Services and Operations	3,034
Mr Jari Kinnunen, CFO	253
Mr Jukka Peltola, Executive Vice President, Development	–
Ms Anne Korkiakoski, Executive Vice President, Communications	1,500
Mr Sami Ylikortes, Executive Vice President, Administration	2,562

RISK MANAGEMENT

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

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

Corporate governance and structure

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

INTERNAL SUPERVISION

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

INTERNAL AUDITING

The purpose of internal auditing is to assist the organisation in achieving its goals by evaluating and investigating its functions and by monitoring compliance with corporate regulations. For this purpose, it produces analyses, assessments, recommendations and information for use by the company's senior management.

Internal auditing is independent of the rest of the organisation. The starting point for internal auditing is business management and work is conducted in close cooperation with financial auditing. An annual auditing plan and auditing report are presented to the Board of Directors' Committee for Auditing. Internal auditing carries out separate audits on specific issues at the request of the Board of Directors.

AUDITORS

The auditors' principal duty is to ensure that the financial statements have been prepared in accordance with the valid regulations, so that the statements give a true and fair view of the company's performance and financial position as well as other necessary information to the company's stakeholders. Other main targets are to ensure that internal auditing and risk management has been duly organised and the organisation operates in compliance with instructions and within the framework of issued authorisations. The mutual division of labour between external and internal auditing is organised so that internal auditing will ensure that the organisation operates in accordance with the company's internal guidelines.

The company employed one external authorised auditing company in 2007. The auditing company must be duly authorised by the Central Chamber of Commerce. The auditors' term of office is the current financial period for which they are appointed. The duties of the auditors end at the close of the first Annual General Meeting following the expiration of their term of office.

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

For the 2007 financial period, the auditing fees of the Finnish group companies totalled EUR 196,000, of which the share of the parent company accounted for EUR 145,000. The auditing fees for the foreign group companies were EUR 42,000.

The auditing firm has been paid fees of EUR 584,229.75 for services not associated with auditing. These services are related to corporate arrangements, tax services, a review of regulation accounting and other expert services.

CORPORATE INSIDERS

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

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

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.

Insider administration

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

BOARD OF DIRECTORS

Mr Pekka Ketonen

(1948), D.Tech. (h.c.), Chairman of the Board of Directors, member since 2001.

- Main employment history: President and CEO, Vaisala Corporation from 1992 to 2006
- Main Board memberships and public duties currently undertaken: Chairman of the Board of Directors of VTT Technical Research Centre of Finland.

Mr Mika Ihamuotila

(1964), D.Sc. (Econ.), Deputy Chairman of the Board of Directors, Marimekko Corporation, President and CEO as of 1 February 2008, member since 2003.

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

Board of Directors

Elisa's Board of Directors from the left: Pekka Ketonen, Mika Ihamuotila, Lasse Kurkilahti, Matti Manner, Risto Siilasmaa and Ossi Virolainen

Mr Lasse Kurkilahti
(1948), B.Sc. (Econ.), member since 2005.
- Main employment history: President and CEO of Kemira Oyj from 2004 to 2007, CEO of Elcoteq Network Corporation from 2001 to 2004, CEO of Raisio Group Plc from 2000 to 2001 and CEO of Nokian Tyres Plc from 1988 to 2000.
- Main Board memberships and public duties currently undertaken: Member of the Board of Directors of Lassila & Tikanoja Plc and SRV Group Plc.

Mr Matti Manner
(1953), LL.M, attorney-at-law, member since 2005.
- Main employment history: Partner in Brander & Manner Attorneys at Law Ltd. since 1980. Manner has served as a judge and referendary in the Turku District Court and Turku Court of Appeal, as an assistant in the University of Turku's Faculty of Law, as a bailiff and as a registrar. Member of the Board of Directors of the Finnish Bar Association from 1996 to 1998, Vice President from 1998 to 2001 and President from 2001 to 2004.
- Main Board memberships and public duties currently undertaken: Chairman of the Board of Directors of Ruissalo Säätiö, member of the Board of Directors of Turun Osuuskauppa, Länsi-Suomi Yhtymä Oy and YH VS-Rakennuttaja Oy.

Mr Risto Siilasmaa
(1966), member since 2007.
- Main employment history: Founder and current Chairman of the Board of F-Secure Corporation
- Main Board memberships and public duties currently undertaken: Chairman of the Board of Directors of Ekahau Ltd., Efecte Corp. and Fruugo Ltd., Vice Chairman of the Board of Directors of the Federation of Finnish Technology Industries, Member of the Board of Directors of Blyk Ltd., Member of the Ministry of Transport and Communications' Advisory Board for Communications Administration, Member of the Board of Directors of the Confederation of Finnish Industries EK. He is also a member of the Advisory Boards of Helsinki School of Economics and Helsinki University of Technology.

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

Each member of Elisa's Board of Directors in 2007 is independent of the company's major shareholders.

Executive Board

Elisa's Executive Board from the left: Veli-Matti Mattila, Asko Känsälä, Panu Lehti, Pasi Mäenpää and Timo Katajisto

EXECUTIVE BOARD (AS OF 1 JANUARY 2008)

Mr Veli-Matti Mattila
(1961), M.Sc. (Tech.), MBA, CEO, joined the company in 2003.
- Main employment history: CEO of Oy L M Ericsson Ab from 1997 to 2003. Has held various positions in the Ericsson Group in Finland and the USA since 1986. Mr Mattila's previous career also includes expert advisory tasks in Swiss Ascom Hasler AG.
- Main Board memberships and public duties currently undertaken: chairman of the Board of Directors of the Confederation of Telecommunications and Information Technology (FiCom ry) as of 1 January 2007, deputy chairman of the Board of Employers' Association TIKLI, member of the Board of Directors of the Central Chamber of Commerce, and member of the Supervisory Board of the Finnish Fair Cooperative.

Mr Asko Känsälä
(1957), M.Sc. (Tech.), Executive Vice President, Consumer and Small Enterprise Customers, joined the company in 2003.
- Main employment history: Sales Director for the Nordic and Baltic sales unit of the Ericsson Group, member of the management group from 2001 to 2003; Sales Director of Oy LM Ericsson Ab from 1996 to 2001; Tekes, the Finnish Funding Agency for Technology and Innovation, Head of Japan's industrial secretariat from 1993 to 1996; Sales Manager at Hewlett Packard Oy from 1987 to 1993.

Mr Panu Lehti
(1970), technology and M.A. student, Executive Vice President, Products (Consumer and Small Enterprise Customers), joined the company in 2005.
- Main employment history: Joined Saunalahti Group Oyj in 2000 as Chief Technology Officer; since July 2002 Chief Operating Officer of the Internet and Teleoperator Unit. Previously, Managing Director of NIC Data Networks Ltd and Sales Manager for Nortel Networks Oy.

Mr Pasi Mäenpää
(1965), Vocational Qualification in Business Information Technology, MBA; Executive Vice President, Corporate Customers; joined the company in 2006.
- Main employment history: CEO of Cisco Systems Finland Oy from 2002 to 2006; Regional Manager for Central Europe at Netigy Corporation from 2000 to 2002; Vice President, Sales for Europe and the USA at Fujitsu from 1999 to 2000; Sales and Country Manager at Oracle Corporation in Northern, Central and Eastern Europe from 1990 to 1999.
- Main Board memberships and public duties currently undertaken: Member of the Board of Directors of Affecto Plc.

Mr Timo Katajisto
(1968), M.Sc. (Tech.), Executive Vice President, Production, joined the company on 1 January 2008.
- Main employment history: Member of the Executive Board of Nokia Siemens Networks in 2007, Strategic Projects and Quality. Member of the Executive Board of Nokia Networks from 2005 to 2007, Production and Network Installation. Various positions in Nokia Networks and its predecessor Nokia Telecommunications from 1992 to 2005.

Tapio Karjalainen, Jari Kinnunen, Jukka Peltola, Anne Korkiakoski and Sami Ylikortes

Mr Tapio Karjalainen
(1959), M.Sc. (Tech), Executive Vice President, New Services and Operations, employed by the company from 1985 to 1992 and since 2003.
- Main employment history: Several managerial tasks in Nokia Networks and its predecessors from 1992 to 2001; Member of the management group of Nokia Networks and its predecessor Nokia Telecommunications from 1998 to 2001. Various positions in Helsinki Telephone Corporation (HPY) from 1985 to 1992, including Sales Director and Departmental Director.

Mr Jari Kinnunen
(1962), M.Sc. (Econ. & Bus. Adm.), CFO, joined the company in 1999.
- Main employment history: CEO and President of Yomi Plc in 2004, CFO of Elisa Kommunikation GmbH in Germany from 1999 to 2004, Managing Director of Polar International Ltd from 1996 to 1999 and Controller from 1990 to 1996; Controller in Oy Alftan Ab from 1987 to 1990.

Mr Jukka Peltola
(1970), M.A. student, Executive Vice President, Development, joined the company in 2005.
- Main employment history: Managing Director and Member of the Board of Directors of PSS-Trade Oy, Director of Internet and Teleoperator business of Saunalahti Group Oyj since 2002.
- Main Board memberships and public duties currently undertaken: Member of the Board of Directors of Finncomm Oy, Seicapital Oy and SmartIT Finland Oy.

Ms Anne Korkiakoski
(1964), M.Sc. (Econ. & Bus. Adm.), Executive Vice President, Communications, joined the company on 1 August 2007.
- Main employment history: CEO of Euro RSCG Oy from 1992 to 2006, CEO of Euro RSCG Worldwide Nordic from 2003 to 2006, marketing communications consultant for Rubinstein Consulting from 1989 to 1992, energy and market analyst for Neste Corporation from 1986 to 1989.

Mr Sami Ylikortes
(1967), M.Sc (Econ. & Bus. Adm.), LL.M., Executive Vice President, Administration, joined the company in 1996.
- Main employment history: Executive Vice President, Administration, since 2000. Secretary to the Board of Directors 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 the Board of Directors of Employers' Association TIKLI.

Members of Elisa's Executive Board during 2007 also included Mr Matias Castrén, Mr Hannu Laakso, Mr Jukka Valtanen and Mr Matti Vikkula.

On the basis of supplementary group pension insurance, members of Elisa's Executive Board and certain members of the management are entitled to retire mainly at the age of 62.

Executive Board

MANAGEMENT INCENTIVE PLAN

On 2 March 2006, the Board of Directors passed a resolution on the adoption of a share-based incentive plan. Under the plan, key individuals designated by the Board of Directors are eligible to receive shares in the Elisa as a reward for their performance over an earnings period of two calendar years. In 2007, the plan included a total of 46 people.

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

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

Remuneration and incentive plans applicable to management are described in more detail under Notes 7 and 26 to the financial statements.

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