Annual Report 2010

Elisa delivers user experiences and enhances organisational productivity online.

Content

Shareholder information

Annual General Meeting

Elisa's Annual General Meeting 2011 will be held at the Helsinki Fair Center, Congress entrance, Messuaukio 1, Helsinki, at 2:00 pm on Friday, 25 March 2011.

Shareholders registered in the company's shareholder register maintained by Euroclear Finland Ltd by Tuesday, 15 March 2011, are eligible to attend the Annual General Meeting.

A shareholder, who is registered in the shareholders' register of the company and who wants to participate in the Annual General Meeting, shall register for the Meeting no later than March 18, 2011 at 6:00 p.m. by giving a prior notice of participation. Such notice can be given:

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

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

Profit distribution policy

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

The Board of Directors proposes to the Annual General Meeting that the profit for the period 2010 shall be added to accrued earnings and that a dividend of EUR 0.90 per share be paid based on the adopted financial statements 2010. The dividend will be paid to the shareholders registered in the Register of Shareholders held by Euroclear Finland Ltd on the record date March 30, 2011. The Board of Directors proposes that the dividend be paid on April 7, 2011.

Financial information

In addition to an annual report in electronic format, Elisa will publish interim reports on 20 April 2011, 19 July 2011 and 21 October 2011 in Finnish and in English. The annual report will be available in electronic format at www.elisa.fi.

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

The contact person for Elisa's Investor Relations:

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Elisa in brief

In addition to being an efficient network service provider, Elisa offers and develops new, tailor-made and interesting services to its customers. ICT services aimed at corporate customers and online services aimed at consumer customers are on the increase.

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

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

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

Elisa in 2010

The positive development in general economic conditions continued in 2010. However, the business environment has not fully recovered to the level preceding the recession.

The competitive environment was tough but stable during the report year. The favorable development in the number of mobile subscriptions and the use of data services continued. The use of services made available through 3G subscriptions also increased. Other factors contributing to the growth in subscriptions included the use of multiple terminal devices for different purposes and mobile broadband services.

The smartphone market started to grow during the report year due to a wider range of phones. Smartphones increase the use of the Internet, email and different applications, and thus the use of mobile data services.

Elisa's profit distribution in 2010 included capital repayment and dividend payment. Elisa paid a capital repayment of EUR 0.92 per share. Shareholders also received an extra dividend of EUR 0.50 per share in November.

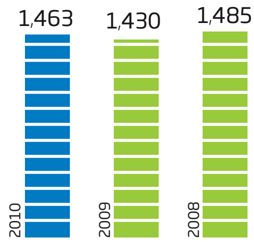
In 28 December 2010, the proportion of the total Elisa shares and voting rights held by mutual funds under investment management of Capital Research and Management Company exceeded five per cent.

In 2010, Elisa donated a total of EUR 650,000 to support science, research and education at Finnish universities. Aalto University was granted a donation of EUR 500,000. Donations were also granted to Jyväskylä University, Turku University and Helsinki University.

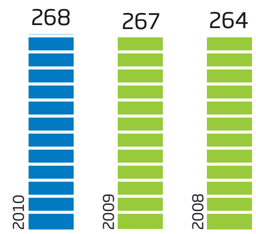
Key indicators:

EUR million	2010	2009	2008
Revenue	1,463	1,430	1,485
EBITDA	485	484	472
EBIT	268	267	264
Profit before tax	197	235	228
Net result	151	177	177
Earnings per share, EUR	0.96	1.13	1.12
Research and product development	10	10	11
Investments in shares	35	6	15,
Capital expenditures	182	171	184
Equity ratio, %	43	46	43
Gearing, %	93	80	93
Employees on 31 Dec	3,665	3,331	3,017

Revenue
EUR million



EBIT
EUR million



Report of the CEO

The general economic situation in Finland showed positive development in 2010. Consumer demand continued to be good. At the beginning of the year, corporate customers were somewhat cautious but the demand picked up in the second half of the year. The economic situation in Estonia stabilized and started to show positive development.

In 2010, competition in the Finnish telecommunications market continued to be challenging but the situation remained stable. The popularity of smartphones, tablets and their applications increased rapidly. Smartphones accounted for 45 per cent of the total of sold new mobile phones in the fourth quarter. The development of new terminal devices opens good business opportunities also for Elisa.

The strong growth in mobile subscriptions continued in Finland. Reasons contributing to the growth included the increasing popularity of mobile broadband services and the interest shown by consumers in new smartphones. A slight decline in the fixed network broadband subscriptions normalized as customers started to appreciate properties offered by the fixed broadband network for IPTV services, for example.

Integrated Elisa

Our strategy to build an integrated Elisa and to improve profitability has produced results. There are still huge possibilities to improve customer satisfaction and productivity. We centralized information systems further, shortened delivery and repair times, and invested in customer service that meet the needs of our customers. We opened the Omaguru specialist help service for households and small enterprises. In addition, we improved our customer service by informing customers proactively about the operation of our networks. We will determinedly continue to develop our operation with the intention of improving quality and profitability.

We made investments at the same rate as in the past few years, thus remaining the most significant investor in our field. Our reported investments in the ICT infrastructure totaled overEUR 180 million. As compared with other operators, Elisa has remained the biggest investor over the past five years. We made considerable investments in network and service systems, such as fixed network access and trunk networks. In 2010, we multiplied the capacity and speed of our 3G network. An independent study shows that Elisa still has the most extensive 3G network, as compared with other Finnish operators. Through continuous investments in our network, we respond to data transfer needs that have grown powerfully as a result of the increasing popularity of smartphones. We also introduced a new fourth generation (4G) network in Helsinki. The 4G network is used in high-quality virtual negotiations, for example.

Market position to be strengthened with new services

In line with our strategy, we continued to offer new services to our customers. The most versatile IPTV service in Finland, Elisa Viihde, continued to develop favorably as a result of its increasing number of users. Our customers appreciate the service due to its versatile functions and meaningful contents. We made a cooperation agreement with the Swedish Voddler video service, which made thousands of extra videos available to Elisa Viihde service customers. More and more customers became aware of the Elisa Vahti home security service. In addition, we launched the new Elisa Kirja audio book service with the most extensive selection of Finnish audio books.

We implemented our strategy as an ICT service provider for companies. Services provided by Elisa have proven successful in situations in which a company or a public administration organization is looking for good options to improve its productivity and the flexibility of operations. We bought the whole capital stock of Appelsiini Finland Oy that offers IT outsourcing services. We also bought the majority of shares of Videra, the video conference service provider. These acquisitions strengthened Elisa's market position in IT outsourcing services, and Elisa became the leading video conference solution provider in the Nordic countries.

Personnel development and environment

We determinedly focused on the development of personnel competence through active job rotation, and comprehensive training and coaching programs. We invested in different virtual solutions to help our employees save time and boost daily working methods. Our personnel fund increased on the basis of the result for 2010.

Elisa donated a total of EUR 650,000 to support science, research and education at Finnish universities. Aalto University was granted a donation of EUR 500,000. Donations were also granted to University of Jyväskylä, University of Turku and University of Helsinki.

Moreover, friendliness to the environment and energy efficiency are important focus areas to us. In 2010, we implemented an internationally unique total energy solution in the new service center in Espoo. Heat generated by its servers will be entirely utilized for district heating in Espoo.

Results and profit distribution

Elisa's revenue grew faster than the European reference group's revenue although the growth has been only two per cent after the recession. Elisa maintained a healthy profitability in 2010, and it was in accordance with our guidelines for the beginning of the year. Thanks to steady and solid financial performance, healthy equity ratio and strong cash flow, our ability to pay dividends on the basis of the 2009 earnings was one of the strongest, as compared with other listed companies in Finland. The Board of Directors will propose also to this spring's General Meeting that an excellent profit distribution be paid to the shareholders.

In our business, we will determinedly focus on improving customer satisfaction and productivity, and on developing our expanding service range. I believe that our business will show positive development in 2011, too.

I would like to thank our customers for the trust they have shown and our shareholders for their confidence in Elisa's success. I would also like to thank each Elisa employee for their commitment and contribution to the company's success in 2010.

Veli-Matti Mattila
CEO

Consumer Customers

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

Our business showed positive development in 2010. We improved customer satisfaction and our cost-efficiency as well as launched new services to the market. In line with our strategy, we secured our position further as the market leader in consumer customers' communications services with regard to mobile subscriptions and fixed network voice services. In cable TV services and in fixed broadband subscriptions we retained our market position among the top players.

We currently serve approximately 1.5 million households, which own approximately 3.1 million Elisa mobile and fixed network subscriptions. Mobile subscriptions represent about 2.2 million of the total, fixed network subscriptions approximately 250,000, and broadband subscriptions about 350,000. In addition, we have around 250,000 cable TV customers.

We provide our customers with mobile services through Elisa's first-rate 3G network with the best proven coverage in Finland.

Meaningful contents and new user experiences

Our large clientele allows us to continuously develop and offer services that deliver superior user experiences to our subscription customers. Our service business is organized under the Elisa brand.

The Elisa Viihde entertainment service has increased its popularity and is currently the market leader in IPTV services. As a result of the high demand for Elisa Viihde, we extended its regional availability and thus made it available nationwide to all major growth centers. We have also increased the content significantly with new TV channels and films. The Elisa Viihde service was supplemented with 17 new channels in 2010. Consumers can currently enjoy new interactive special contents, such as NHL games and F1 competitions.

In the fall of 2010, Elisa became the first company in Finland to begin cooperating with the Swedish Voddler video service. This service provides Elisa's customers with an opportunity to watch online, free of charge, thousands of videos with their own PCs. The video service brings more than 2,500 quality films, TV series and documentary films within reach of our customers.

The Elisa Vahti home security service was received well by consumers. The service allows the user to monitor online, for instance, what happens at home or at their summer cottage. We have developed the service further on the basis of the customer feedback obtained in 2010. The awareness of the Elisa Vahti service has grown favorably and the service has fulfilled the requirements set for it.

Elisa Kirja, launched in June 2010, is one of our totally new services. It makes all audio books published in Finland available to consumers in mp3 format. Elisa cooperates with all the most significant publishers in Finland.

First-rate customer services

We develop our customer services on a continuous basis as satisfied customers are the cornerstone of our successful operation. We have improved Oma Elisa and Oma Saunalahti self-service channels by providing them with new functions. Omaguru, another new service, was received favorably by customers. It is a specialist help service that offers unrivaled technical guidance and installation assistance. Omaguru provides our customers with guidance in the introduction, use and installation of different digital equipment, systems and applications, and thus offers them more extensive help than before.

Our determined focus on customer service improvement in both self-service channels and telephone services has produced results. The studies conducted by the IROResearch market research agency show that Saunalahti enjoys the country's highest rate of customer satisfaction.

Strong subscription business in future as well

In 2011, Elisa will continue to implement its strategy. We will further strengthen our ability to offer affordable and high-quality subscriptions to our customers. We will invest in the service business by launching new services and meaningful new features.

To improve the conditions for subscription and service business operations, we will continue to make sizeable investments in the network to increase the availability and coverage of the mobile broadband network.

Our key objective is to improve customer satisfaction and the quality of our products and services.

We provide our customers with mobile services through Elisa's first-rate 3G network with the best proven coverage in Finland.

Elisa Kirja, launched in June 2010, makes all audio books published in Finland available to consumers in mp3 format.

Corporate Customers

The Elisa Corporate Customers unit offers ICT services that help enterprises and public sector customers develop their operations and improve their productivity. Our ability and willingness to understand our customers' business and communications needs and thus provide them with services that enable them to be of better service to their own customers.

All our services are available online. We implement our services so that they optimally meet the requirements set by our customers' processes and business requirements. Our service range includes solutions for office, production and customer service environments. Our deep understanding of our customers' business, our long history, experience, telecom competence as well as secure data network and service platforms provide us with excellent capabilities to develop new ICT services.

The Corporate Customers unit offers services worldwide to about 150,000 corporate customers in different industries and the public sector. We provide services through a nationwide network of 12 offices extending from Kemijärvi to Helsinki.

Stronger position with acquisitions

We expanded our position as an ICT service provider and supplemented our service range with product development, new services and successful acquisitions. We acquired the whole capital stock of Appelsiini Finland Oy to supplement our infrastructure services. Combining the IT services offered by Appelsiini with Elisa's current service range allows us to provide enterprises with the market's strongest ICT service package in the segment of medium-sized enterprises.

New services and acquisitions consolidated our position as an ICT player.

We also consolidated our position by acquiring the majority of shares of Videra, the leading video conference service provider in the Nordic countries. Combining Elisa's and Videra's fields of expertise makes it possible to utilize interactive communications solutions in a new way, for instance, in customer service, training and healthcare in private and public sectors.

Increased productivity and efficiency with new services

In addition to providing new services, in 2010 Elisa invested in the development of quality matters and the understanding of customer needs on a long-term basis. We want to lead the way and develop our service offering to better meet the needs of organizations in a changing world. As working has become increasingly mobile and international, the requirements set for our communications media have tightened as well. At the same time, the distinction between working hours and leisure time has blurred and flexibility increased. Changes in working methods result in changes in management methods. Moreover, environmental issues certainly deserve more attention.

Virtual collaboration improves interaction across organizational and geographical boundaries while saving costs and the environment. Elisa continued to enhance its expertise and the selection of new video conference services. Elisa launched an Android video conference solution to give a chance to employees to take part in video conferences directly with a smartphone or a tablet computer.

Virtual collaboration services have also significantly improved our own productivity. We are one of the biggest users of virtual conference services in Finland. We opened, for instance, virtual corporate service points in Kajaani, Kuopio and in Tapiola Espoo.

By using virtual conferences we created significant calculatory savings in 2010: about 46,000 two-way trips went unmade, more than 100,000 working hours unused and about 1,186,000 kilograms of carbon dioxide emissions unproduced.

We continued to develop Elisa Cloud Computing services to enable the leasing of data centers, application development platforms and software programs through a cloud. Customers can themselves manage the whole service package from their own workstations, build a data center in minutes and manage their data center services in real time. This service is focused on small and medium-sized enterprises to allow them to acquire the services they need flexibly and in segments.

The increasing popularity of electronic services and electronic invoicing also generates cost and environmental savings. Elisa has launched Finland's most extensive Internet based electronic financial administration software, which is designed for small and medium-sized enterprises. Electronic financial administration now allows customers to spend the time they used to reserve for traditional routines on the management of business and sales operations or customer service, while also decreasing the carbon footprint of the company.

In 2010, we continued to further develop our customer service solutions and also launched new innovative services. We incorporated personal customer service into our online services for corporate customers. This allows customers to establish a voice or instant message connection through a website with the service provider's customer service by pressing one button only. Furthermore, we provided our corporate customers with Elisa Dialog, a two-way short message service designed for communications, customer service and marketing. This service makes it possible to focus the sending of customized messages accurately in order to fulfill the needs of each target group.

Innovative ICT service development

In 2011, we'll put effort into developing new communications services and make them available to our customers both in Finland and abroad. We want to strengthen our position as the leading provider of video conference services in the Nordic countries and continue the development of new IT, telecom, visual communications and customer interaction services. In addition to developing our own customer service, we'll continue to enhance electronic assistance services, such as online purchasing and Oma Elisa services.

Changes in working methods result in changes in management methods as well.

Elisa Estonia

The number of Elisa's subscriptions increased in 2010 due to the growing popularity of the mobile broadband.

The economic recession has clearly slackened in Estonia and its deepest phase was passed in 2010. According to Statistics Estonia, GDP increased all year round in Estonia in the year under review. Elisa Estonia's full year revenue was EUR 84 million.

Elisa got more than 80,000 new customers in Estonia during the year. At year-end, the number of customers totaled 438,000.

In August 2010, Elisa reached a top position with regard to the portability of phone numbers. According to statistics kept by the Estonian Technical Surveillance Authority, customers have, in the second half of the year, clearly preferred Elisa's network to others when porting their numbers.

Elisa as a trailblazer

Elisa Estonia was a trailblazer in 2010 with regard to mobile Internet-based services in the Estonian telecommunications markets. The number of mobile broadband users started to grow due to mobile broadband service packages offered to the market. These packages attracted consumers to buy as they enable unlimited data transfer.

According to TSN Emor, Estonia's leading market research firm, Elisa Estonia is the market leader in the mobile broadband services with its market share of over 30 per cent.

Tough price competition

The price competition is tough in the Estonian telephone service business, and therefore the price level of operators has decreased noticeably. Comparison of prices in the Estonian mobile services with those across Europe reveals that the price level in Estonian mobile phone markets is very consumer-friendly.

Elisa Estonia guarantees to provide its customers with the best possible service quality. In the year under review, Elisa expanded 3G and 2G coverage areas greatly by establishing 173 new base stations around Estonia.

Elisa Estonia guarantees to provide its customers with the best possible service quality.

Elisa aims at offering the fastest data transfer connection in cities, towns and provinces where the company has a 3G network. Elisa was the first operator in Estonia and the third in Europe to introduce UMTS900 technology. The 3G network operating on lower frequencies enables us to expand the 3G coverage area cost-effectively across sparsely populated areas.

Elisa Estonia reduced the prices of mobile Internet-based services, phone calls and SMS messages in foreign countries from 1 July 2010 due to EU regulations.

Elisa intends to grow in Estonia, in particular, through mobile broadband services as well as traditional prepaid and postpaid services.

Personnel and the Environment

Elisa's focus areas in 2010 were to establish a results and goal oriented work culture where people strive for excellence and continuous improvement. Other objectives were to promote well-being at work and leadership that inspires people and delivers results.

Elisa provides its personnel with good benefits. We promote:

- flexibility at work and flexible working hours
- teleworking as an environmentally friendly option
- the use of good tools to enable mobile working anywhere and at any time
- the use of our own services and products to enable us to help our customers
- physical exercise and a healthy lifestyle to support coping and well-being at work.

Elisa's personnel, supervisors and management work together to develop Elisa into an excellent workplace that attracts skilled, innovative and committed people, and encourages these people to develop services that deliver superior user experiences and overall solutions that improve productivity. Elisa has shared company-wide HR practices in several fields, including recruitment, promotion of well-being at work, work community development, competence development, remuneration and incentives.

Work Community Development and Well-Being

Possibilities to coordinate work and leisure time are important drivers with regard to high performance, personnel's work satisfaction and well-being at work. Elisa's multi-space working environment features virtual tools and solutions that support the Elisa brand and mobile working. The popularity of teleworking further increased in 2010. Teleworking was considered to be an efficient and productive working method that facilitates the coordination of work, leisure time and family life, which in turn contributed to enhanced personnel well-being.

In-house mobility (job rotation and relocation), different training and coaching programs, support to personnel's independent studies as well as study leaves and job alternation leaves enhance the expertise of people and their well-being. All these elements were efficiently utilized in 2010.

A personnel survey conducted in September 2010 showed that employee satisfaction had further improved in almost all of the areas covered by the survey. The internal employer image and the feeling that Elisa cares about its personnel improved significantly in 2010. The survey results were discussed under the leadership of supervisors. The personnel and the supervisors decided together upon development actions that help individual groups and supervisors improve their own operations in 2011. Development of the working atmosphere in the most critical areas was and will be monitored quarterly with a Resource Index.

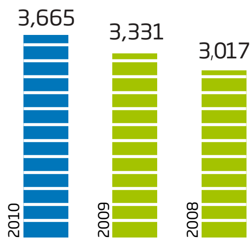
Elisa participated for the first time in the Great Place to Work survey. It was decided to highlight development objects vital to the personnel on the basis of the survey's Trust Index results. They will be used as a help when developing excellence in the work community.

Intensive cooperation with the occupational health care organization is very important to personnel's well-being. The focus areas in 2010 included preventive actions and efficient local collaboration.

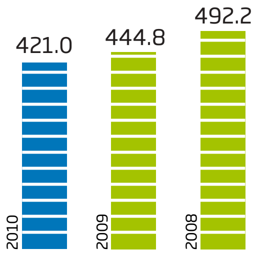
Elisa's employees working in different locations could take exercise and take advantage of cultural services together by means of opportunities offered by regional recreational activities. Popular activities included team sports, going to the gym, employees' exercise breaks and instructed walking and exercise classes. So-called health kiosks were considered to be a comfortable and flexible way of checking up on your own lifestyle and health related issues. Long-term coaching programs designed for improving well-being were continued and employees participating in those programs focused on getting physically fitter and adopting a healthier lifestyle.

Personnel and the Environment

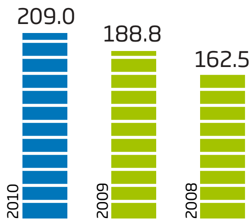
Number of employees



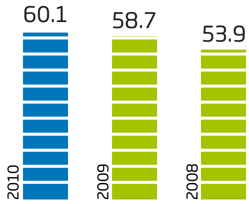
Revenue per employee
EUR 1,000



Personnel costs
EUR million



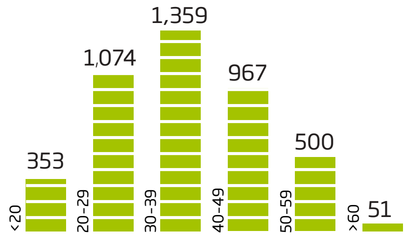
Personnel costs per employee
EUR 1,000



Number of employees, gross capacity and gender distribution

	2010	2009	2008
Total number of the employees	**3,665**	3,331	3,017
Gross capacity	**4,303**	3,986	3,589
Male	**2,577**	2,394	2,050
Female	**1,726**	1,592	1,539

Personnel age structure



Promoting Equality

Elisa has prepared an equality plan annually since 2006. The equality plan for 2010 addressed remuneration, career development, group formation, the weight of equality issues and well-being at work.

Women were encouraged to seek better career opportunities, and general awareness of equality was increased by including more questions on equality in the personnel survey. One of the objectives set for 2011 was to expand the possibilities for teleworking and establish it as a common working method.

One of the key drivers of well-being for employees is the opportunity to influence their work. Measures taken in 2010 towards this target included expanding small group activities for new work communities and new locations, particularly in customer service organizations.

Industrial Safety and Work Environment Operations

In 2010, a new work environment and well-being cooperation organization stabilized its position to meet the needs for change in the business. The cooperation organization consists of the work environment committee, the work environment development steering group and regional recreational committees.

The work environment committee discussed various psychological and social work environment issues, their monitoring, observation and shared policies. The focus areas in 2010 related to coping at work and psychological stress, challenges set by mobile working, contact center and help desk work conditions as well as the prevention of workplace harassment and bullying by increasing knowledge and understanding.

Personnel Development

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

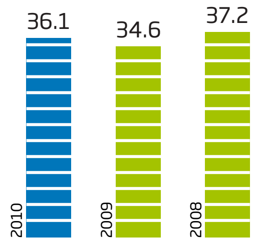
We highlighted in-house mobility; i.e. active job rotation and relocation, as one of our overall competence development issues. Less than 10 per cent of Elisa's personnel changed jobs temporarily or permanently in 2010.

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

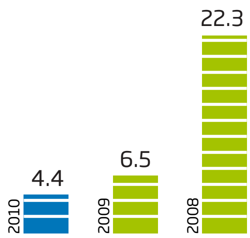
In the autumn of 2010, Elisa started a management coaching program that consists of three training modules with the duration of one week each. The first module was implemented in November 2010. Two other modules will be implemented in the first half of 2011.

Personnel and the Environment

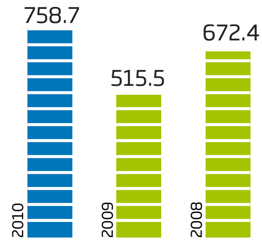
Average age structure



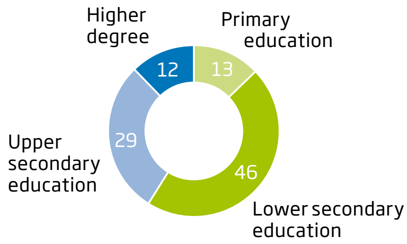
Staff turnover rate, %



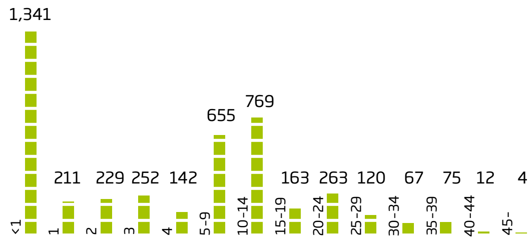
Training expenditure per employee, EUR



Educational structure, %



Distribution according to length of employment



Elisa's traditional long-term coaching programs included training for new supervisors and the Elisa Pro for distinguished salespersons and customer service personnel at the customer interface. Competence-based vocational qualifications launched by Elisa in 2010 included the Specialist Qualification in Management (JET), the Specialist Qualification in Product Development and the Further Qualification in Sale. Several tens of employees at Elisa will take part in these training events with the duration of over six months.

More than 200 shorter training events were arranged in 2010. Their duration was from 0.5 to 2 days. Training organized in an online learning environment is nowadays increasingly popular. The supervisor and personnel training that strengthens Elisa's work culture and aims at high performance and excellence were organized in the online learning environment and by means of joint review exercises with the goal of developing processes. Every employee at Elisa took part in the training in 2010.

Elisa Meeting Center was still used very actively as a venue for virtual meetings and training events. Elisa subsidized its personnel's independent studies in training programs chosen by the people themselves.

Cooperation with Educational Institutions

Elisa cooperates with several educational institutions, providing students with different kinds of opportunities for becoming familiar with today's working life. In 2010, closer cooperation was conducted with Aalto University and a few universities of applied sciences.

Employer-Employee Cooperation

For cooperation, 2010 was in many ways exceptional. Collective labor contracts in the ICT sector were in effect until the end of June 2010. Negotiations for new contracts began in April. A three-year collective labor contract was bargained with the Federation of Professional and Managerial Staff (YTN) in June 2010, but negotiations between the Union of Salaried Employees (present Pro) and the Employers' Association TIKLI went on until the contract was finally made at the end of September. The contract is valid for two years.

Positive cooperation covered personnel relocation services that were introduced at the beginning of 2010 and focused on personnel members left without work due to organizational measures, change in business, the market situation or other similar reasons. Elisa provides these persons with more efficient and in-depth training to prepare them to search for a solution to their individual situations either from Elisa or outside Elisa. Elisa introduced a change planning model three years ago and its application in practice continued in 2010. Elisa has established efficient relocation services to be used after the application of that model ends.

Environmental Responsibility

Elisa wants to be involved in the building of the low-carbon society and in the promotion of sustainable development. It can reach this objective by decreasing both Elisa's own and customers' carbon footprint with the help of Elisa's services. These objectives are reached with continuous measurement and assessment.

It is possible for the ICT sector to indirectly reduce the amount of all greenhouse gas emissions as much as 15 per cent by 2020. Each human being is, on his/her own part, responsible for the future. In its sector, Elisa can affect the future significantly by offering technology that helps customers reduce their own carbon footprint, and by adopting energy saving solutions.

The reduction of customers' carbon footprint directs Elisa's environmental responsibility towards operative operations in company's business units, and therefore it is part of Elisa's business potential. Elisa started to build a new server centre in the spring of 2010. It is implemented together with the leading energy company as an internationally unique and environmentally friendly solution. In a traditional solution, server room carbon dioxide emissions would total some 2,000 tonnes of carbon dioxide (tCO_2). However, in the solution under construction, the computer room emission balance is negative because the heat generated by the servers will be fully utilized in district heating in Espoo. As a result of the heat utilisation, the computer room reduces the amount of emissions in the Espoo region by a total of about 7,500 tCO_2.

On 1 July 2010, Elisa initiated carbon dioxide emissions measurements setting clear targets for the measurements. The use of reliable calculation methods allows Elisa to demonstrate concrete numbers for the reduced carbon dioxide emissions. The calculations will be checked by independent limited assurance engagement. In the second half of 2010, the calculatory emissions by customers fell by more than 1,247 tCO_2 and those by the company were reduced by more than 1,620 tCO_2. The radio network's emissions per subscription decreased in the fall by 1.9 per cent while emissions fell more than 55 per cent in proportion to the package data volume, as compared with the reference period in 2009.

A more detailed report on Elisa's environmental responsibility indicators H2/2010 is available on Elisa's website at www.elisa.fi.

The report of the Board of Directors and financial statements

The report of the Board of Directors for the year 2010

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

Market situation

Positive trends in the general economy have continued. However, general business activity has not yet fully recovered to its pre-recession level.

The competitive environment remained keen in Finland. The mobile subscription base and the use of data services continued to evolve favourably. The mobile smartphone market is developing briskly. With broader assortment now available, a significant portion of the mobile handsets sold is smartphones. The use of services made available through 3G subscriptions has increased. Other factors contributing to the growth have been the use of multiple terminal devices for different purposes, mobile broadband services and prepaid subscriptions. Churn in mobile subscriptions has increased due to more aggressive campaigning.

The number and usage of traditional fixed network subscriptions decreased at the same pace as in the previous quarters. The number of fixed broadband subscriptions increased slightly, while the strong subscription growth in mobile broadband continued.

Revenue, earnings and financial position

Revenue and earnings:

EUR million	**2010**	2009	2008
Revenue	**1,463**	1,430	1,485
EBITDA	**485**	484	472
EBITDA-%	**33.1**	33.8	31.8
EBITDA excluding non-recurring items	**485**	484	478
EBITDA-% excluding non-recurring items	**33.1**	33.8	32.2
EBIT	**268**	267	264
EBIT-%	**18.3**	18.7	17.8
Return on equity, %	**17.4**	19.9	18.5
Equity ratio, %	**42.5**	46.1	43.3

Revenue increased by 2 per cent on the previous year. Revenue grew in the Consumer Customers mobile services and equipment sales, as well as in Corporate Customers mobile and ICT services. Consumer Customers online services also contributed positively to revenue growth. Development of traditional fixed telecom services in both segments affected revenue negatively.

EBITDA was at the previous year's level. Revenue growth in the mobile services and productivity improvement measures improved EBITDA, but on the other hand strong growth in the number of mobile subscriptions together with higher churn increased the sales costs. Personnel costs were also higher than a year ago as a result of higher call centre activities and acquisitions.

Financial income and expenses totalled EUR -71 million (-33). Financial expenses increased mainly due to the EUR 40 million settlement of the CDO guarantee liability (see Note 33 to the consolidated financial statements). Interest expenses decreased EUR 2 million from the previous year. Income taxes in the income statement amounted to EUR -47 million (-58). Elisa's earnings after taxes were EUR 151 million (177). The Group's earnings per share (EPS) amounted to EUR 0.96 (1.13).

Financial position:

EUR million	**31.12. 2010**	31.12. 2009	31.12. 2008
Net debt	**776**	719	812
Net debt / EBITDA [1]	**1.6**	1.5	1.7
Gearing ratio, %	**93.2**	79.8	92.8
Equity ratio, %	**42.5**	46.1	43.3

EUR million	**2010**	2009	2008
Cash flow after investments	**172**	252	260

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

Elisa's cash flow after investments was EUR 172 million (252). Cash flow was lower than a year ago mainly as a result of the EUR 40 million CDO guarantee settlement payment, higher capital expenditure and acquisitions. Change in net working capital was EUR 7 million (37).

Changes in corporate structure

In April, Elisa strengthened its position as an ICT player by acquiring a majority holding in Videra Oy, a leading video conferencing company in the Nordic countries. Videra became part of the Elisa Group and Elisa's holding is 68.8 per cent. Videra continues its operations as Elisa's subsidiary. The acquisition price was EUR 11 million.

In September, Elisa launched cooperation with Voddler, a Swedish internet video service. To engage in closer cooperation and support Voddler's internationalization, Elisa invested EUR 3 million and received 8 per cent of Voddler's shares.

In November, Elisa acquired the entire share capital of Appelsiini Finland Oy. The acquisition price was EUR 17 million including EUR 2 million cash in the company. Appelsiini continues its operations as a 100 per cent owned Elisa subsidiary.

Consumer Customer business

EUR million	**1-12/ 2010**	1-12/ 2009
Revenue	**885**	848
EBITDA	**290**	284
EBITDA-%	**32.7**	33.5
EBIT	**165**	161
CAPEX	**108**	92

The Consumer Customer business revenue grew by 4 per cent. Revenue growth was driven by mobile broadband and other mobile services as a result of increased subscriptions and equipment sales. The growth trend in online services continued and strengthened. Fixed network services revenue continued to decrease. EBITDA grew by 2 per cent mainly due to increased revenue. The Estonian business' revenue and EBITDA decreased.

Corporate Customer business

EUR million	**1-12/ 2010**	1-12/ 2009
Revenue	**578**	583
EBITDA	**195**	200
EBITDA-%	**33.8**	34.3
EBIT	**103**	107
CAPEX	**76**	79

Corporate Customers business revenue decreased by 1 per cent. Usage of mobile services and the increased number of subscriptions increased mobile revenue. ICT services growth was enhanced by acquisitions. Traditional fixed telecom services revenue continued to decrease. The decrease in EBITDA was attributable mainly to the decline in revenue.

Personnel

In January-December, the average number of personnel at Elisa was 3,477 (2009 average 3,216 people, 2008 average 2,946 people). Employee benefit expenses in 2010 totalled EUR 208 million (2009 EUR 189 million and 2008 EUR 162 million). Personnel at the end of 2010 amounted to 3,665 (3,331). Personnel by segment at the end of the period:

	31.12.2010	31.12.2009
Consumer Customers	**2,084**	1,975
Corporate Customers	**1,581**	1,356
Total	**3,665**	3,331

Compared to 2009, the number of personnel grew mainly through acquisitions and growth in call centres. The call centre headcount varies flexibly according to business activity. Acquisitions increased the number of personnel by 181.

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

In December, Elisa's Board of Directors decided that the potential reward from the earning period 2011 will be based on the Elisa Group's earnings per share and revenue in 2011. The plan is directed to approximately 160 people. The maximum reward payable in the earning period 2011 on the basis of the plan is 909,000 Elisa shares.

Investments

EUR million	**1-12/ 2010**	1-12/ 2009
Capital expenditures, of which	**184**	171
- Consumer Customers	**108**	92
- Corporate Customers	**76**	79
Shares	**35**	6
Total	**218**	178

In 2010, the main capital expenditures relate to the capacity and coverage increase of the 3G network, as well as to other network and IT investments.

Financing arrangements and ratings

Valid financing arrangements:

EUR million	Maximum amount	**In use on 31.12.2010**
Committed credit lines	300	**32**
Commercial paper program [1]	250	**102**
EMTN program [2]	1,000	**625**

[1] The program is not committed

[2] European Medium Term Note program, not committed

Long-term credit ratings:

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

The Group's cash and undrawn committed credit lines totalled EUR 300 million at 31 December 2010 (EUR 331 million at the end of 2009).

In March, Elisa issued a EUR 75 million bond under its EMTN programme. The bond has a three year maturity and pays 3 per cent interest.

The CDO guarantee dispute regarding the extent and scope of Elisa's obligations and liability to the arranger bank has been settled and the guarantee terminated in December. The final amount of the guarantee expense is EUR 40 million, which is EUR 5 million less than the provision booked in the first quarter of 2010. The guarantee liability is referred to in Note 33 of the consolidated financial statements.

The report of the Board of Directors for the year 2010

Share

Trading of shares	**1-12/ 2010**	1-12/ 2009
Shares traded, millions	**144.7**	180.6
Volume, EUR million	**2,226.7**	2,170.0
% of shares	**87.0**	116.1

Shares and market values	**31.12.2010**	31.12.2009
Total number of shares	**166,307,586**	166,307,586
Treasury shares	**10,534,506**	10,688,629
Outstanding shares	**155,773,080**	155,618,957
Closing price, EUR	**16.27**	15.96
Market capitalisation, EUR million	**2,534**	2,484
Treasury shares, %	**6.33**	6.43

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

In March, Elisa distributed a capital repayment of EUR 0.92 per share, totalling EUR 143 million, in accordance with the decision of the shareholders at the Annual General Meeting.

Elisa transferred 156,633 Elisa shares in March to persons involved in the 2009–2011 share-based incentive plans. In June, 2,510 shares given under the share-based incentive plan were returned to the company.

In the first quarter, Elisa and Vodafone renewed their partnership and long-term cooperation agreement. As a part of the new agreement, the clause allowing Vodafone to participate in potential Elisa share bids, as per the 2002 agreement, was removed.

In May, Elisa received a notice that BlackRock Inc.'s proportion of the total number of Elisa shares and voting rights had decreased below 5 per cent (1/20) and was at that date 4.94 per cent (8.2 million shares).

In October, Elisa distributed an extraordinary dividend of EUR 0.50 per share totalling EUR 78 million, which was distributed out of retained earnings. No dividend was paid on treasury shares held by Elisa.

The strike price of the Elisa 2007 stock options series 2007A is EUR 16.62, series 2007B is EUR 9.47 and series 2007C is EUR 12.57. Future dividends and capital repayments will be deducted from the subscription price upon payment. The share subscription period for 2007B stock options began on 1 December 2010 and it will end on 31 May 2012. For 2007A it began on 1 December 2009 and will end on 31 May 2011.

In November, Elisa made a decision to apply for listing of the Elisa 2007B stock options on the NASDAQ OMX Helsinki Ltd as of 1 December 2010. The total number of outstanding 2007B stock options is 850,000. Each 2007B stock option entitles its holder to subscribe for one (1) Elisa share. Elisa's subsidiary, Fonetic Oy, is in possession of 273,000 2007B stock options, but may not subscribe for new shares with stock options.

In December, Elisa received a notice that the total proportion of Elisa shares and voting rights held by mutual funds under investment management of Capital Research and Management Company has exceeded five per cent (8,395,128 shares). Capital Research and Management Company does not own the shares for its own account. The shares are owned by mutual funds under the discretionary investment management of Capital Research and Management Company.

In December, a total of 400 shares were subscribed for with 2007B option rights. The subscriptions will be approved in 2011.

Research and development

The Group invested EUR 10 million in research and development, out of which EUR 2 million has been capitalised in 2010 (EUR 10 million in 2009 and EUR 11 million in 2008), corresponding to 0.7 per cent of revenue (0.7 per cent in 2009 and 0.7 per cent in 2008).

The Annual General Meeting

On 18 March 2010, the shareholders at the Annual General Meeting decided on a capital repayment of 0.92 Euros per share based on the adopted financial statements 2009.

The Annual General Meeting adopted the financial statements for the period in question. The members of the Board of Directors and the CEO were discharged from liability for 2009.

The number of the members of the Board of Directors was confirmed at seven (7). Pertti Korhonen, Ari Lehtoranta, Raimo Lind, Eira Palin-Lehtinen, Risto Siilasmaa and Ossi Virolainen were re-elected as members of the Board of Directors and Leena Niemistö (Managing Director at Medical Center Dextra) as a new member of the Board of Directors.

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

The Annual General Meeting accepted the proposal to amend the provision on the notice of a general meeting in the Articles of Association. The main change is that the publication date of a notice corresponds to the amended Finnish Companies Act.

The Board of Directors' authorisations

The Board of Directors was authorised to donate a maximum of EUR 700,000 to support activities of Finnish universities and colleges during 2010. Based on this authorization, the Board of Directors made donations to the Aalto University, the University of Jyväskylä, the University of Helsinki and the University of Turku totalling EUR 650,000.

The shareholders at the Annual General Meeting accepted the proposal of the Board of Directors to resolve to distribute funds from unrestricted equity to a maximum amount of EUR 100 million, of which EUR 78 million is used. The authorisation is effective until the beginning of the following Annual General Meeting.

The shareholders at the Annual General Meeting decided on the authorisation to repurchase or accept as pledge the company's own shares. The repurchase may be directed. The amount of shares under this authorisation is maximum 10 million. The authorisation is effective until 30 June 2011.

The report of the Board of Directors for the year 2010

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

Significant legal issues

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

There is an investigation by the Finnish Communications Regulatory Authority regarding the wholesale pricing of Elisa subscriber lines (local loop). The Finnish Competition Authority, however, ended the investigation on Elisa household cable pricing.

In May, the Finnish Communications Regulatory Authority (Ficora) issued a decision on pricing local loop access, according to which Elisa must reduce its pricing to a level based on Ficora's decision. Elisa appealed against the Ficora's decision and looked for interruption of the enforcement from the Supreme Administrative Court, which gave an interim judgement and dismissed the interruption of the enforcement in August 2010. The judgement did not concern the principal claim and the proceedings continue in the Supreme Administrative Court.

Elisa has settled the dispute relating to the CDO arrangement with the arranger bank and terminated the guarantee.

Regulatory issues

The Parliament has decided to make a change to the Communications Market Act, which will alter the current telephone number portability practices. The key content of the change is that number portability should be allowed despite the fact that the customer has a valid fixed-term contract. The change will come into force in spring 2011.

In December, Ficora published its view on the development of mobile termination rates. Their view is that the rates should decrease in the future.

Substantial risks and uncertainties associated with Elisa's operations

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

Strategic and operational risks:

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

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

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

Accident risks:

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

Financial risks:

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

As most of Elisa Group's cash flow is denominated in Euros, the exchange rate risk is minor. Elisa's Estonian business, which is approximately 6 per cent of the consolidated revenue, is denominated in Estonian crowns. Estonia joined the European monetary union as of 1 January 2011 with the current exchange rate, which removed this exchange risk.

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

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

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

Environmental issues

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

Elisa wants to be involved in the building of a low-carbon society and in the promotion of sustainable development. It can reach this objective by decreasing both Elisa's own and its customers' carbon footprint with the help of Elisa's services. These objectives are reached with continuous measurement and assessment.

Reducing customers' carbon footprint guides Elisa's environmental responsibility, with regards to its business units' operational activities and is therefore considered as part of Elisa's business potential. Elisa initiated construction of a new server centre in the spring of 2010. It is being implemented together with a leading energy company as an internationally unique and environmentally friendly solution. The computer room emission balance is negative because the heat generated by the servers will be fully utilised in Espoo district heating.

In July, Elisa set clear targets for the measurement of carbon dioxide emissions. The use of reliable calculation methods allows Elisa to demonstrate concrete numbers for the reduced carbon dioxide emissions. The calculations will be verified via an independent limited assurance engagement.

2010 Annual Report and corporate governance statement

Elisa will publish its 2010 Annual Report, which contains the report by the Board of Directors and the financial statements for 2010, as well as a separate Corporate Governance Statement during week 9 (beginning 28 February, 2011) on its website at www.elisa.com.

Events after the financial period

There are no major events after the financial period.

Outlook for 2011

Positive trends in the general economy have continued. Risks are related to nervousness caused by the budget deficits in several European countries and its possible impacts on the general economic development. Competition in the Finnish telecommunications market remains challenging.

Full year revenue is estimated to increase slightly from the previous year. The use of mobile communications, especially mobile broadband services, and equipment sales are continuing to rise. In addition, ICT and new online services' revenue will grow. Full year EBITDA, excluding non-recurring items, is expected to improve slightly from the last year. Full-year capital expenditure is expected to be maximum 12 per cent of revenue.

In addition to its strong position as a network service provider, Elisa is transforming itself to be able to provide its customers with exciting and relevant new services. Among the factors contributing to long-term growth and profitability improvement is 3G market growth, as well as new online and ICT services. Elisa continues determinedly to employ its efficiency measures. Elisa's financial position and liquidity are good.

Profit distribution

The Board of Directors proposes to the Annual General Meeting a dividend of EUR 0.90 per share. The payment corresponds to 94 per cent of the financial period's net result.

Shareholders who are listed in the company's register of shareholders maintained by Euroclear Finland Ltd on 30 March 2011 are entitled to funds distributed by the General Meeting. The Board of Directors proposes that the payment date be 7 April 2011. The profit for the period shall be added to retained earnings.

The Board of Directors also decided to propose to the General Meeting that the Board of Directors be authorised to distribute an additional dividend of EUR 0.40 per share at a later date. The Board of Directors plans to use this authorisation if it is granted. When making the possible decision the Board of Directors will take into consideration the company´s financial position, future financial needs and financial targets.

Furthermore, the Board of Directors decided to propose to the General Meeting that the Board of Directors be authorised to acquire a maximum of 5 million treasury shares, which corresponds to 3 per cent of the entire share stock. Currently the Board of Directors does not plan to use this authorisation.

BOARD OF DIRECTORS

Consolidated income statement

EUR million	Note	**2010**	2009
Revenue	4	**1,463.2**	1,430.4
Other operating income	5	**5.1**	4.2
Materials and services	6	**-600.2**	-576.3
Employee expenses	7	**-208.3**	-188.8
Other operating expenses		**-175.1**	-185.6
EBITDA		**484.7**	483.9
Depreciation and amortisation	9	**-216.7**	-216.4
EBIT		**268.0**	267.5
Financial income	11	**9.5**	10.5
Financial expense	11	**-80.4**	-43.1
Share of associated companies' profit		**0.0**	0.0
Profit before tax		**197.1**	234.9
Income taxes	12	**-46.6**	-57.9
Net profit		**150.5**	177.0
Attributable to:			
Equity holders of the parent		**149.7**	176.3
Non-controlling interest		**0.8**	0.7
		150.5	177.0
Earnings per share (EUR/share) calculated from the profit attributable to equity holders of the parent:			
Basic and diluted		**0.96**	1.13
Diluted		**0.96**	1.13
Average number of outstanding shares (1,000 shares):			
Basic		**155,748**	155,619
Diluted		**156,129**	155,809

Consolidated statement of comprehensive income

Profit for the period		**150.5**	177.0
Other comprehensive income, net of tax:			
Available-for-sale investments	19	**-1.2**	1.2
Total comprehensive income		**149.3**	178.2
Total comprehensive income attributable to:			
Owners of the parent		**148.5**	177.5
Non-controlling interest		**0.8**	0.7
		149.3	178.2

Consolidated balance sheet

EUR million	Note	**31 Dec. 2010**	31 Dec. 2009
ASSETS			
Non-current assets			
Property, plant and equipment	14	**611.3**	617.9
Goodwill	15	**798.0**	782.0
Other intangible assets	15	**129.3**	148.2
Investments in associated companies	16	**0.1**	0.1
Available-for-sale investments	19	**33.2**	30.7
Receivables	20	**22.5**	19.4
Deferred tax assets	21	**19.6**	25.7
		1,614.0	1,624.0
Current assets			
Inventories	22	**38.7**	31.2
Trade and other receivables	23	**283.1**	278.0
Tax receivables		**4.1**	0.4
Cash and cash equivalents	24	**31.8**	31.0
		357.7	340.6
TOTAL ASSETS		**1,971.7**	1,964.6
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		**83.0**	83.0
Treasury shares		**-199.0**	-202.0
Contingency reserve		**3.4**	3.4
Fair value reserve		**9.1**	10.3
Other funds		**381.0**	381.0
Reserve for invested non-restricted equity		**45.3**	188.6
Retained earnings		**507.0**	434.9
Equity attributable to equity holders of the parent	26	**829.8**	899.2
Non-controlling interest		**3.1**	0.8
Total shareholders' equity		**832.9**	900.0
Liabilities			
Non-current liabilities			
Deferred tax liabilities	21	**26.9**	26.6
Pension obligations	28	**1.2**	0.8
Provisions	29	**3.6**	3.7
Interest-bearing liabilities	30	**445.8**	592.3
Other liabilities	31	**15.7**	13.4
		493.2	636.8
Current liabilities			
Trade and other payables	31	**280.6**	263.3
Tax liabilities		**0.6**	6.4
Provisions	29	**2.1**	0.9
Interest-bearing liabilities	30	**362.3**	157.2
		645.6	427.8
Total liabilities		**1,138.8**	1,064.6
TOTAL EQUITY AND LIABILITIES		**1,971.7**	1,964.6

Consolidated cash flow statement

EUR million	Note	**2010**	2009
Cash flow from operating activities			
Net profit		**197.1**	234.9
Adjustments			
Depreciation and amortisation	9	**216.7**	216.4
Financial income and expense		**70.9**	32.5
Gains and losses on the disposal of fixed assets		**-1.7**	-0.9
Change in provisions in the income statement		**1.4**	-2.7
Other adjustments		**1.1**	0.6
		288.4	245.9
Change in working capital			
Change in trade and other receivables		**2.1**	36.3
Change in inventories		**-6.4**	-9.4
Change in trade and other payables		**11.2**	10.1
		6.9	37.0
Dividends received		**1.1**	1.1
Interest received		**8.6**	8.9
Interest paid		**-77.6**	-39.6
Taxes paid		**-53.4**	-57.2
Net cash flow from operations		**371.1**	431.0
Cash flow from investing activities			
Acquisition of subsidiaries net of cash acquired		**-15.5**	-9.2
Capital expenditure		**-181.6**	-170.3
Acquisition of available-for-sale investments		**-3.8**	-0.5
Proceeds from sale of property, plant and equipment		**1.9**	0.9
Net cash flow used in investing activities		**-199.0**	-179.1
Cash flow from financing activities			
Proceeds from long-term borrowings		**75.0**	
Repayment of long-term borrowings		**-80.2**	-36.1
Change in short-term borrowings		**59.3**	-56.6
Repayment of finance lease liabilities		**-4.1**	-4.5
Dividends paid		**-221.3**	-156.7
Net cash used in financing activities		**-171.3**	-253.9
Change in cash and cash equivalents		**0.8**	-2.0
Cash and cash equivalents at beginning of period		**31.0**	33.0
Cash and cash equivalents at end of period	24	**31.8**	31.0

Consolidated statement of changes in equity

EUR million	Share capital	Treasury shares	Other reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interest	Total shareholders' equity
	Equity attributable to equity holders of the parent							
Shareholders' equity at 1 Jan. 2009	83.0	-202.0	393.5	250.8	348.1	873.4	1.6	875.0
Capital repayment				-62.2		-62.2	-0.7	-62.9
Dividends					-92.7	-92.7	-0.8	-93.5
Share-based compensation					3.2	3.2		3.2
Total comprehensive income			1.2		176.3	177.5	0.7	178.2
Shareholders' equity at 31 Dec. 2009	83.0	-202.0	394.7	188.6	434.9	899.2	0.8	900.0
Shareholders' equity at 1 Jan. 2010	83.0	-202.0	394.7	188.6	434.9	899.2	0.8	900.0
Capital repayment				-143.3		-143.3		-143.3
Dividends					-77.9	-77.9	-0.6	-78.5
Share-based compensation		3.0			0.6	3.6		3.6
Other changes					-0.3	-0.3	2.1	1.8
Total comprehensive income			-1.2		149.7	148.5	0.8	149.3
Shareholders' equity at 31 Dec. 2010	83.0	-199.0	393.5	45.3	507.0	829.8	3.1	832.9

Notes to the consolidated financial statements

Basic information on the company

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

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

Accounting principles

Basis for accounting

Elisa's consolidated financial statements have been prepared according to the International Financial Reporting Standards, the IAS and IFRS standards and the SIC and IFRIC interpretations valid on 31 December 2010 have been followed in their preparation. The International Financial Reporting Standards refer to standards and interpretations that have been approved for application in the EU in the Finnish Accounting Act and the provisions issued pursuant to it according to the procedures provided for in EU regulation (EC) No. 1606/2002. The Group adopted the IFRS standards for its reporting in 2005.

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

As of January 1, 2010, the Group adopted the following new or revised standards or interpretations:

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

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

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

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

Subsidiaries

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

Subsidiaries are consolidated from the time of acquisition. Similarly, divested companies are consolidated until the day of disposal. Acquisitions of subsidiaries are handled according to standard IFRS 3 Business Combinations. The non-controlling interest is measured either at the amount which equals non-controlling interests proportionate share in the recognized amounts of the acquiree's identifiable net assets or at fair value. The method to be used is selected on a case-by-case basis. Changes in non-controlling interest are recognized in retained earnings.

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 non-controlling interests is presented separately in the income statement, and the share of the non-controlling interest in shareholders' equity is presented as its own component in the consolidated balance sheet.

Notes to the consolidated financial statements

Associates

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

Joint ventures

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

Conversion of items denominated in a foreign currency

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

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

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

Recognition principles

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

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

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

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

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

Research and development

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

Income taxes

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

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

A deferred tax asset has been recognised in the amount that it is likely that taxable income will be generated in the future against which the temporary difference can be utilised. Deferred tax liabilities are recognized in the balance sheet in full.

Interest and dividends

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

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, fair value of the non-controlling interest and in case of successive acquisitions, the fair value of the previously acquired share of ownership exceeds the fair net value of assets, liabilities and conditional liabilities that can be itemised.

No amortisation is performed on goodwill. The Group tests the goodwill balance sheet value annually, or more often if indications towards potential impairment of an asset item exist. For the purpose of testing, goodwill is allocated to cash-generating units (CGU) which, as of 2009, include Consumer Customers and Corporate Customers. The Consumer Customers CGU comprises mobile and fixed-network voice and data communications services offered to Elisa's consumer customers. The Corporate Customers CGU comprises mobile and fixed-network voice and data communications services as well as other ICT solutions and contact center services offered to Elisa's corporate customers. Goodwill is valued at original acquisition cost deducted by impairment.

Other intangible assets

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

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

Amortisation periods for intangible assets:

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

Property, plant and equipment

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

Costs arising later, such as the costs of renovation and refurbishment projects, are capitalised when it is probable that future economic benefit will flow to the Group. Ordinary repair, service and maintenance costs are booked as expenses in the financial year during which they arise.

Depreciation periods for property, plant and equipment:

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

No depreciation is made on land areas.

Public government grants

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

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

Financial assets and liabilities

Financial assets

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

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

Derivatives are recognised in the balance sheet as financial assets or liabilities upon acquisition and are measured at acquisition cost. Outstanding derivatives are measured at fair value on each closing of the accounts, and their earnings effect is immediately recognised in financial items 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 equities for which their values cannot be measured reliably are reported at acquisition cost less impairment. Available-for-sale investments are fair valued either on the basis of the value of comparable companies, the discounted cash flow method or by using quoted market rates. Changes in the fair value of available-for-sale investments are recognised in other comprehensive income items. Changes in the fair value of shares are recognized in other comprehensive income items. When an investment is disposed, accumulated changes in fair value are released from shareholders equity and recognised in profit or loss.

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

Cash and cash equivalents

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

Financial liabilities

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

Impairment

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

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

Inventories

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

Treasury shares

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

Provisions

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

Employee Benefits

Pension obligations

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

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

Performance-based bonus scheme and personnel fund

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

Share-based incentives

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

Stock options

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

Leases

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

Leases on tangible assets in which the Group has substantially all risks and rewards of ownership are classified as finance leases. Assets acquired on finance leases are recognised in the balance sheet at the beginning of the lease period at the fair value of the leased asset, or the present value of minimum rents if lower. Assets acquired on finance leases are depreciated over the useful life of the asset, or the lease period if shorter. Payable leasing rents are divided into financial expenses and the reduction of the liability over the lease period so that the interest rate on the liability remaining in each financial year is equal. Leasing obligations are recognised in interest-bearing liabilities.

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

Use of estimates

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

Impairment testing

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

Share incentive plans

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

Income and expenses

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

Taxes

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

New accounting pronouncements under IFRS

On 1 January 2011, Elisa will adopt the following new or amended standards and new interpretations, if they are approved by the EU by the planned date of adoption. Changes are not expected to have substantial influence on the Group's reported financial statements.

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

On 1 January 2013, Elisa will adopt the following issued standard, if it is approved by the EU by the planned date of adoption.

- IFRS 9 Financial Instruments. In accordance with the standard, financial assets are divided into two classifications: those measured at amortised cost and those measured at fair value. The measurement methods have also been simplified.

Notes to the consolidated financial statements

1. Operating Segments

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

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

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

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

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

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

Operating Segments

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

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

Product and service information

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

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

Geographical information

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

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

2. Acquisitions

Acquisitions in 2010

Acquisition of Videra Oy and Arediv Oy in 2010

On 13 April 2010 Elisa acquired a total of 68.8 per cent Videra Oy's share capital through a directed share issue, purchase of shares and by acquiring 62 per cent of Arediv Oy's share capital. Elisa executed its strategy of strengthening its position in the ICT services by buying a majority share in a leading Nordic videoconference operator Videra. Combining the two strong players creates opportunities to take advantage of interactive communication solutions, among others customer service in both the private and public sectors in new ways.

The cost of acquisition paid by cash was EUR 11.0 million. Expenses related to the acquisition totalled EUR 0.1 million and are included in the other operating expenses of the consolidated statement of comprehensive income.

The acquisition generated a non-controlling interest amounted EUR 2.1 million, which is included in the balance sheets line non-controlling interest. The non-controlling interest is measured at the amount which equals non-controlling interests proportionate share in the recognized amounts of the acquiree's identifiable net assets.

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

There were no transactions between the Group and the acquired company at the time of the acquisition that should be taken into account in the consolidation of the business operations.

Components of acquisition cost and goodwill

EUR 3.7 million of the acquisition costs was allocated to customer contracts, which is amortised in four years. The business combinations resulted in goodwill of EUR 3.8 million. The goodwill resulted from the acquisition of a business concept. The acquisition of Videra provided Elisa with a solid market share in the rapidly growing video conferencing market and competence in product and service development. Goodwill is not tax deductible.

EUR million	
Cash paid	11.0
Total cost of acquisition	11.0
Fair value of net assets acquired	7.2
Goodwill	3.8

Analysis of net assets acquired	Recognised fair values
Tangible assets	1.4
Customer contracts (Intangible assets)	3.7
Inventories	0.8
Finance lease receivables	1.1
Trade and other receivables	3.2
Cash and cash equivalents	4.4
Loans from financial institutions	-1.7
Finance lease liabilities	-1.1
Trade payables and other liabilities	-3.5
Deferred tax liability	-1.1
Net assets acquired	7.2

Acquisition of Appelsiini Finland Oy in 2010

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

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

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

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

There were no transactions between the Group and the acquired company at the time of the acquisition that should be taken into account in the consolidation of the business operations.

Components of acquisition cost and goodwill

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

EUR million	
Cash	17.1
Conditional consideration	2.6
Total cost of acquisition	19.7
Fair value of net assets acquired	8.9
Goodwill	10.8

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

Other acquisitions

Additional purchase price relating to previous year's acquisitions resulted EUR 1,5 million goodwill increase.

Acquisitions in 2009

The Group did not make any significant acquisitions in 2009.

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

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

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

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

Components of acquisition cost

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

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

Analysis of net assets acquired	Recognised fair values
Tangible assets	2.2
Customer contracts (Intangible assets)	2.4
Immaterial rights	0.4
Trade and other receivables	1.1
Cash and cash equivalents	-1.1
Finance lease liabilities	-0.5
Trade payables and other liabilities	-0.8
Deferred tax liabilities	-0.6
Net assets acquired	3.1

Other acquisitions

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

3. Disposals

Disposals in 2010 and 2009

There were no disposals in 2010 and 2009.

4. Revenue

EUR million	**2010**	2009
Rendering of services	**1,381.1**	1,373.7
Sale of goods	**82.1**	56.7
Total revenue	**1,463.2**	1,430.4

5. Other operating income

EUR million	2010	2009
Gain on disposals of property, plant and equipment	**1.8**	0.9
Public subsidies	**0.8**	0.4
Others [1]	**2.5**	2.9
Total	**5.1**	4.2

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

6. Materials and services

EUR million	2010	2009
Purchases of materials, supplies and goods	**120.7**	101.8
Change in inventories	**-5.2**	-9.8
External services	**484.7**	484.3
Total	**600.2**	576.3

7. Employee expenses

EUR million	2010	2009
Salaries and wages	**165.3**	149.1
Share-based compensation expenses	**5.4**	5.2
Pension expenses – defined contribution plans	**28.2**	23.9
Pension expenses – defined benefit plans	**0.6**	0.2
Other statutory employee costs	**8.8**	10.4
Total	**208.3**	188.8

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

Management remuneration

EUR million	2010	2009
Managing Directors and deputies [1]	**1.3**	1.7
Members and deputy members of Boards of Directors	**0.5**	0.5

[1] The salary cost includes EUR 0.2 million of share-based compensation expenses in 2010 (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	**3,477**	3,216

Employment benefits for key management

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

EUR million	2010	2009
Board of Directors	**0.5**	0.5
Managing Director	**0.6**	0.8
Executive Board	**1.8**	2.0
Share-based compensation expenses [1]	**1.3**	1.6
	4.2	4.9

[1] The share-based compensation expenses in 2010 is EUR 2.8 million (EUR 3.2 million), of which EUR 1.3 million (EUR 1.6 million) is allocated to the CEO and Executive Board. The terms and conditions of share-based incentive plans are described under Note 27, Share-based payments.

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

The period of notice for the CEO is six months from Elisa's side and three months from the CEO's side. Should the contract be terminated by Elisa, the CEO is entitled to receive a severance payment equalling the total salary of 24 months minus his salary of the period of notice. The period of notice for other members of the Executive Board is six months from Elisa's side. Besides the salary of the period of notice the members of the Executive Board are entitled to receive the severance payment equalling the total salary of 9 months.

Elisa's CEO is entitled to retire at the age of 60 on the basis of supplementary pension insurance. The pension benefit includes vested rights. The company is liable for the pension at the age of 60 and 61 and the related accumulated liability EUR 0.3 million is included in pension obligations on the balance sheet. Pension will accrue at the rate of 5.1% of the annual income under Tyel (Employees Pensions Act). Starting at the age of 62, the pension will accrue at the rate of 20.7% of the annual income under Tyel in the management's group supplementary pension insurance. Other members of the Executive Board are entitled to retire at the age of 62 on the basis of their executive agreements. The contractual right has been covered with a supplementary pension insurance.

Share-based compensation granted to the management
In 2010, the award paid within the share-based compensation 2009 equals 20,083 shares for the CEO and 52,715 shares for the Executive Board. The maximum award granted for the Executive Board within the share-based compensation 2010 equals 290,000 shares, of which 80,000 shares is the maximum award for the CEO. The award will be paid during the month following the publication of the 2010 financial statements. The maximum award granted for the Executive Board within the share-based compensation 2011 equals 300,000 shares, of which 80,000 shares is the maximum award for the CEO. The award will be paid during the month following the publication of the 2011 financial statements.

Elisa shares held by the key management
The members of Elisa's Board of Directors, the CEO, the members of the Executive Board and their family members held a total of 253,391 shares and votes, corresponding to 0.15% of all shares and votes.

Employee bonus and incentive schemes

Performance-based bonus scheme

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

Personnel fund

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

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

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

EUR 1.1 million was booked in the personnel fund on the basis of the 2010 earnings (1.8 milj.eur in 2009).

Share-based incentive plan

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

Stock option plan

On 18 December 2007, Elisa's Board of Directors decided to offer a maximum of 2,550,000 stock options for subscription by Elisa Group's key personnel and a fully-owned subsidiary of Elisa Corporation. No new option rights are granted from the stock option plan. The plan is described in detail under Note 27, Share-based payments.

8. Research and development costs

EUR million	**2010**	2009
Research and development costs recognised as expenses	**7.6**	7.7
Capitalised development costs	**2.2**	2.8

Focus areas for research and development in 2010 included mobile identification and e-reading as well as the development of social networking, visual communication and cloud services.

9. Depreciation and amortisation

EUR million	**2010**	2009
Depreciation of tangible assets		
Buildings and constructions		
Owned buildings and constructions	**9.6**	9.1
Buildings and constructions on finance lease	**0.4**	0.4
Telecom devices, machines and equipment		
Owned telecom devices, machines and equipment	**150.7**	147.8
Assets on finance lease	**3.7**	4.0
Other tangible assets	**0.4**	0.8
Total	**164.8**	162.1
Amortisation of intangible assets		
Customer base	**12.5**	15.4
Other intangible assets	**39.4**	38.9
Total	**51.9**	54.3
Total depreciation and amortisation	**216.7**	216.4

No impairments were made on the assets in 2009–2010.

10. Auditor's fee

EUR million	**2010**	2009
Auditing	**0.3**	0.3
Tax advisory services	**0.0**	0.1
Education services	**0.5**	0.4
Other services	**0.1**	0.0
	0.9	0.8

11. Financial income and expense

EUR million	**2010**	2009
Financial income		
Dividend income from available-for-sale investments	**1.1**	1.1
Interest and financial income from loans and other receivables	**1.0**	1.4
Interest income from derivatives	**7.1**	7.1
Other financial income	**0.6**	0.4
Gains/losses of financial assets at fair value through profit or loss, derivatives not in hedge accounting	**-0.3**	0.5
Total	**9.5**	10.5

EUR million	2010	2009
Financial expense		
Interest expenses on financial liabilities measured at amortised cost	**-32.1**	-34.0
Other financial expenses on financial liabilities measured at amortised cost	**-1.3**	-0.9
Interest expenses on derivatives	**-6.7**	-7.1
Other interest expenses	**-0.4**	-0.7
Other financial expenses [1]	**-39.9**	-0.4
Total	**-80.4**	-43.1

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

[1] Other financial expenses includes guarantee expenses EUR 39.5 million. Described in detail under Note 33.

12. Income taxes

EUR million	2010	2009
Taxes for the period	**-43.4**	-60.5
Taxes for previous periods	**-0.2**	0.4
Deferred taxes	**-2.8**	3.0
Deferred taxes for previous periods	**-0.2**	-0.8
Total	**-46.6**	-57.9

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

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

EUR million	2010	2009
Profit before tax	**197.1**	234.9
Tax according to the domestic tax rate	**-51.2**	-61.1
Tax effects of the following:		
Tax-free gains/losses on the disposal of shares	**0.6**	
Non-deductible expenses	**0.0**	-0.8
Tax effects of foreign subsidiaries	**3.8**	5.1
Negative depreciation difference	**1.5**	
Other items	**-0.9**	-0.7
Taxes for previous periods	**-0.4**	-0.4
Taxes in the income statement	**-46.6**	-57.9
Effective tax rate	**23.7 %**	24.6 %

13. Earnings per share

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

	2010	2009
Profit for the period attributable to the equity holders of the parent (EUR million)	**149.7**	176.3
Weighted average number of shares during the financial year (1,000)	**155,748**	155,619
Undiluted earnings per share (EUR/share)	**0.96**	1.13

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.

	2010	2009
Profit for the period attributable to the equity holders of the parent (EUR million)	**149.7**	176.3
Profit for the period for the purpose of calculating EPS adjusted for dilution (EUR million)	**149.7**	176.3
Weighted average number of shares during the financial year (1,000)	**155,748**	155,619
Impact of stock options (1,000 pcs)	**381**	190
Weighted average number of shares for the purpose of calculating EPS adjusted for dilution (1,000)	**156,129**	155,809
Earnings per share adjusted for dilution (EUR/share)	**0.96**	1.13

14. Property, plant and equipment

2010 EUR million	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	In progress and pre-payments	**Total**
Acquisition cost at 1 Jan. 2010	6.6	204.1	2,190.3	36.7	26.7	**2,464.4**
Additions	0.2	6.9	126.1		21.9	**155.1**
Acquisitions of subsidiaries			2.8			**2.8**
Disposals	-0.2	-1.2	-13.2			**-14.6**
Reclassifications		4.2	15.7		-19.4	**0.5**
Acquisition cost at 31 Dec. 2010	6.6	214.0	2,321.7	36.7	29.2	**2,608.2**
Accumulated depreciation and impairment at 1 Jan. 2010		78.5	1,734.2	33.8		**1,846.5**
Depreciation		10.0	154.4	0.4		**164.8**
Accumulated depreciation on disposals and reclassifications		-1.1	-13.3			**-14.4**
Accumulated depreciation and impairment at 31 Dec. 2010		87.4	1,875.3	34.2		**1,996.9**
Book value at 1 Jan. 2010	6.6	125.6	456.1	2.9	26.7	**617.9**
Book value at 31 Dec. 2010	6.6	126.6	446.4	2.5	29.2	**611.3**

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

Commitments to purchase property, plant and equipment and intangible assets at 31 Dec. 2010 were EUR 49.8 million (2009: EUR 30.7 million).

The additions in 2010 include EUR 2.2 million (2009: EUR 1.1 million) property, plant and equipment leased under finance lease agreements and EUR 0.8 million received through acquisitions (EUR 0.0 million).

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

2010 EUR million	Buildings and constructions	Machinery and equipment	**Total**
Acquisition cost	17.4	92.9	**110.3**
Accumulated depreciation	3.2	89.8	**93.0**
Book value at 31 Dec. 2010	14.2	3.1	**17.3**
2009			
Acquisition cost	17.4	89.9	107.3
Accumulated depreciation	2.8	85.9	88.7
Book value at 31 Dec. 2009	14.6	4.0	18.6

15. Intangible assets

2010 EUR million	Goodwill	Customer base	Other intangible assets	In progress and pre-payments	**Total**
Acquisition cost at 1 Jan. 2010	782.0	76.1	316.1	12.1	**1,186.3**
Additions	1.5		15.8	11.4	**28.7**
Acquisitions of subsidiaries	14.6	11.4	1.7		**27.7**
Disposals	-0.1		-7.8		**-7.9**
Reclassifications			7.2	-7.7	**-0.5**
Acquisition cost at 31 Dec. 2010	798.0	87.5	333.0	15.8	**1,234.3**
Accumulated amortisation at 1 Jan. 2010		62.6	193.5		**256.1**
Amortisation		12.5	39.4		**51.9**
Accumulated amortisation on disposals and reclassifications			-1.0		**-1.0**
Accumulated amortisation at 31 Dec. 2010		75.1	231.9		**307.0**
Book value at 1 Jan. 2010	782.0	13.5	122.6	12.1	**930.2**
Book value at 31 Dec. 2010	798.0	12.4	101.1 1)	15.8	**927.3**

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

1) Includes IT software for a book value of EUR 76.2 million (EUR 94.7 million) and brand for a book value of EUR 20.8 million (23.3 million).

Impairment testing of goodwill

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

EUR million	2010	2009
Consumer Customers	**480.2**	479.9
Corporate Customers	**317.8**	302.1
Total	**798.0**	782.0

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

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

In impairment tests the recoverable amount of the segments is determined based on the value in use, which is calculated on the basis of projected discounted cash flows (DCF model). The cash flows projections are based on plans approved by the management covering a five-year period. The projections are mostly uniform with information from external sources and reflect actual development. The discount rate used is 8.23% to 8.27% depending on the segment. Cash flows after five years have been projected by estimating the change in future cash flows as zero. As a result of the performed impairment tests, there is no need for impairment of the segments' goodwill. Use of the DCF model requires forecasts and assumptions concerning market growth, prices, volume development, investment needs and general interest rate. The major sensitivities in the performance are associated with the forecast revenue and profitability levels and investment needs.

Sensitivity analysis

Projection parameters applied	Consumer Customers **2010**	Corporate Customers **2010**	Consumer Customers 2009	Corporate Customers 2009
Amount in excess of book value, EUR million	**1,852**	**887**	1,641	759
EBITDA margin on average, % *)	**35.8%**	**34.1%**	37.5%	34.6%
Investments on average, % of revenue *)	**13.2%**	**13.5%**	11.2%	13.9%
Horizon growth, %	**0.0%**	**0.0%**	0.0%	0.0%
General interest rate level, %	**2.3%**	**2.3%**	3.3%	3.3%

*) On average during five-year projection period

Changed projection parameter level at which fair value equals book value	Consumer Customers **2010**	Corporate Customers **2010**	Consumer Customers 2009	Corporate Customers 2009
EBITDA margin on average, %	**-15.6%**	**-23.4%**	-17.7%	-11.1%
Investments on average, % of revenue	**11.5%**	**8.7%**	13.2%	8.2%
Horizon growth, %	**-33.0%**	**-16.5%**	-33.8%	-16.2%
General interest rate level, %	**16.6%**	**12.5%**	13.5%	8.8%

16. Associates and joint ventures

Associates

EUR million	**2010**	2009
At beginning of period	**0.1**	0.1
Share of associated companies' profit	**0.0**	0.0
At end of period	**0.1**	0.1

Goodwill of associates in the balance sheet at 31 Dec. 2010 was EUR 0.1 million (EUR 0.1 million).

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

Joint ventures

At the end of 2010 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 Puhelimenkulma was 77% and in Kiinteistö Oy Brahenkartano 60%.

17. Financial assets recognised at fair value

EUR million	**2010**	Level 1	Level 2	Level 3
Financial assets recognised at fair value	**1.2**		1.2	
Available-for-sale financial assets	**33.2**	9.9		23.3
Total	**34.4**	9.9	1.2	23.3

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

Level 3 reconciliation

Available-for-sale investments

EUR million	**2010**	2009
Balance at the beginning	**19.5**	19.1
Purchases	**3.8**	0.5
Sales		-0.1
Balance at the end	**23.3**	19.5

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

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

2010 EUR million	Financial assets available for sale	Loans and receivables	Financial assets/liabilities recognised at fair value through profit or loss (1	Financial liabilities measured at amortised cost	**Book values**	**Fair values**	Note
Non-current financial assets							
Available-for-sale investments	33.2				**33.2**	**33.2**	19
Receivables		21.3	1.2		**22.5**	**22.5**	20
Current financial assets							
Trade and other receivables		283.1			**283.1**	**283.1**	23
	33.2	304.4	1.2		**338.8**	**338.8**	
Non-current financial liabilities							
Interest-bearing liabilities				445.8	**445.8**	**462.5**	30
Other liabilities [2]				9.1	**9.1**	**9.1**	31
Current financial liabilities							
Interest-bearing liabilities				362.3	**362.3**	**367.2**	30
Trade and other payables [2]				274.9	**274.9**	**274.9**	31
				1,092.1	**1,092.1**	**1,113.7**	

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

2009 EUR million	Financial assets available for sale	Loans and receivables	Financial assets/liabilities recognised at fair value through profit or loss (1	Financial liabilities measured at amortised cost	Book values	Fair values	Note
Non-current financial assets							
Available-for-sale investments	30.7				30.7	30.7	19
Receivables		17.9	1.5		19.4	19.4	20
Current financial assets							
Trade and other receivables		278.0			278.0	278.0	23
	30.7	295.9	1.5		328.1	328.1	
Non-current financial liabilities							
Interest-bearing liabilities				592.3	592.3	609.7	30
Other liabilities [2]				6.7	6.7	6.7	31
Current financial liabilities							
Interest-bearing liabilities				157.2	157.2	157.0	30
Trade and other payables [2]				258.9	258.9	258.9	31
				1,015.1	1,015.1	1,032.3	

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

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

19. Available-for-sale investments

EUR million	**2010**	2009
Publicly listed shares	**9.9**	11.2
Unlisted shares	**23.3**	19.5
Total	**33.2**	30.7

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

20. Non-current receivables

EUR million	**2010**	2009
Loan receivable	**0.1**	0.1
Trade receivables	**10.9**	9.7
Prepayments and accrued income	**7.5**	6.7
Defined benefit pension plan	**0.9**	1.1
Derivatives	**1.1**	1.5
Other non-current receivables	**2.0**	0.3
Total	**22.5**	19.4

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

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

21. Deferred tax receivables and liabilities

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

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

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

The Group had EUR 14.3 million (EUR 13.8 million) of unused tax losses at 31 December 2010, which have not been recognised in tax receivables. These losses expire in 2011-2019. 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 2009 is divided as follows:

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

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

22. Inventories

EUR million	**2010**	2009
Materials and supplies	**12.6**	12.9
Work in progress	**0.4**	0.6
Finished products/goods	**25.7**	17.7
Total	**38.7**	31.2

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

23. Trade and other receivables

EUR million	**2010**	2009
Trade receivables	**257.9**	257.1
Prepayments and accrued income	**15.2**	12.7
Finance lease receivables	**1.4**	
Other receivables	**8.6**	8.2
Total	**283.1**	278.0

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

Total receivables by age

EUR million	**2010**	2009
Not due	**233.3**	233.6
Overdue less than 30 days	**17.0**	13.7
Overdue 31-60 days	**4.0**	4.3
Overdue 61-90 days	**2.1**	2.3
Overdue more than 90 days	**1.5**	3.2
Total	**257.9**	257.1

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

24. Cash and cash equivalents

EUR million	**2010**	2009
Cash assets	**26.3**	19.1
Cash at bank	**5.5**	11.9
Total	**31.8**	31.0

The effective interest rate of bank deposits was 0.13% and the average maturity 3 days.

25. Derivative instruments

Nominal values of derivatives		**2010**				2009
EUR million	Period of validity Less than 1 year	1-5 years	Over 5 years	Period of validity Less than 1 year	1-5 years	Over 5 years
Interest rate swaps		150.0			150.0	
Credit default swaps (CDS) [1]					44.0	
Total		150.0			194.0	

[1] CDS was related to hedging the guarantor bank risk for the QTE agreement. In 2008 Elisa wrote down the fair value of the CDS agreement. The agreement has been settled in December 2010.

Fair values of derivatives		**2010**				2009
EUR million	Positive fair value	Negative fair value	**Total**	Positive fair value	Negative fair value	Total
Interest rate swaps	1.2		**1.2**	1.5		1.5
Total	1.2		**1.2**	1.5		1.5

Determination of fair value

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

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

26. Equity

Share capital, share premium and treasury shares

EUR million	Number of shares (thousands)	Share capital	Treasury shares	**Total**
1 Jan. 2009	166,308	83.0	-202.0	**-119.0**
31 Dec. 2009	166,308	83.0	-202.0	**-119.0**
Share-based compensation			3.0	**3.0**
31 Dec. 2010	166,308	83.0	-199.0	**-116.0**

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

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

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

Treasury shares	Shares pcs	Accounting counter-value EUR	Holding, % of shares and votes
Treasury shares held by the Group/Elisa Corporation at 31 Dec. 2009	10,688,629		
Disposal, Share incentive plan	-154,123		
Treasury shares held by the Group/Elisa Corporation at 31 Dec. 2010	10,534,506	5,259,589	6.33%

Other funds

EUR million	Contingency reserve	Fair value reserve	Other reserves	Reserve for invested non-restricted equity	**Total**
1 Jan. 2009	3.4	9.1	381.0	250.8	**644.3**
Available-for-sale investments		1.2			**1.2**
Capital repayment				-62.2	**-62.2**
31 Dec. 2009	3.4	10.3	381.0	188.6	**583.3**
Available-for-sale investments		-1.2			**-1.2**
Capital repayment				-143.3	**-143.3**
31 Dec. 2010	3.4	9.1	381.0	45.3	**438.8**

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 9.1 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 EUR -0.3 million.

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

27. Share-based payments

Share incentive plan for 2009–2011

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

The Board of Directors decides earnings criteria and their targets separately for each earnings period. The earnings criteria for 2010 and 2011 are earnings per share and the development of revenue. The amount of the award to be paid out of the share option plan is tied to the accomplishment of the targets set. The award will be paid within one month after each earning periods financial statement have been closed as a combination of company shares and cash. The maximum award of the plan is 1,100,000 shares. The maximum amount of the award equals the value of 2,200,000 shares of Elisa. Elisa's Board of Directors has decided on the persons involved in the plan for year 2010 and 2011.

The reward for the 2009 share incentive plan was determined on the basis of the development earnings per share and revenue in 2009. The total reward amounted to EUR 5.1 million, of which EUR 2.7 million was paid in cash. In accordance with the decision of the Board of Directors, Elisa transferred 156,633 shares to 47 persons covered by the incentive scheme on 1 March 2010, of which 52,715 shares to members of the Management Board and 20,083 shares to the CEO. 2,510 of the transferred shares were returned to the company on 1 June 2010.

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

Expenses recognised for share incentive plan was EUR 2.8 million in 2010 (EUR 3.2 million).

Amount of share incentives and terms and assumptions in the fair value calculation	Plan for 2011	Plan for 2010	Plan for 2009
Number of instruments granted	909,000	630,000	624,000
Granting date	31.12.2010	31.12.2009	31.12.2008
Fair value of share at date of granting, EUR [1]	15.47	15.16	11.50
Share price at end of period, EUR	16.27	16.27	16.27
Estimated realisation of share price after one committed year [2]	18.37	17.99	13.59
Estimated realisation of share price after two commited years [2]	19.72	19.30	14.48
Earnings period starts	1.1.2011	1.1.2010	1.1.2009
Earnings period ends	31.12.2011	31.12.2010	31.12.2009
Restriction period ends	31.12.2013	31.12.2012	31.12.2011
Estimated realisation of earnings criteria at the beginning of earnings period	50%	50%	67%
Estimated realisation of earnings criteria at the closing date		36%	
Realisation of earnings criteria			53%
Distributed number			156,633
Returned number			-2,510
Share price, EUR			15.42
Distributed number out of the maximum number of share awards granted			25%
Persons covered by plan	161	50	47

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

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

Stock option plan 2007

On 18 December 2007, Elisa's Board of Directors decided to issue stock options to the Group's key employees and a fully-owned subsidiary of the company. The stock option scheme is targeted at approximately 150 key employees who are not included in the share-based incentive plan for senior management. The stock options are granted without consideration. No new option rights are granted from the stock option plan.

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

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

Stock option plan 2007A

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

Stock option plan 2007B

Granting date	Granted amount	Share price at date of granting
31 Jan. 2009	571,000	12.39
28 Feb. 2009	5,000	10.15
31 May 2009	8,000	10.50
30 Jun. 2009	7,000	11.73
31 Jul. 2009	6,000	12.87
31 Aug. 2009	3,000	13.76
30 Sept. 2009	6,000	14.02
31 Oct. 2009	7,000	13.19
31 Dec. 2009	3,500	15.96
30 Nov. 2010	3,000	15.21
Number of instruments granted	619,500	
Number of instruments returned	-42,500	
Used for subscribing shares	-400	
Outstanding	576,600	
In stock	273,400	

Stock option plan 2007C

Granting date	Granted amount	Share price at date of granting
31 Jan. 2010	630,500	15.79
31 Mar. 2010	2,000	15.27
31 May 2010	4,000	13.68
31 Oct. 2010	6,000	15.50
30 Nov. 2010	1,000	15.21
Number of instruments granted	643,500	
Number of instruments returned	-29,500	
Outstanding	614,000	
In stock	236,000	

Terms of arrangement	2007A	2007B	2007C
Validity period (years)	3.5	3.5	3.5
Subscription period	1.12.2009-31.5.2011	1.12.2010-31.5.2012	1.12.2011-31.5.2013
Subscription price assessment date [1]	1.11.-30.11.2007	1.11.-30.11.2008	1.11.-30.11.2009
Original subscription price	20.84	11.89	13.99
Dividend and capital repayment 2008, EUR	-1.80		
Dividend and capital repayment 2009, EUR	-1.00	-1.00	
Dividend and capital repayment 2010, EUR	-1.42	-1.42	-1.42
Subscription price on 31 Dec. 2010	16.62	9.47	12.57

[1] Average price weighted by trading volume at NASDAQ OMX Helsinki Oy

Fair values of options

Elisa uses the Black-Scholes model to determine fair value on the granting date. The fair value is booked as personnel expenses over the earnings period. Granting date is the date on which the recipient confirms in writing the reception of the stock options. Expenses recognised for the stock option plan amounted to EUR 2.6 million in 2010 (EUR 2.0 million).

28. Pension obligations

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

The pension plans of foreign subsidiaries are defined contribution plans.

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

EUR million	**2010**	2009
Present value of unfunded obligations	**-1.2**	-0.8
Present value of funded obligations	**-44.7**	-44.6
Fair value of plan assets	**43.7**	43.6
Deficit/surplus	**-2.2**	-1.8
Unrecognised actuarial gains(-) / losses(+)	**1.9**	2.1
Net liability in the balance sheet	**-0.3**	0.3
Amounts in the balance sheet:		
Liability	**-1.2**	-0.8
Receivable	**0.9**	1.1
Net liability in the balance sheet	**-0.3**	0.3

Changes in the present value of the obligation:

EUR million	**2010**	2009
Obligation at beginning of period	**-45.4**	-51.9
Service cost	**-0.6**	-0.2
Interest expenses	**-2.1**	-2.4
Actuarial losses (+) and gains (-)	**-1.9**	4.6
Benefits paid	**4.1**	4.5
Obligation at end of period	**-45.9**	-45.4

Changes in the fair value of plan assets:

EUR million	**2010**	2009
Fair value of plan assets at beginning of period	**43.6**	49.3
Expected return on plan assets	**2.1**	2.4
Benefits paid	**-4.1**	-4.5
Actuarial gains (+) and losses (-)	**2.1**	-5.4
Contributions paid by employer	**0.0**	1.8
Fair value of plan assets at end of period	**43.7**	43.6

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

EUR million	**2010**	2009
Current service cost	**0.2**	0.2
Interest costs	**2.1**	2.4
Expected return on plan assets	**-2.1**	-2.4
Past service costs	**0.4**	
	0.6	0.2

Actual return on plan assets was EUR +4.3 million in 2010 (EUR -3.1 million in 2009).

The principal actuarial assumptions used:

	2010	2009
Discount rate	**4.25%**	5.00%
Expected return on plan assets	**4.25%**	5.00%
Future salary increase	**3.30%**	3.30%
Future pension increase	**2.10%**	2.10%

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

EUR million	**2010**	2009	2008	2007	2006
Present value of obligation	**-45.9**	-45.4	-51.9	-57.9	-61.3
Fair value of plan assets	**43.7**	43.6	49.3	54.9	58.1
Excess (+)/deficit (-)	**-2.2**	-1.8	-2.6	-3.0	-3.2
Experience-based adjustments to plan assets	**-0.4**	-5.5	-0.7	-2.3	-0.2
Experience-based adjustments to plan liabilities	**0.9**	4.6	0.3	2.4	-0.6

The Group expects to contribute EUR 0.2 million to defined benefit pension plans in 2011 (EUR 0.2 million).

29. Provisions

EUR million	Restructuring	Other	**Total**
1 Jan. 2010	1.6	3.0	**4.6**
Increases in provisions	1.2	1.7	**2.9**
Used provisions	-1.0	-0.8	**-1.8**
31 Dec. 2010	1.8	3.9	**5.7**

EUR million	**2010**	2009
Long-term provisions	**3.6**	3.7
Short-term provisions	**2.1**	0.9
Total	**5.7**	4.6

Restructuring provision

The restructuring provision is made for unemployment pensions, which will be realised in 2011–2013.

Other provisions

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

30. Interest-bearing liabilities

		2010		2009
EUR million	Balance sheet values	Fair values	Balance sheet values	Fair values
Non-current				
Bonds	**374.5**	**391.2**	522.1	539.5
Loans from financial institutions	**51.1**	**51.1**	50.2	50.2
Finance lease liabilities	**20.2**	**20.2**	20.0	20.0
	445.8	**462.5**	592.3	609.7
Current				
Bonds	**224.5**	**229.4**	50.0	49.8
Loans from financial institutions	**32.8**	**32.8**	30.0	30.0
Finance lease liabilities	**3.0**	**3.0**	3.2	3.2
Commercial paper	**102.0**	**102.0**	74.0	74.0
	362.3	**367.2**	157.2	157.0
Total	**808.1**	**829.7**	749.5	766.7

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

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

The average maturity of non-current liabilities was 3.2 (3.5) years and effective average rate of interest 4.0% (4.7%).

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

2010

EUR million	2011	2012	2013	2014	2015	2016-	**Total**
Bonds	252.3	16.6	91.6	314.3	0.0	0.0	**674.8**
Financial costs	26.4	16.6	16.6	14.3	0.0	0.0	**73.9**
Repayments	225.9		75.0	300.0			**600.9**
Bank loans	1.4	1.3	5.8	10.1	9.9	28.3	**56.8**
Financial costs	1.0	1.0	1.0	0.8	0.6	0.9	**5.3**
Repayments	0.4	0.3	4.8	9.3	9.3	27.4	**51.5**
Committed credit limits	32.2						**32.2**
Financial costs	0.0						**0.0**
Repayments	32.2						**32.2**
Commercial paper	102.0						**102.0**
Financial costs	0.4						**0.4**
Repayments	101.6						**101.6**
Finance lease liabilities	4.8	3.6	2.3	1.9	1.7	58.9	**73.2**
Financial costs	1.8	1.7	1.6	1.6	1.5	41.8	**50.0**
Repayments	3.0	1.9	0.7	0.3	0.2	17.1	**23.2**
Other liabilities	0.3						**0.3**
Financial costs	0.0						**0.0**
Repayments	0.3						**0.3**
Interest rate swap	-0.4	-0.4	-0.4	-0.4			**-1.6**
Financial costs	29.2	18.9	18.8	16.3	2.1	42.7	**128.0**
Repayments	363.4	2.2	80.5	309.6	9.5	44.5	**809.7**
Total	392.6	21.1	99.3	325.9	11.6	87.2	**937.7**

2009

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

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 among others 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 guarantees are shown for the period during which the guarantee may fall due, at the earliest.

Bonds

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

	31 Dec. 2010 Fair value EUR million	31 Dec. 2010 Balance sheet value EUR million	31 Dec. 2010 Nominal value EUR million	Nominal interest rate	31 Dec. 2010 Effective interest	Maturity date
EMTN programme 2001 / EUR 1,000 million						
IX/2004	229.4	224.5	225.9	4.375%	5.225%	22.9.2011
II/2007	315.7	299.6	300.0	4.750%	4.789%	3.3.2014
I/2010	75.5	74.9	75.0	fixed 3.000%	3.064%	22.3.2013
Total	620.6	599.0	600.9			

The fair value of bonds is based on market quotes.

31. Trade payables and other liabilities

EUR million	**2010**	2009
Non-current		
Advances received	**6.6**	6.8
Other liabilities	**9.1**	6.6
	15.7	13.4
Current		
Trade payables	**159.4**	155.1
Advances received	**5.7**	4.4
Accrued employee-related expenses	**38.7**	35.1
Other accruals	**35.9**	37.8
Other liabilities	**40.9**	30.9
	280.6	263.3
Total	**296.3**	276.7

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

32. Operating leases

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

EUR million	**2010**	2009
Within one year	**20.5**	19.2
Later than one year and up to five years	**31.8**	34.8
Later than five years	**9.4**	13.5
Total	**61.7**	67.5

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

33. Collateral, commitments and other liabilities

EUR million	**2010**	2009
Mortgages		
For own and group companies	**2.0**	
Pledges given		
Bank deposits given for own debt	**0.9**	0.7
Guarantees given		
For own	**0.8**	
For others [1]	**0.5**	42.4
Total	**4.2**	43.1

[1] Elisa has guaranteed small short-term loans of less than EUR 20,000 for personnel. The maximum amount of the guarantee limit was EUR 0.5 million on 31 December 2010 (EUR 0.5 million). At 31 December 2009 EUR 41.6 million was related to the guarantee given on a European bank for a credit derivative portfolio.

In relation to the leaseback agreement (a so-called QTE facility) signed in 1999 Elisa had a counterparty risk of USD 63.3 million. In 2007 Elisa signed a credit risk derivative contract (CDS) equal to the risk and provided a guarantee for a European bank for a credit derivative portfolio (CDO) of USD 60 million. The reason for the derivative arrangements was to diversify the counterparty risk from one issuer to several counterparties. The parties in the agreement terminated the QTE facility in 2008. The termination of the credit default swap and the guarantee provided was agreed upon with the arranger bank in December 2010. The settled guarantee expense EUR 39.5 million was booked in financial expenses.

Other contractual obligations

EUR million	**2010**	2009
Repurchase commitments	**0.0**	0.0

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

Real estate investments

Real estate investments VAT refund liability is EUR 19.7 million at 31 December 2010 (EUR 18.5 million).

34. Financial risk management

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

Market risks

Interest rate risk

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

Times of interest rate changes for interest-bearing financial liabilities (EUR million), 31 Dec. 2010, 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	102.0			**102.0**
Bonds	225.9			**225.9**
Liabilities to financial institutions	83.9			**83.9**
Finance lease	3.0			**3.0**
Fixed-rate financing instruments				
Bonds		375.0		**375.0**
Finance lease		3.1	17.1	**20.2**
Total	414.8	378.1	17.1	**810.0**

Times of interest rate changes for interest-bearing investments (EUR million), 31 Dec. 2010, 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				
Money market investments	5.5			**5.5**
Total	5.5			**5.5**

The sensitivity analysis includes financial liabilities in the balance sheet of 31 December 2010 (31 December 2009). 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.

		2010		2009
EUR million	Income statement	Shareholders' equity	Income statement	Shareholders' equity
Change in interest rate level +/– 1%	**+/- 1,8**		+/– 2,0	

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 foreign exchange exposure 31 Dec. 2010

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

Elisa's foreign exchange exposure 31 Dec. 2009

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

A change of twenty percentage points would impact consolidated equity by EUR 12.1 million (EUR 12.1 million) and profit before tax by EUR 0.7 million (EUR 0.7 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 625,0 million. The company also has a EUR 250 million commercial paper programme and committed revolving credit facility of EUR 300 million. The EUR 170 million revolving credit facility valid until 17 June 2012 is undrawn as of 31 December 2010. Of the EUR 130 million revolving credit facility valid until 21 November 2014 EUR 32 million was drawn on 31 December 2010. The margin of the limits is determined by the Groups' credit rating.

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

Cash in hand and at banks, and unused committed limits

EUR million	**2010**	2009
Cash and bank	**31.8**	31.0
Credit limits	**268.0**	300.0
Total	**299.8**	331.0

Cash and bank as well as unused committed credit limits deducted by commercial papers issued by Elisa amounted to EUR 197.8 million on 31 December 2010 (EUR 257.0 million).

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

Credit risk

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

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

Credit risk concentrations in accounts receivable are minor as the Group's customer base is wide; the 10 largest customers represent approximately 7 % of customer invoicing. EUR 8.5 million (EUR 9.4 million) of uncertain receivables have been deducted from consolidated accounts receivable. The Group's previous experience in the collection of trade receivables corresponds to the recognised impairment. Since 2007, the Group has sold the trade receivables of defined customergroups that are overdue by an average of 136 days. Based on these facts, the management is confident that the Group's trade receivables do not involve any substantial credit risk. The age distribution of trade receivables is described in Note 23.

Elisa's available-for-sale investments consist mostly of publicly listed shares in Comptel Corporation. The sensitivity analysis includes shares in the balance sheet of 31 December 2010 (31 December 2009). The analysis assumes a change of twenty percentage points in the share price.

	2010		2009	
EUR million	Income statement	Share-holders' equity	Income state-ment	Share-holders' equity
Change in Comptel share price +/– 20%	**+/– 0**	**+/– 2,0**	+/– 0	+/– 2,2

Notes on the capital structure

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

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

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

Capital structure and key indicators

	31.12.2010	31.12.2009
Interest-bearing net debt	**776.2**	718.5
Total equity	**833.1**	900.0
Total capital	**1,609.3**	1,618.5
Gearing ratio	**93.2%**	79.8%
Net debt / EBITDA	**1.6**	1.5
Equity ratio	**42.5%**	46.1%

Available sources of financing

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

Shareholders' equity	**31.12.2010**	31.12.2009
Treasury shares, 1,000	**10,535**	10,689
Share issue authorisation, 1,000	**15,000**	50,000
Maximum total, 1,000 [1]	**15,000**	50,000
Share price	**16.27**	15.96
Total, EUR million	**244.1**	798.0

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

Debt capital	**31.12.2010**	31.12.2009
Commercial paper programme (non-committed) [2]	**148.0**	176.0
Revolving credits (committed) [3]	**268.0**	300.0
EMTN programme (non-committed) [4]	**375.0**	400.0
Total	**791.0**	876.0
Total equity and debt capital	**1,035.1**	1,674.0

[1] The authorisation to issue shares at 31 December 2010 amounted to a maximum of 15,000,000 shares. This may be effected through an issue of new shares or sale of treasyry shares.

[2] The commercial paper programme amounts to EUR 250 million, of which EUR 102.0 million was in use at 31 December 2010.

[3] Elisa has two committed revolving credit facilities to a total of EUR 300 million, of which EUR 32 million was in use at 31 December 2010.

[4] Elisa has an European Medium Term Note programme (EMTN) to a total of EUR 1,000 million. EUR 625,0 million was in use at 31 December 2010. The program was updated on 27 March 2010 and it is valid for one year as of the update.

35. Related party transactions

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

The parent company of the Group is Elisa Corporation.

The Group's subsidiaries	Domicile	31 Dec. 2010 Group's ownership, %
Appelsiini Finland Oy	Helsinki	100
Arediv Oy	Oulu	62
Dial Media Oy	Helsinki	100
Ecosite Oy	Espoo	100
Elisa Eesti As	Tallinn	100
Elisa Hong Kong Limited	Hong Kong	100
Elisa Links Oy	Helsinki	100
Enia Oy	Helsinki	100
Excenta Oy	Pori	51
Fiaset Oy	Jyväskylä	100
Fonetic Oy	Jyväskylä	100
JMS Group Oy	Helsinki	100
Kiinteistö Oy Brahenkartano	Turku	60
Kiinteistö Oy Paimion Puhelimenkulma	Paimio	77
Kiinteistö Oy Raision Luolasto	Espoo	100
Kiinteistö Oy Rinnetorppa	Kuusamo	80
Kiinteistö Oy Tapiolan Luolasto	Espoo	100
LNS Kommunikation AB	Stockholm	100
Preminet Oy	Helsinki	100
OOO LNR	St. Petersburg	100
Saunalahti Group Plc	Espoo	100
Helsingin Netti Media Oy	Helsinki	100
Supertel Oy	Helsinki	100
SIA Radiolinja Latvija	Riga	100
Tampereen Tietoverkko Oy	Tampere	63
UAB Radiolinja	Vilnius	100
Videra Oy	Oulu	69
Xenex Telecom Oy	Tuusula	69
One Conference Ab	Solna	69

The Group's associates		
City-Suvanto Oy	Joensuu	33
Kiinteistö Oy Helsingin Sentnerikuja 6	Helsinki	50
Kiinteistö Oy Herrainmäen Luolasto	Tampere	50
Kiinteistö Oy Lauttasaarentie 19	Helsinki	42
Kiinteistö Oy Runeberginkatu 43	Helsinki	30
Kiinteistö Oy Stenbäckinkatu 5	Helsinki	40
Suomen Numerot NUMPAC Oy	Helsinki	33

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

The following transactions have been carried out with related parties:

Related party purchases:

EUR million	**2010**	2009
Associates and joint ventures	**0,6**	0,6
Total	**0,6**	0,6

Employee benefits to key management are presented under Note 7.

36. Events after the balance sheet date

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

Key indicators

Key indicators describing the Group's financial development

	IFRS 2010	IFRS 2009	IFRS 2008
INCOME STATEMENT			
Revenue, EUR million	**1,463**	1,430	1,485
Change of revenue, %	**2.3%**	-3.7%	-5.3%
EBITDA (EUR million)	**485**	484	472
EBITDA as % of revenue	**33.1%**	33.8%	31.8%
EBIT, EUR million	**268**	267	264
EBIT as % of revenue	**18.3%**	18.7%	17.8%
Profit before tax, EUR million	**197**	235	228
Profit before tax as % of revenue	**13.5%**	16.4%	15.3%
Return on equity (ROE), %	**17.4%**	19.9%	18.5%
Return on investment (ROI), %	**14.0%**	16.0%	15.6%
Research and development costs, EUR million	**10**	10	11
Research and development costs as % of revenue	**0.7%**	0.7%	0.7%
BALANCE SHEET			
Gearing ratio, %	**93.2%**	79.8%	92.8%
Current ratio	**0.6**	0.8	0.9
Equity ratio, %	**42.5%**	46.1%	43.3%
Non-interest bearing liabilities, EUR million	**331**	315	311
Balance sheet total, EUR million	**1,972**	1,965	2,030
INVESTMENTS IN SHARES			
Purchases of shares, EUR million	**34**	6	15
CAPITAL EXPENDITURES			
Investments, EUR million	**184**	171	184
Investments as % of revenue	**12.6%**	11.9%	12.4%
PERSONNEL			
Average number of employees during the period	**3,477**	3,216	2,946
Revenue/employee, EUR 1,000	**421**	445	504

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 2010	IFRS 2009	IFRS 2008
Share capital, EUR	**83,033,008.00**	83,033,008.00	83,033,008.00
Number of shares at year-end	**155,773,080**	155,618,957	155,618,957
Average number of shares	**155,773,080**	155,618,957	157,449,911
Number of shares at year-end, diluted	**156,129,164**	155,809,082	155,618,957
Average number of shares, diluted	**156,153,867**	155,809,082	157,449,911
Market capitalisation, EUR million [2]	**2,534**	2,484	1,914
Earnings per share (EPS), EUR	**0.97**	1.13	1.12
Dividend per share, EUR	**0.90** [*]	0.50	0.60
Payout ratio, %	**93.6%**	44.2%	53.0%
Capital repayment per share, EUR		0.92	0.40
Capital repayment as % of earnings		81.2%	35.3%
Equity per share, EUR	**5.33**	5.78	5.61
P/E ratio	**16.8**	14.1	11.0
Effective dividend yield, % [2]	**5.53%**	3.13%	4.88%
Effective capital repayment yield, % [2]		5.76%	3.25%
Share performance on the Helsinki Stock Exchange			
Mean price, EUR	**15.39**	12.01	15.02
Closing price at year-end, EUR	**16.27**	15.96	12.30
Lowest price, EUR	**12.67**	9.69	9.85
Highest price, EUR	**17.43**	15.99	22.18
Trading of shares			
Total trading volume, 1,000 shares	**144,696**	180,605	338,825
Percentage of shares traded [3]	**87%**	116%	218%

[*] The Board of Directors proposes a dividend payment of EUR 0.90 per share.

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

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

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

Key indicators

Formulae for financial summary indicators

EBITDA

$$\text{EBIT + depreciation, amortisation and impairment}$$

Return on equity (ROE), %

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

Return on investment (ROI), %

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

Gearing ratio, %

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

Current ratio

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

Equity ratio, %

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

Formulae for per-share indicators

Earnings per Share (EPS)

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

Dividend per share [*)]

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

Effective dividend yield [*)]

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

Payout ratio as percentage [*)]

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

Equity per share

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

P/E ratio (Price/Earnings)

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

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

Income statement, parent company, FAS

EUR million	Note	**1 Jan.–31 Dec. 2010**	1 Jan.–31 Dec. 2009
Revenue	1	**1,167.2**	1,196.1
Change in inventories		**-0.2**	-0.4
Other operating income	2	**7.9**	23.9
Materials and services	3	**-467.1**	-476.5
Personnel expenses	4	**-175.2**	-163.4
Depreciation and amortisation	5	**-193.9**	-239.5
Other operating expenses		**-142.1**	-155.4
Operating profit/loss		**196.6**	184.8
Financial income and expenses	7	**-28.3**	-29.4
Profit/loss before extraordinary items		**168.3**	155.4
Extraordinary items	8	**10.0**	-5.9
Profit/loss after extraordinary items		**178.3**	149.5
Appropriations	9	**-1.1**	-4.7
Income taxes	10	**-42.4**	-56.7
Profit/loss for the period		**134.8**	88.1

Balance sheet, parent company, FAS

EUR million	Note	**31 Dec. 2010**	31 Dec. 2009
ASSETS			
Fixed assets			
Intangible assets	11	**521.6**	565.3
Tangible assets	11	**468.3**	482.3
Investments	12	**125.2**	90.3
		1,115.1	1,137.9
Current assets			
Inventories	13	**33.9**	29.2
Non-current receivables	14	**12.8**	17.0
Current receivables	15	**258.9**	249.7
Cash and bank		**18.8**	22.8
		324.4	318.7
TOTAL ASSETS		**1,439.5**	1,456.6
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	16		
Share capital		**83.0**	83.0
Treasury shares		**-198.8**	-201.9
Contingency reserve		**3.4**	3.4
Reserve for invested non-restricted equity		**43.4**	186.7
Retained earnings		**273.0**	266.5
Profit/loss for the period		**134.8**	88.1
		338.8	425.8
Accumulated appropriations		**17.4**	16.3
Provisions for liabilities and charges	17	**5.2**	3.8
Liabilities			
Non-current liabilities	18	**434.1**	582.6
Current liabilities	19	**644.0**	428.1
		1,078.1	1,010.7
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,439.5**	1,456.6

Cash flow statement, parent company, FAS

EUR million	**2010**	2009
Cash flow from operating activities		
Profit before extraordinary items	**168.4**	155.4
Adjustments:		
Depreciation and amortisation	**193.9**	239.5
Financial income and expense	**38.0**	29.3
Gains and losses on the disposal of fixed assets	**-1.5**	-0.8
Gains and losses on the disposal of shares	**-9.7**	0.1
Change in provisions in the income statement	**1.4**	-1.2
Other adjustments	**-0.4**	0.0
Cash flow before change in working capital	**390.1**	422.3
Change in working capital	**28.1**	12.4
Cash flow before financial items and taxes	**418.2**	434.7
Dividends received	**31.7**	2.3
Interest received	**8.2**	9.0
Interest paid	**-75.3**	-37.3
Income taxes paid	**-49.9**	-53.3
Net cash flow from operating activities	**332.9**	355.4
Cash flow from investing activities		
Capital expenditure	**-138.4**	-146.3
Proceeds from sale of property, plant and equipment	**3.6**	1.2
Investments in shares and other financial assets	**-28.3**	-8.6
Proceeds from sale of shares and other financial assets	**10.5**	1.3
Loans granted	**-26.4**	-2.4
Repayment of loan receivables	**1.4**	49.8
Net cash flow used in investing activities	**-177.6**	-105.0
Cash flow after investing activities	**155.3**	250.4
Cash flow from financing activities		
Proceeds from long-term borrowings	**75.0**	
Repayment of long-term borrowings	**-80.0**	-36.5
Change in short-term borrowings	**72.3**	-56.6
Dividends paid	**-220.7**	-155.2
Group contributions given	**-5.9**	-4.1
Net cash flow used in financing activities	**-159.3**	-252.4
Change in cash and cash equivalents	**-4.0**	-2.0
Cash and cash equivalents at beginning of period	**22.8**	24.8
Cash and cash equivalents at end of period	**18.8**	22.8

Notes to the financial statements of the parent company

Accounting principles

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

Comparability with previous year

When the information for the financial year is compared with the previous financial year, it must be taken into account that the one-off guarantee expenses totaling EUR 39.5 million are included in financial expenses for 2010.

Items denominated in foreign currencies

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

Fixed assets

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

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

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

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

Inventories

Inventories are valued at variable costs, acquisition price or the likely assignment, or repurchase price if it is lower. A weighted average price is used in the valuation of inventories.

Marketable securities

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

Recognition principles

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

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

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

Research and development

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

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

Future expenses and losses

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

Extraordinary income and expenses

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

Income taxes

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

1. Revenue

EUR million	**2010**	2009
Sales	**1,254.4**	1,280.5
Interconnection fees and other adjustments	**-87.2**	-84.4
Total revenue	**1,167.2**	1,196.1

Geographical distribution		
Finland	**1,126.5**	1,155.1
Rest of Europe	**37.0**	37.2
Other countries	**3.7**	3.8
Total	**1,167.2**	1,196.1

2. Other operating income

EUR million	**2010**	2009
Gain on disposal of fixed assets	**1.6**	0.8
Gain on disposal of shares and business	**0.0**	0.0
Others [1]	**6.3**	23.1
Other operating income total	**7.9**	23.9

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

3. Materials and services

EUR million	**2010**	2009
Materials, supplies and goods		
Purchases	**45.1**	44.9
Change in inventories	**-4.7**	-11.2
	40.4	33.7
External services	**426.7**	442.8
Materials and services total	**467.1**	476.5

4. Personnel expenses

EUR million	**2010**	2009
Salaries and wages	**143.7**	131.7
Pension costs	**25.8**	23.7
Other statutory employee costs	**5.7**	8.0
Personnel expenses total	**175.2**	163.4

Personnel on average	**2,634**	2,569

CEO remuneration, EUR

	2010	2009
Fixed salary	**494,256.00**	476,820.00
Performance-based bonus	**133,288.80**	306,180.00
Fringe benefits	**14,909.00**	14,960.00
Share-based payments [1]	**656,937.77**	
	1,299,391.57	797,960.00

[1] In 2010, according to the 2009 share-based payment plan, CEO Veli-Matti Mattila received 20,083 shares of Elisa Oyj, with a value of EUR 314,634.74 and related cash payment EUR 342,303.03.

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

The Board of Directors' remuneration, EUR	**2010**	2009
Risto Siilasmaa	**116,500.00**	115,500.00
Pertti Korhonen	**67,500.00**	67,500.00
Ari Lehtoranta	**68,000.00**	48,500.00
Raimo Lind	**77,500.00**	50,000.00
Leena Niemistö	**51,000.00**	
Eira Palin-Lehtinen	**69,500.00**	68,000.00
Ossi Virolainen	**81,500.00**	80,000.00
Tomas Otto Hansson		16,500.00
Orri Hauksson		17,500.00
	531,500.00	463,500.00

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

5. Depreciation and amortisation

EUR million	2010	2009
Amortisation of intangible assets	**65.0**	108.7
Depreciation of tangible assets	**128.9**	130.8
Total	**193.9**	239.5

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

6. Auditor's fees

EUR million	2010	2009
Auditing	**0.2**	0.1
Tax advisory services	**0.0**	0.1
Education services	**0.5**	0.4
Other services	**0.1**	0.0
	0.8	0.6

7. Financial income and expenses

EUR million	2010	2009
Interest income and other financial income		
Dividends received		
from Group companies	**30.9**	1.3
from others	**0.8**	1.0
Total dividends received	**31.7**	2.3
Other interest and financial income		
from Group companies	**0.4**	0.7
from others	**17.9**	8.3
Other interest and financial income, total	**18.3**	9.0
Interest income and other financial income, total	**50.0**	11.3
Interest costs and other financial expenses		
to Group companies	**-0.3**	-0.2
to others [1)]	**-78.0**	-40.5
Interest costs and other financial expenses, total	**-78.3**	-40.7
Financial income and expenses, total	**-28.3**	-29.4

[1)] EUR 39.5 million guarantee expenses is included in interest costs and other financial expenses. Described in detail under Note 33 in the consolidated financial statements.

8. Extraordinary items

EUR million	2010	2009
Extraordinary income		
Group contributions received	**10.0**	
Extraordinary expenses		
Group contributions paid		-5.9
Extraordinary items total	**10.0**	-5.9

9. Appropriations

EUR million	2010	2009
Change in depreciation difference	**-1.1**	-4.7
Appropriations, total	**-1.1**	-4.7

10. Income taxes

EUR million	2010	2009
Income tax on extraordinary items	**-2.6**	-1.5
Income tax on regular business	**-39.6**	-55.2
Income tax for previous periods	**-0.2**	0.0
Income taxes, total	**-42.4**	-56.7

11. Fixed assets / Intangible and tangible assets

Intangible Assets

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

Tangible assets

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

Intangible Assets

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

Tangible assets

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

12. Investments

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

Accumulated interest of EUR 0.2 million on capital loan receivables of EUR 1.9 million included in receivables have not been booked based on the prudence principle.

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

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

13. Inventories

EUR million	2010	2009
Materials and supplies	**11.8**	11.8
Work in progress	**0.4**	0.6
Finished products/goods	**21.3**	16.6
Advance payment	**0.4**	0.2
Inventories total	**33.9**	29.2

14. Non-current receivables

EUR million	2010	2009
Receivables from Group companies		
Loans receivable	**4.7**	5.7
Receivables from others		
Trade receivables	**0.5**	3.0
Loan receivables [1]	**0.1**	0.1
Other receivables		0.0
Prepayments and accrued income [2]	**7.5**	8.2
Non-current receivables total	**12.8**	17.0

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

[2] Breakdown of prepayment and accrued income

Rent advances	**7.2**	6.5
Bond issue loss allocations	**0.3**	1.7
	7.5	8.2

15. Current receivables

EUR million	2010	2009
Receivables from Group companies		
Trade receivables	**40.0**	47.7
Loan receivables	**41.3**	15.8
Other receivables	**14.6**	0.0
Prepayments and accrued income	**0.3**	0.2
	96.2	63.7
Receivables from others		
Trade receivables	**147.1**	171.5
Other receivables	**0.5**	0.6
Prepayments and accrued income [1]	**15.1**	13.9
	162.7	186.0
Total	**258.9**	249.7

[1] Breakdown of prepayment and accrued income

Interest	**6.1**	6.1
Rent advances	**1.3**	1.5
Bond issue loss allocations	**1.4**	1.9
Taxes	**1.4**	0.0
Other business expense advances	**4.9**	4.4
	15.1	13.9

16. Shareholders' equity

EUR million	2010	2009
Share capital at 1 Jan.	**83.0**	83.0
Share capital at 31 Dec.	**83.0**	83.0
Treasury shares at 1 Jan.	**-201.9**	-201.9
Share-based payment	**3.1**	
Treasury shares reserve at 31 Dec.	**-198.8**	-201.9
Contingency reserve at 1 Jan.	**3.4**	3.4
Contingency reserve at 31 Dec.	**3.4**	3.4
Reserve for invested non-restricted equity at 1 Jan.	**186.7**	248.9
Capital repayment	**-143.3**	-62.2
Reserve for invested non-restricted equity at 31 Dec.	**43.4**	186.7
Retained earnings at 1 Jan.	**354.6**	359.2
Dividend distribution	**-77.9**	-93.4
Withdrawal of dividend liabilities		0.7
Share-based payment	**-3.1**	
Contributions	**-0.6**	
Retained earnings at 31 Dec.	**273.0**	266.5
Profit for the period	**134.8**	88.1
Total shareholders' equity	**338.8**	425.8

Distributable earnings

Retained earnings	**273.0**	266.5
Treasury shares	**-198.8**	-201.9
Reserve for invested non-restricted equity	**43.4**	186.7
Profit for the period	**134.8**	88.1
Distributable funds at 31 Dec., total	**252.4**	339.4

17. Provisions

EUR million	2010	2009
Provision for unemployment pensions	**2,5**	2,3
Other provisions for liabilities and charges [1]	**2,7**	1,5
Provisions for liabilities and charges, total	**5,2**	3,8

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

Provisions of EUR 1.8 million were used in 2010 (EUR 2.7 million).

18. Non-current liabilities

EUR million	2010	2009
Interest-bearing		
Bonds	**375.0**	525.9
Loans from financial institutions	**50.0**	50.0
Non-interest bearing		
Other liabilities	**2.9**	0.3
Accruals and deferred income [1]	**6.2**	6.4
Non-current liabilities, total	**434.1**	582.6

Liabilities maturing after five years		
Loans from financial institutions		50.0

[1] Breakdown of accruals and deferred income		
Rent advances	**6.1**	6.3
Others	**0.1**	0.1
	6.2	6.4

19. Current liabilities

EUR million	2010	2009
Interest-bearing		
Liabilities to Group companies		
Group account	**53.2**	40.9
Other liabilities	**0.1**	0.1
	53.3	41.0
Liabilities to others		
Bonds	**225.9**	50.0
Loans from financial institutions	**32.0**	30.0
Other liabilities	**102.0**	74.0
	359.9	154.0
Interest-bearing, total	**413.2**	195.0

EUR million	2010	2009
Non-interest bearing		
Liabilities to Group companies		
Trade payables	**9.7**	7.3
Other liabilities	**0.0**	6.0
	9.7	13.3
Liabilities to others		
Advances received	**2.4**	2.3
Trade payables	**118.9**	121.9
Other liabilities	**38.5**	30.4
Accruals and deferred income [1]	**61.3**	65.2
	221.1	219.8
Non-interest bearing, total	**230.8**	233.1
Current liabilities, total	**644.0**	428.1

[1] Breakdown of accruals and deferred income		
Holiday pay, performance-based bonuses and related statutory employee costs	**33.4**	31.1
Interest	**22.5**	21.5
Direct taxes	**0.0**	6.0
Rent advances	**0.9**	0.9
Advance income	**3.3**	4.4
Others	**1.2**	1.3
	61.3	65.2

20. Collateral, commitments and other liabilities

EUR million	2010	2009
Pledges given		
Bank deposits given for own debt	**0.5**	0.5
Guarantees given		
For own	**0.7**	
For others [1]	**0.5**	42.3
Total	**1.7**	42.8

[1] At 31 December 2009 EUR 41.6 million was related to the guarantee given on a European bank for a credit derivative portfolio. An agreement on the termination of the guarantee was made with the arranger bank in December 2010. The settled guarantee expense EUR 39.5 million has been booked in financial expenses. Described in detail under Note 33 in the consolidated financial statements.

Leasing and rental liabilities

EUR million	**2010**	2009
Leasing liabilities on telecom networks [1]		
Due within one year	**0.8**	0.8
Due later than one year and up to five years	**1.8**	2.3
Due later than five years	**1.0**	1.3
	3.6	4.4
Other leasing liabilities [2]		
Due within one year	**5.4**	7.6
Due later than one year and up to five years	**6.0**	6.5
	11.4	14.1
Total repurchase liabilities [3]	**0.0**	0.0
Real estate leases [4]		
Due within one year	**13.9**	13.4
Due later than one year and up to five years	**34.0**	37.9
Due later than five years	**90.7**	97.2
	138.6	148.5
Leasing and rental liabilities, total	**153.6**	167.1

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

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

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

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

Derivative instruments

EUR million	**2010**	2009
Interest rate swap		
Nominal value	**150.0**	150.0
Fair value recognised in the balance sheet	**1.2**	1.5
Credit default swaps [1]		
Nominal value		44.0

[1] Credit risk derivative contract (CDS) is related to the counterparty risk of QTE facility. In 2008, Elisa wrote down the fair value of the CDS. The credit default swap has been settled in December 2010. Described in detail under Note 33 in the consolidated financial statements.

Real estate investments

VAT refund liability of real estate investments is EUR 18.4 million at 31 December 2010 (17.0 million).

Environmental costs

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

Shares and shareholders

1. Share capital and shares

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

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

2. Authorisations of the Board of Directors

The Annual General Meeting of Shareholders on 18 March 2010 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 15,000,000 shares in one or several issues. The share issue and shares granted by virtue of special rights are included in the aforementioned maximum number. The maximum number is approximately 9 per cent of the entire stock.

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

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

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

The Board of Directors may decide to acquire or pledge on non-restricted equity a maximum of 10,000,000 treasury shares. The acquisition may take place as one or several blocks of shares. The consideration payable for the shares shall not be more than the ultimate market price. In purchasing the Company's own shares derivative, share lending and other contracts customary in the capital market may be concluded pursuant to law and the applicable legal provisions.

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

The Board of Directors shall have the right to decide on all other matters related to the purchase of the Company's own shares. The authorisation is in force until 30 June 2011 and it annuls the authorisation given by the Annual General Meeting of Shareholders to the Board of Directors on 18 March 2009.

3. Treasury shares

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

The Annual General Meeting held on 18 March 2010 authorised the Board of Directors to acquire and assign treasury shares. The authorisation applies to a maximum of 10,000,000 treasury shares. On the basis of the authorisation, Elisa has not acquired treasury shares.

According to the decision of the Board of Directors Elisa transferred a total of 156,633 shares to the personnel under the share incentive plan for 2009. In accordance with the terms and conditions of the share-based incentive plan, 2,510 shares returned to Elisa as the result of the termination of employment.

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

The Elisa shares held by Elisa do not have any substantial impact on the distribution of holdings and votes in the company. They represent 6.33 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 2010 was 124,867 shares and votes, which represented 0.08 per cent of all shares and votes.

5. Share performance

The Elisa share closed at EUR 16.27 on 31 December 2010. The highest quotation of the year was EUR 17.43 and the lowest EUR 12,67. The average price was EUR 15.39.

At the end of the financial year, the market capitalisation of Elisa's outstanding shares was EUR 2,534 million.

6. Quotation and trading

The Elisa share is quoted on the Main List of the NASDAQ OMX Helsinki with the ticker ELI1V. The aggregate volume of trading on the NASDAQ OMX Helsinki between 1 January and 31 December 2010 was 144,695,847 shares for an aggregate price of EUR 2,227 million. The trading volume represented 87.0 per cent of the outstanding number of shares at the closing of the financial year.

Shares and shareholders

7. Distribution of holding by shareholder groups at 31 December 2010

	Shares	Proportion of all shares, %
1. Private companies	27,296,682	16.41
2. Financial and insurance institutions	7,087,021	4.26
3. Public corporations	21,231,130	12.77
4. Non-profit organisations	6,548,264	3.94
5. Households	50,057,954	30.10
6. Foreign	882,417	0.53
7. Nominee registered	42,669,612	25.66
Elisa Group	10,534,506	6.33
Total	166,307,586	100.00

8. Distribution of holding by amount at 31 December 2010

Size of holding	Number of shareholders	%	Number of shares	%
1-100	31,358	13.58	1,691,000	1.02
101-1,000	193,743	83.92	40,789,428	24.53
1,001-10,000	5,392	2.34	13,088,374	7.87
10,001-100,000	325	0.14	8,107,242	4.87
100,001-1,000,000	47	0.02	12,923,119	7.77
1,000,001-	7	0.00	78,756,832	47.36
Grand total	230,872	100.00	155,355,995	93.41
In special accounts			417,085	0.25
Elisa Group			10,534,506	6.33
Issued amount			166,307,586	100.00

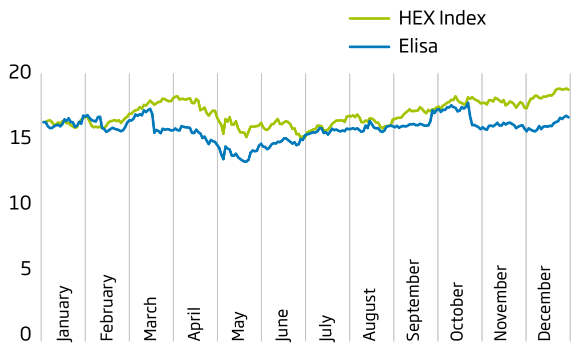
9. Largest shareholders at 31 December 2010

	Name	Shares	%
1	Solidium PLC	16,801,000	10.10
2	Varma Mutual Pension Insurance Company	10,151,976	6.10
3	Ilmarinen Mutual Pension Insurance Company	5,010,334	3.01
4	The State Pension Fund	2,000,000	1.20
5	KPY Sijoitus PLC	1,127,163	0.68
6	City of Helsinki	1,124,690	0.68
7	Mandatum Life Insurance PLC	927,291	0.56
8	Svenska Litteratursällskapet	772,000	0.46
9	Nordea Finland Fund	721,200	0.43
10	Föreningen Konstsamfundet Rf	580,000	0.35
11	Kaleva Mutual Insurance Company	500,000	0.30
12	Pensionsförsäkringsaktiebolaget Veritas	496,183	0.30
13	Danske Invest Finland Fund	494,022	0.30
14	Danske Invest Finland Equity Fund	475,118	0.29
15	Pension Fennia Mutual Insurance Company	455,000	0.27
16	Nordea Bank Finland PLC	440,850	0.27
17	The Local Government Pension Institution	391,856	0.24
18	Alfred Berg Finland Fund	388,432	0.23
19	Gyllenberg Finlandia Fund	375,841	0.23
20	Anvia Oyj	375,019	0.23
Total		43,607,975	26.22
	Elisa Group total	10,534,506	6.33
	Elisa Group Personnel Fund	156,800	0.09
	Nominee registered	42,669,612	25.66
	Shareholders not specified here	66,338,693	41.69
Total		166,307,586	100.00

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

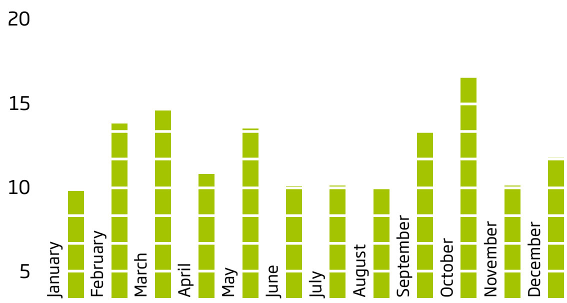
10. Daily price development

Closing price in EUR



11. Trading volume

Million shares per month



Board's proposal concerning the disposal of profits

According to the consolidated balance sheet of 31 December 2010, the parent company's shareholders' equity is EUR 338,793,743.80 of which distributable funds account for EUR 252,378,799.53.

The parent company's profit for the period 1 January to 31 December 2010 was EUR 134,821,082.31.

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

- a dividend of EUR 0.90 per share shall be paid for a total of EUR 140,287,421.70
- no dividend shall be paid on shares in the parent company's possession
- EUR 112,091,377.83 shall be retained in shareholders' equity.

Helsinki, 10 February 2011

Risto Siilasmaa
Chairman of the Board of Directors

Pertti Korhonen

Ari Lehtoranta

Raimo Lind

Leena Niemistö

Eira Palin-Lehtinen

Ossi Virolainen

Veli-Matti Mattila
President and CEO

Auditor's report

To the Annual General Meeting of Elisa Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Elisa Corporation for the year ended on December 31, 2010. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

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

Auditor's Responsibility

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

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

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

Opinion on the consolidated financial statements

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

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

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

Other opinions

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

Helsinki, February 10, 2011

KPMG OY AB

Pekka Pajamo
Authorized Public Accountant

Corporate Governance Statement

Elisa's Board of Directors from left to right:

Back: Mr Raimo Lind, Mr Ari Lehtoranta, Mr Pertti Korhonen and Deputy Chairman of The Board Mr Ossi Virolainen
Front: Ms Leena Niemistö, Chairman of The Board Mr Risto Siilasmaa and Ms Eira Palin-Lehtinen

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

Board of Directors and Board committees

Board of Directors

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

At present, the Board of Directors comprises seven members. The Annual General Meeting of 18 March 2010 elected the following Board members: Mr Pertti Korhonen, Mr Ari Lehtoranta, Mr Raimo Lind, Ms Leena Niemistö, Ms Eira Palin-Lehtinen, Mr Risto Siilasmaa (Chairman) and Mr Ossi Virolainen (Deputy Chairman).

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

In its organizing meeting, the Board of Directors annually decides upon committees, their chairmen and members. In 2010, the acting committees were: the Committee for Remuneration Evaluation and Appointments, and the Committee for Auditing. The duties and charters of the committees are adopted by the Board of Directors.

Information on current Board members

Mr Risto Siilasmaa

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

Mr Ossi Virolainen

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

Mr Pertti Korhonen

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

Mr Ari Lehtoranta

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

Mr Raimo Lind

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

Ms Leena Niemistö

- (1963), M.D., Ph.D., Specialist in Physical and Rehabilitation Medicine, member of Board since 2010.
- Main occupation: Oy Dextra Ab, Managing Director, 2003-
- Key employment history: Specialist in the Invalid Foundation, Orton Rehabilitation Centre 2000-2004 and specializing physician in 1995-1999. Previous working experience includes positions as an assistant physician in the Helsinki University Hospital, and as a doctor in several health centers.
- Main Board memberships and public duties currently undertaken: Member of the Board of Ilmarinen Mutual Pension Insurance Company and Lääkäripalveluyritykset ry; Chairman of the prize committee of Ars Fennica; member of the Entrepreneur Delegation of the Confederation of Finnish Industries EK.

Ms Eira Palin-Lehtinen

- (1950), LL.M. trained on the bench, member since 2008.
- Key employment history: Executive Vice President for Nordea with responsibility for Nordic private banking business and wealth management until the end of 2007.
- Main Board memberships and public duties currently undertaken: Member of the Board of Sampo plc; deputy member of the Board and member of the finance committee of the Sigrid Jusélius Foundation; member of the Board of three Luxembourg-domiciled Nordea funds (Nordea Alternative Investment, Nordea Fund of Funds, and Nordea I Sicav); member of the investment committee of Svenska konstsamfundet; member of the Board of the Sibelius Academy Foundation as from 1 January 2011.

Charter of the Board

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

In the charter, the Board is tasked with determining the company's strategic guidelines and the targets for Elisa's management, and with monitoring the achievement of these. The Board shall also appoint the CEO and decide on the composition of the Executive

Board. The Board of Directors regularly monitors financial performance, and the development of the company's financial standing, on the basis of management reports. The Board also supervises the compliance of Elisa's administration, and the management of business and other risks. The Board addresses major investments in and disposal of businesses or assets, and also sets the boundaries for the company's management in executing operative investments and financial arrangements.

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

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

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

Meetings and remuneration

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

In 2010, the members of the Board were paid the following emoluments, which were decided upon and set by the Annual General Meeting:

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

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

In 2010, a total of 2,756 Elisa shares were issued to Risto Siilasmaa, the Chairman of the Board; 1,837 shares to Ossi Virolainen, the Deputy Chairman; 1,759 shares to Raimo Lind, Chairman of the Committee for Auditing; 1,530 shares to members Pertti Korhonen, Ari Lehtoranta ja Eira Palin-Lehtinen each, and 1,141 shares to Leena Niemistö. The shares purchased for the current members of Elisa's Board of Directors on 31 December 2010 were not registered in the members' book-entry accounts until 4 January 2011 and are thus not included in the figures below.

Elisa Board members' shareholdings in Elisa, (companies under the member's control)	Number of shares, 31 Dec. 2010
Mr Risto Siilasmaa, Chairman of the Board	14,183
Mr Ossi Virolainen, Deputy Chairman	13,959
Mr Pertti Korhonen, member	4,420
Mr Ari Lehtoranta, member	3,425
Mr Raimo Lind, member	2,798
Ms Leena Niemistö, member	778
Ms Eira Palin-Lehtinen, member	4,420

In 2010, the Board of Directors convened 12 times. The average attendance rate at Board meetings was 95 per cent.

Committee for Remuneration Evaluation and Appointments

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

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

In 2010, the Committee for Remuneration Evaluation and Appointments comprised Chairman of the Board Risto Siilasmaa (Committee Chairman) and members Pertti Korhonen and Ari Lehtoranta. In 2010, the Committee for Remuneration Evaluation and Appointments convened four times and the attendance rate was 100 per cent.

Committee for Auditing

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

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

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

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

In 2010, the Committee was chaired by Mr Raimo Lind with Ms Leena Niemistö, Ms Eira Palin-Lehtinen and Mr Ossi Virolainen as Committee members. In 2010, the Committee for Auditing convened seven times and the attendance rate was 100 per cent. The principal auditor also attends Committee meetings.

Chief Executive Officer

Elisa's Chief Executive Officer (CEO) is responsible for the day-to-day business activities and administration of the company in accordance with instructions and orders from the Board of Directors and with the Finnish Limited Liability Companies Act. The CEO is appointed by the Board of Directors. The CEO is also responsible for ensuring that the company's accounting practices comply with the law and that financial matters are handled in a reliable manner. Mr Veli-Matti Mattila served as CEO in 2010.

Executive Board



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

Information on the CEO

Veli-Matti Mattila

- (1961), M.Sc. (Tech.), MBA, joined the company in 2003.
- Main occupation: Chief Executive Officer
- Key employment history: CEO of Oy L M Ericsson Ab 1997–2003. Has held various positions in the Ericsson Group in Finland and the USA since 1986. Mr Mattila's previous career also includes expert advisory tasks in Swiss Ascom Hasler AG.
- Main Board memberships and public duties currently undertaken: Member of the Board of Directors of Sampo plc and the Central Chamber of Commerce, member of the Supervisory Board of the Finnish Fair Cooperative and member of the Council for Security of Supply and Infrastructure.

The salary paid to CEO Veli-Matti Mattila in the financial year was EUR 642,453.80, consisting of a fixed salary including taxable benefits (EUR 509,165.00), and a performance-based bonus (EUR 133,288.80). The performance-based bonus can total a maximum of 80 per cent of the taxable income. Moreover, the sum of EUR 656,937.77 was paid on the basis of the 2009 bonus and incentive scheme applicable to the management, of which shares in Elisa Corporation, including the asset transfer tax, accounted for EUR 314,634.74 (20,083 shares).

Elisa's CEO is entitled to retire at the age of 60.The supplementary pension is determined on the basis of the contribution. The supplementary pension insurance contribution that covers the pension as of the age of 62 was EUR 163,058.78 for 2010. The liability accrued with regard to the age of 60 and 61 EUR 326,769.00 is entered in Company's balance sheet. Elisa's CEO is entitled to a paid-up pension.

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

CEO Veli-Matti Mattila held 81,169 Elisa shares on 31 December 2010.

Other information on company administration

General Meeting of Shareholders and Articles of Association

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

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

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

Elisa's 2011 Annual General Meeting will be held on Friday, 25 March 2011 at 2:00 p.m. at the Helsinki Fair Centre, Congress entrance, Messuaukio 1, Helsinki.

Elisa's Executive Board

Elisa's Executive Board prepares the company strategy, directs the company's regular operations, monitors the development of results and deals with issues having substantial financial or other impacts on Elisa. The following table presents the composition of the Executive Board and the members' holdings (on 31 December 2010).

Elisa Executive Board's holdings in Elisa	Number of shares, 31 Dec. 2010
Mr Veli-Matti Mattila, CEO	81,169
Mr Asko Känsälä, Executive Vice President, Consumer Customers	42,176
Mr Pasi Mäenpää, Executive Vice President, Corporate Customers	30,109
Mr Timo Katajisto, Executive Vice President, Production	10,041
Mr Jari Kinnunen, Chief Financial Officer	19,392
Ms Katiye Vuorela, Executive Vice President, Corporate Communications	6,020
Mr Sami Ylikortes, Executive Vice President, Administration	20,501

Information on Executive Board members

Mr Asko Känsälä

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

Mr Pasi Mäenpää

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

Mr Timo Katajisto

- (1968), M.Sc. (Tech.), joined the company in 2008.
- Main occupation: Executive Vice President, Production
- Key employment history: Member of the Executive Board of Nokia Siemens Networks in 2007, Strategic Projects and Quality. Member of the Executive Board of Nokia Networks 2005–2007, Production and Network Installation. Various positions in Nokia Networks and its predecessor Nokia Telecommunications 1992–2005.
- Main Board memberships and public duties currently undertaken: Member of the Board of Directors and Executive Committee of the Employers' Association TIKLI until 31 December 2010; member of the temporary Board of Directors of the service sector employers' association called PALTA from 1 January to 10 February 2011.

Mr Jari Kinnunen

- (1962), M.Sc. (Econ. & Bus. Adm.), joined the company in 1999.
- Main occupation: Chief Financial Officer
- Key employment history: CEO and President of Yomi Plc in 2004; CFO of Elisa Kommunikation GmbH in Germany 1999–2004; Managing Director of Polar International Ltd 1996–99 and Controller 1990–96; Controller in Oy Alftan Ab 1987–90.
- Main Board memberships and public duties currently undertaken: Member of the Finance and Tax Committee of the Confederation of Finnish Industries EK.

Ms Katiye Vuorela

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

Mr Sami Ylikortes

- (1967), M.Sc. (Econ. & Bus. Adm.), LL.M., joined the company in 1996.
- Main occupation: Executive Vice President, Administration
- Key employment history: Executive Vice President, Administration, since 2000. Secretary to the Board of Directors 1998–2007. Positions in accounting management in Unilever Finland Oy 1991–1996.
- Main Board memberships and public duties currently undertaken: Member of the Board of Directors of Employers' Association TIKLI (2010); Chairman of the Working Life Committee of the Confederation of Finnish Industries EK (2011).

Executive Board incentive plan

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

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

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

The total salary paid to members of the Executive Board in the financial year was EUR 1,838,848.06 consisting of a fixed salary including taxable benefits (EUR 1,332,893.00), and a performance-based bonus (EUR 505,955.06). Moreover, the sum of EUR 1,724,460.91 was paid on the basis of the 2009 bonus and incentive scheme applicable to management, of which shares in Elisa Corporation, including the asset transfer tax, accounted for EUR 825,871.14 (52,715 shares).

The members of Elisa's Executive Board with the exception of the CEO are entitled to retire at the age of 62. The pensions are determined on the basis of the contribution. The annual supplementary pension insurance contribution in respect of the Executive Board was EUR 143,143.65.

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

Share-based incentive system

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

The system consists of three earning periods: the calendar years 2009, 2010 and 2011. A total of 156,633 shares were paid in the spring of 2010 as the bonus through the system for the 2009 earning period. In addition to this, a cash portion that covers taxes was paid to the key persons. The shares will be subject to a lock-up period of two years following the earning period, during which time transfer restrictions are in effect. In the event that the employment of a key employee ends during the lock-up period, the shares subject to transfer restriction shall be returned to the company without consideration.

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

Any bonus through the system for the 2011 earning period is based on the Elisa Group's earnings per share (EPS) and revenue. The possible bonus for the 2011 earning period will be paid in 2012, partly as company shares and partly in cash. The portion payable in cash will cover the taxes and tax-like charges arising from the bonus. The shares involve a similar two-year transfer restriction as is applicable in the 2009 system.

The system covers approximately 50 employees in 2009 and 2010 and approximately 160 employees in 2011. The bonuses payable based on the system equal at most the value of some 2.2 million shares in Elisa Corporation (including not more than 1.1 million shares and the cash portion).

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

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

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

Control environment

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

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

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

Risk assessment

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

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

Controls

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

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

Financial information and communication

External communications

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

Internal communications

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

Control

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

Risk management

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

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

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

Internal auditing

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

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

Auditors

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

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

The company employed one external authorized auditing company in 2010. The auditing company must be duly authorized by the Central Chamber of Commerce. The auditors' term of office is the current financial period for which they are appointed. The duties of the auditors end at the close of the first Annual General Meeting following the expiration of their term of office.

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

For the 2010 financial period, the auditing fees of the Finnish group companies totaled EUR 215,000.00, of which the parent company accounted for EUR 150,000.00. The auditing fees for the foreign group companies were EUR 38,000.00.

The auditing firm has been paid fees of EUR 650,000.00 for services not associated with auditing. These services had to do with mergers and acquisitions, tax services, a review of regulation accounting and other expert services. The fees include payments to a provider of trainings called Teleware, which is part of the KPMG Group. These payments totaled EUR 462,000.00 and related mainly to Elisa's operative operations.

Company insiders and insider administration

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

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

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

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

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