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ELISA'S FINANCIAL STATEMENTS 2008

Year 2008

- Revenue was EUR 1,485 million (1,568)
- EBITDA exclusive of non-recurring items was EUR 478 million (491) and EBIT EUR 271 million (294). EBITDA margin increased to 32 per cent (31)
- Profit before tax amounted to EUR 228 million (285)
- Earnings per share was EUR 1.12 (1.38)
- Cash flow after investments increased to EUR 260 million (114)
- Financial position and liquidity are good. Cash and undrawn committed credit lines totalled EUR 258 million and there are no major refinancing needs expected before the year 2011.
- Net debt / EBITDA was 1.7 (1.5) and gearing 93 per cent (71)
- The Board of Directors proposes a dividend of EUR 0.60 per share

Fourth quarter 2008

- Revenue was EUR 372 million (402)
- EBITDA exclusive of non-recurring items was EUR 129 million (128) and EBIT EUR 77 million (76). EBITDA margin improved to 35 per cent (31)
- Profit before tax amounted to EUR 70 million (65)
- Earnings per share were EUR 0.34 (0.32)
- Cash flow after investments increased to EUR 84 million (53)

- ARPU in the mobile business was at the previous quarter's level EUR 26.3 (Q3: 26.4)
- Churn decreased to 12.0 per cent from the previous quarter (Q3: 14.1)
- The number of Elisa's mobile subscriptions increased by 49,600 during the quarter, due in particular to the new 3G customers and mobile broadband subscriptions
- The number of fixed broadband subscriptions decreased by 18,300 on the previous quarter partly due to divestment of subscriptions

Key indicators:

EUR million	10-12/2008	10-12/2007	1-12/2008	1-12/2007
Revenue	372	402	1,485	1,568
EBITDA	129	126	472	499
EBITDA excluding non-recurring items	129	128	478	491
EBIT	77	74	264	302
Profit before tax	70	65	228	285
Earnings per share, EUR	0.34	0.32	1.12	1.38
Capital expenditures	64	69	184	206

Financial position and cash flow:

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

EUR million	10-12/2008	10-12/2007	1-12/2008	1-12/2007
Cash flow after investments	84	53	260	114

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

The Board of Directors proposes to the General Meeting an ordinary dividend of EUR 0.60 per share. The Board of Directors proposes also that the Board of Directors be authorised to acquire 15 million treasury shares, which corresponds to 9 per cent of the entire share capital. Furthermore, The Board of Directors also decided to propose to the General Meeting that the Board of Directors be authorised to distribute funds out of the retained earnings account or the reserve for invested non-restricted equity to a maximum of EUR 150 million.

CEO Veli-Matti Mattila:

"Improved profitability in latter half of year, over 220,000 new mobile customers in 2008

Strengthened competitiveness in the latter half of the year translated into good financial performance at Elisa in 2008. Cash flow was strong although revenue decreased slightly from the previous year, mainly as a result of lower interconnection and roaming fees, as well as terminal sales. Elisa's financial position and liquidity remain good.

Elisa continues to enjoy excellent success in the highly competitive mobile communication market. Our mobile subscription base increased by nearly 8 per cent or by over 220,000 new subscriptions, thus further solidifying our position as the 3G market leader. Our popularity was further boosted by the market launch of new services such as the mini laptop. A focus on the profitability of the broadband business contributed to the decline in the number of fixed broadband subscriptions.

Our market position in the Corporate Customer sector also grew stronger. Collaboration solutions are enhancing the productivity and flexibility of operations for an increasing number of our customers. Elisa completed several acquisitions to bolster the implementation of the strategy in the Corporate Customer sector.

In 2008, substantial investment was made in building the 3G network which enables mobile broadband. At the end of the year, Elisa's 3G network extended to more than 250 locations and covered over 80 per cent of Finland's population. An independent survey rated Elisa's 3G network as having the best coverage in Finland.

Other factors contributing to the material improvement in competitiveness have been the development of an attractive product selection and determined measures to streamline operations. The new customer care and billing system gave rise to additional expenditure in the first half of the year but functioned well in the latter half.

Our strategy to develop One Elisa, improve our profitability and provide new services has proven successful. Our strong financial position and cash flow provide an excellent framework for further determined implementation of our chosen strategy. The prevailing general economic uncertainty decreases the predictability of the business environment, and our industry is not immune to the negative development of the economy. Nonetheless, we have every confidence that our business will continue to develop favourably over the next few years."

ELISA

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Financial report 2008

The financial report has been prepared in accordance with the IFRS recognition and measurement principles but not all of the IAS 34 requirements have been observed.

Market situation

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

In the fixed network business the number and usage of traditional subscriptions decreased at a slower pace than in the previous year. The fixed broadband market is declining slightly, while the subscription growth is now in mobile broadband.

Revenue, earnings and financial position

EUR million	2008	2007	2006
Revenue	1,485	1,568	1,518
EBITDA	472	499	434
EBITDA-%	*31.8*	*31.8*	*28.6*
EBITDA excluding non-recurring items	478	491	445
EBITDA-% excluding non-recurring items	*32.2*	*31.3*	*29.3*
EBIT	264	302	225
EBIT-%	*17.8*	*19.3*	*14.8*
Return on equity, %	18.5	18.8	12.1
Equity ratio, %	43.3	47.9	63.1

Revenue by segments:

EUR million	2008	2007	2006
Mobile communications	919	980	930
Fixed network	615	642	665
Inter-segment sales	-49	-54	-77
Total	1,485	1,568	1,518

Elisa’s revenue decreased by 5 per cent in 2008. Reasons contributing to the reduction included lower mobile interconnection fees both in Finland and Estonia, as well as declined equipment sales and decreases in the number of traditional fixed network subscriptions and the volume of traffic.

Earnings by segment:

EUR million	2008	2007	2006
Mobile communications			
EBITDA	266	299	259
EBITDA-%	*29.0*	*30.5*	*27.9*
EBITDA excl. non-recurring items	269	300	263
EBITDA-%, excl. non-recurring items	*29.3*	*30.7*	*28.3*
EBIT	151	195	162
Fixed network			
EBITDA	209	206	181
EBITDA-%	*33.9*	*32.1*	*27.2*
EBITDA excl. non-recurring items	212	197	187
EBITDA-%, excl. non-recurring items	*34.5*	*30.7*	*28.1*
EBIT	117	113	71
Corporate functions			
EBITDA	-3	-6	-6
EBIT	-4	-6	-7
Total			
EBITDA	472	499	434
EBITDA-%	*31.8*	*31.8*	*28.6*
EBITDA excl. non-recurring items *	478	491	445
EBITDA-%, excl. non-recurring items	*32.2*	*31.3*	*29.3*
EBIT	264	302	225

* 2008: Restructuring costs EUR -7 million. 2007: Capital gains on real estate EUR 11 million and restructuring costs EUR -3 million. 2006: Restructuring costs EUR -10 million.

EBITDA excluding non-recurring items decreased slightly, but the EBITDA margin improved. The EBITDA margin improvement was attributable to factors such as new services in the mobile communication business, as well as efficiency measures. Also the decreased mobile interconnect revenue and costs improved profitability. The improved profitability of the fixed network business was affected by changes in broadband subscription prices, withdrawing the broadband offering from some less profitable geographical areas and improved cost efficiency.

Financial income and expenses totalled EUR –37 million (-17). Financial income and expenses in 2007 include a EUR 13 million gain on the sale of Comptel shares. The increase on the previous year was mainly attributable to increased net debt. Income taxes in the income statement amounted to EUR -51 million (-65).

Elisa's January-December earnings after taxes were EUR 177 million (220). The Group's earnings per share (EPS) amounted to EUR 1.12 (1.38). At the end of 2008, the Group's equity per share was EUR 5.61 (6.53).

Financial position:

EUR million	31.12.2008	31.12.2007	31.12.2006
Net debt	812	738	377
Net debt / EBITDA [1)]	1.7	1.5	0.9
Gearing ratio, %	92.8	71.3	28.7
Equity ratio, %	43.3	47.9	63.1

EUR million	2008	2007	2006
Cash flow after investments	260	114	118

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

The financial position and liquidity remained good. Cash and undrawn committed credit lines totalled EUR 258 million at the end of the year and there are no major refinancing needs expected before the year 2011.

Elisa's net debt increased from EUR 738 million to EUR 812 million mainly due to the capital repayment of EUR 285 million in March 2008.

Cash flow after investments increased clearly on the previous year to EUR 260 million (114) mainly due to the change in net working capital.

Changes in corporate structure

At the end of February, Elisa acquired 51 per cent of Kuntokompassi Oy. This acquisition had no material impact on Elisa's profit or balance sheet. The new name for the company is Excenta Oy.

In June, Elisa acquired 100 per cent of Electur Oy. Electur's core business consists of identity management, one-off registration and entry management. Elisa will develop new solutions for its corporate customers' e-businesses by combining Electur's products and Elisa's ICT-services.

At the end of October, Elisa acquired the business operations of Dialmedia Oy and merged it to Elisa's fully owned subsidiary Lounet Call Center Oy and also acquired 100 per cent of Doneto Oy. Both companies businesses comprise contact centre services.

In November, Elisa acquired 100 per cent of Telenor Finland Oy from Telenor Sverige Ab. Telenor Finland Oy takes care of Telenor Group's customer service in the Nordic Countries. The new name for the company is Elisa Links Oy.

Mobile communication business

Number of subscriptions	31.12.2008	31.12.2007
Total number of subscriptions	2,879,600	2,657,400
- Subscriptions in Finland	2,541,900	2,334,600
- Subscriptions in Estonia	337,700	322,800

User-specific indicators [1]	10-12/2008	10-12/2007	1-12/2008	1-12/2007
Average revenue/subscription, €/month	26.3	30.1	26.4	30.0
Annualised churn, %	12.0	12.6	13.3	12.2
Outgoing calls, min/subscription/month	213	217	218	218
SMS, message/subscription/month	56	57	56	53
Non-voice services/revenue, %	20	19	20	19

Indicators on network usage [2]	10-12/2008	10-12/2007	1-12/2008	1-12/2007
Outgoing calls, million minutes	1,527	1,447	6,031	5,661
SMS, million messages	434	407	1,615	1,550

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

Elisa's network operator in Finland increased the number of its subscriptions by some 207,400 in 2008. The increase was markedly due to the success of 3G service bundles, mobile broadband and prepaid subscriptions. The number of subscriptions at the end of the year was approximately 2,541,900. The fourth-quarter increase in Finland was approximately 54,200 subscriptions. In Estonia the number of subscriptions increased by 14,900 in 2008, but in the fourth quarter they decreased by 4,600.

In 2008, the call minutes per subscription of Elisa's own service operators were at the same level and the number of SMS messages increased by approximately 6 per cent on the previous year.

Due to the increase in the number of subscriptions of Elisa’s service operators, the total call minutes in the network grew by 7 per cent and the number of SMS messages 4 per cent.

Mobile communication revenues decreased by 6 per cent mainly due to reduced interconnection fees both in Finland and Estonia, and equipment sales. Revenue per subscription declined by 12 per cent on the previous year due to lower interconnection fees as of the beginning of the year and lower roaming fees as of September 2007. Also the increase in mobile broadband subscriptions negatively affected revenue per subscription.

In May 2008, Elisa decreased the mobile data roaming fee by approximately 30-50 per cent. The fee reduction concerns internet, MMS and WAP connections.

Elisa and other Finnish mobile operators have agreed on new interconnection fees for 1 January 2009 – 30 November 2009. This is based on an agreement made by the mobile operators on 19 February 2007. According to the agreement, operator interconnection fees will be gradually equalised during 2007-2009, with the fees being equal effective 1 December 2009.

From 1 January 2009 – 30 November 2009, Elisa’s interconnection fee for the mobile network will be 4.9 cents per minute, in 2008 the fee was 5.1 cents per minute. The equal interconnection price enforced by the operators as of 1 December 2009 will be agreed separately later.

At the end of 2008, Elisa’s 3G services covered approximately over 80 per cent of the Finnish population in more than 250 municipalities. UMTS900 technology allows more cost efficient construction of a 3G network in rural areas. This will bring 3G services to all of Finland within a few years. The speed of Elisa’s 3G network increased during 2008 and most of the network uses maximum transmission speed of 5 Mb/sec. Mobile broadband will enable remote working almost everywhere in Finland.

Revenue of the mobile communication business in Elisa’s Estonian subsidiary has been negatively affected by lower interconnection prices, which were cut in November 2007 and July 2008. These changes did not have any material impact on the result since the interconnection costs declined respectively. Revenue decreased to EUR 98.5 million (113.1), EBITDA increased to EUR 36.7 million (36.2) and EBIT to EUR 25.8 million (25.2). The number of subscriptions stood at 337,700 (322,800) at the end of 2008.

Fixed network business

Number of subscriptions	31.12.2008	31.12.2007
Broadband subscriptions	501,500	521,800
ISDN channels	54,400	70,800
Cable TV subscriptions	244,200	237,100
Analogue and other subscriptions	447,700	471,500
Total number of subscriptions	1,247,800	1,301,300

Elisa’s fixed broadband subscriptions decreased throughout 2008, representing a decline of approximately 20,300 subscriptions or 4 per cent on the previous year. This was mainly due to withdrawing the broadband offering from some less profitable geographical areas and divestment of fixed broadband subscriptions outside of the own network area. Elisa sold 6,500 broadband subscriptions in the Vaasa area to Anvia.

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

On 1 February 2008, wholesale prices levied by telecommunications operators on each other declined by approximately one-third of the previous level.

Elisa launched a full triple-play service called Kotitotaali, under the Saunalahti brand, which offers customers high-speed broadband, television and fixed line telephony services with one single monthly fee.

Cisco granted Elisa the “Service Provider Partner of the Year” prize. Elisa is one of Cisco’s biggest partners in Finland and together are devoted to the development of innovative communication solutions.

Personnel

Elisa employed 2,946 people on average in 2008 (2007 average 3,299 people and 2006 average 4,086 people). Employee benefit expenses in 2008 totalled EUR 162 million (2007 EUR 181 million, 2006 EUR 214 million). At the end of 2008 the number of personnel was 3,017 (3,015).

Personnel by segments:

	31.12.2008	31.12.2007
Mobile communications	1,271	1,252
Fixed network	1,710	1,727
Corporate functions	36	36
Total	3,017	3,015

As of 1 June 2008, Elisa outsourced a part of the planning and documentation of Elisa’s fixed network and material delivery to Eltel, Empower and Relacom. This arrangement affected 47 employees.

In December, Elisa’s Board of Directors resolved a new share-based incentive plan for the Elisa group key personnel. The aim of the plan is to combine the objectives of the shareholders and the key personnel in order to increase the value of the company, to gain key personnel commitment, and offer them a competitive reward plan based on Elisa shareholdings.

The Plan is directed to approximately 50 people. The rewards to be paid on the basis of the plan will correspond to the value of a maximum total of 2.2 million Elisa shares (including a maximum 1.1 million shares and a portion to be paid in cash).

As part of the incentive programs, Elisa also has a share option program. Approximately 500,000 series 2007A stock options were distributed to 150 key personnel, who do not belong to the share-based incentive plan.

Elisa has a personnel fund for all Elisa employees, except for those who belong to some other incentive programs. Based on the 2008 result no contribution was made to the personnel fund.

Investments

EUR million	10-12/2008	10-12/2007	1-12/2008	1-12/2007
Capital expenditures, of which	64	69	184	206
- mobile communication business	38	28	103	91
- GSM leasing liability buy-backs		2	2	2
- fixed network business	26	38	79	113
Shares	2	1	15	12
- of which achieved through an exchange of shares				5
Total	66	70	199	218

The primary investment targets were the expansion of the 3G network and increases in the speed and capacity of the fixed broadband network.

Financing arrangements and ratings

Valid financing arrangements:

EUR million	Maximum amount	In use on 31.12.2008
Committed credit limits	300	75
Commercial paper program [1)]	250	55.6
EMTN program [2)]	1,000	636

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

Share

Trading of shares	10-12/2008	10-12/2007	1-12/2008	1-12/2007
Shares traded, millions	76.1	73.0	338.8	316.0
Volume, EUR million	881.4	1,536.2	5,041.1	6,737.0
% of shares	45.8	43.9	217.7	199.7

Shares and market values	31.12.2008	31.12.2007
Total number of shares	166,307,586	166,307,586
Treasury shares	10,688,629	8,049,976
Outstanding shares	155,618,957	158,257,610
Closing price, EUR	12.30	21.00
Market capitalisation, EUR million	1.914	3,323
Treasury shares, %	6.43	4.8

At the end of the year, Elisa's total number of shares was 166,307,586 (166,307,568), all within one share series. The closing price was EUR 12.30 (21.00), representing a decrease of 41.4 per cent. The market value of Elisa's outstanding shares at the end of the year was EUR 1,914 million (3,323).

In accordance with the share based incentive program terms, Elisa transferred 361,347 own shares to persons involved in the 2006 incentive program on 2 May 2008.

In August 2008, Elisa received a notification pursuant to Chapter 2, Section 9 of the Securities Markets Act from DNA Oy, Lännen Puhelin Oy, Oulun Puhelin Holding Oyj, Kuopion Puhelin Sijoitus Oy and PHP Liiketoiminta Oyj. According to the notification, the parties jointly held more than one-twentieth (5 per cent) of Elisa's shares and votes. The companies may use their voting rights in mutual understanding.

In October 2008, Elisa received the following three notices: 1. Varma Mutual Pension Insurance Company hold more than 10 per cent of Elisa's shares and votes. 2. Novator Finland Oy's shareholding in Elisa has decreased below one-twentieth (5%) to zero (0%). 3. Varma Mutual Pension Insurance Company hold more than 15 per cent of Elisa's shares and votes.

In December 2008, Elisa received two notifications according to which Varma Mutual Pension Insurance Company sold 16,000,000 Elisa's shares to the Finnish State and their holding in Elisa deceased below 10 per cent of Elisa's shares and votes, and the ownership of the State was 9.62 per cent of Elisa's shares and voting rights.

Based on the decision of the Board of Directors on 18 December 2007, approximately 500,000 series 2007A stock options were distributed to the key personnel in Elisa group. The strike price for series 2007A options is EUR 19.04.

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

Elisa shareholders with more than 5 per cent holding	Per cent of the shares and votes
The Finnish State	9.62
Elisa	6.43
Varma Mutual Pension Insurance Company	6.10

Research and development

The Group invested EUR 11 million, of which EUR 2.5 million has been capitalised, in research and development in 2008 (EUR 8 million in 2007 and EUR 6 million in 2006), corresponding to 0.7 per cent of revenue (0.5 per cent in 2007 and 0.4 per cent in 2006). Due to changes in the corporate structure, the figures are not fully comparable with previous years.

Elisa's Annual General Meeting of shareholders

On 18 March 2008, and in accordance with the proposal of the Board of Directors, Elisa's Annual General Meeting decided on the capital repayment to shareholders in the amount of EUR 1.80 per share on the basis of the 31 December 2007 balance sheet approved by the General Meeting.

The Annual General Meeting confirmed the financial statements for the period in question. The members of the Board of Directors and the CEO were discharged from liability for 2007.

The number of the members of the Board of Directors was confirmed at six (6), and members Risto Siilasmaa and Ossi Virolainen were re-elected to the Board of Directors and Mr Tomas Otto Hansson (Director, Novator), Mr Orri Hauksson (Director, Novator Finland), Mr Pertti Korhonen (CEO Elektrobit Corporation) and Ms Eira Palin-Lehtinen (prev. Director in Nordea Bank) were elected as new members.

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

The Board of Directors' authorisations

The Annual General Meeting accepted the proposal to authorise the Board of Directors to decide on the distribution of funds out of distributable equity up to a maximum of EUR 250,000,000. The authorization is valid until the commencement of the next Annual General Meeting.

The Annual General Meeting approved the proposal of the Board of Directors to authorise the Board of Directors to issue shares and special rights. The authorisation is valid until 31 March 2010. A maximum aggregate of 50.0 million of the company's shares can be issued under the authorization. A total of 361,347 shares were issued on 2 May 2008.

The Annual General Meeting decided on the authorisation to acquire treasury shares. The amount of shares that may be purchased under the authorisation is maximum 15,000,000 treasury shares. The authorisation is valid until August 31, 2009.

The share repurchases announced by Elisa on 1st August 2008 was completed on 16 September 2008. Elisa purchased 3,000,000 of its own shares on the Helsinki Stock Exchange during 8.8 – 16.9.2008. The average price per share was EUR 14.43 and the total purchase price approximately EUR 43 million. Elisa now holds 10,688,629 treasury shares following these purchases.

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

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

Significant legal issues

TeliaSonera´s claim for refund of benefit by unjust enrichment due to price difference based on TeliaSonera´s own miscoding of the traffic worth approximately EUR 4 million will be settled in arbitration. Elisa has disputed TeliaSonera's claim in its entirety.

The disputes relating to the implementation and maintenance of Elisa´s billing and CRM system between Elisa and IBM is in Arbitration.

On 31 October 2007, the Helsinki District Court rendered its verdict concerning the stock exchange disclosures of Jippii Group Oyj in 2001 in which no corporate fine or forfeiture was imposed on the company. The prosecutor has appealed against the decision and claims for corporate fine of EUR 800,000 and forfeiture of 215,000.

The Estonian Communications Authority has in 2007 issued a decision on the level of interconnection fees. Elisa has appealed against the decision and the proceedings are still pending. Elion Ettevõtted AS has presented a claim for refunding the excess fees of approximately EUR 2 million. Elisa disputes the refunding obligation.

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

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, insurable and financial risks.

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

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

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

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

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

Financial risks:
In order to manage interest rate risk, the Group’s loans and investments are diversified in fixed- and variable-rate instruments. Interest rate derivatives are used to manage interest rate risk.

As most of Elisa Group’s cash flow is denominated in euros, the exchange rate risk is minor. Elisa's Estonian business, which is approximately 7 per cent of the consolidated revenue is denominated in Estonian crowns.

The objective of liquidity risk management is to ensure the Group’s financing in all circumstances. The Group’s cash and undrawn committed credit lines totalled EUR 258 million at the end of 2008 (317).

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

In connection to the counterparty risk hedging Elisa, provided a maximum USD 60 million guarantee for a credit derivative portfolio (CDO). The risk for the guarantee being called has increased due to the credit crisis. The rating of the portfolio has decreased from Aa3 level to B1 level. The guarantee is valid until 15 December 2012. The maximum liability USD 60 million, if realised, would mean cash payments of USD 0.5 million in 2010, USD 33.0 million in 2011 and USD 26.5 million in 2012.

Given the recent financial market turmoil, the banking sector has suffered and the banks’ ability to finance companies have deteriorated, with some capital market activities not operating fully. However, Elisa has cash reserves, committed credit facilities and a sustainable cash flow to cover its foreseeable financing needs.

Environmental issues

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

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

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

The principal projects in 2008 included: continuing the design of a standardised environmental management system, further development of the environmental load data reporting system, improving waste sorting and developing the production waste processes.

Events after the financial period

Elisa’s subsidiary, Tampereen Tietoverkko Oy (TTV), outsourced its whole personnel (19 people) to Elisa with business transfer effective 1 February 2009. In the future, TTV will buy all the business services from Elisa. TTV take care of its own customers and partnerships. Elisa holds approximately 63 per cent of TTV and Alma Media approximately 35 per cent.

Outlook for 2009

The current economic environment and financial market turmoil creates uncertainty for the 2009 outlook. Competition in the Finnish telecommunications market remains challenging.

Our business has so far been impacted only marginally by the worsening general economy. However, Elisa will not be immune to the negative economic development. The visibility of the development of the overall economic situation and its effects to our business is limited.

Revenue is estimated to be at the same or slightly lower level than in 2008. The use of mobile communications and mobile broadband products is continuing to rise. The terminal sales volumes and other sales in some customer segments may decrease. EBITDA excluding non-recurring items is also expected to be at the same or slightly lower level than in 2008. Elisa will determinedly continue to stimulate demand for its services and continue to drive productivity improvements of its operations. Likewise, capital expenditure will be actively controlled to a maximum 12 per cent of revenue, and it may be reduced clearly, if the general economy deteriorates further.

The contributory factors for long-term growth and profitability improvement include the 3G market growth and efficiency measures, which are continuing as expected. Elisa's financial position and liquidity are good. There are no major refinancing needs expected before the year 2011.

Dividend

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

The Board of Directors proposes to the General Meeting an ordinary dividend of EUR 0.60 per share. The dividend payment corresponds to 53 per cent of the period's earnings.

Shareholders who are listed in the company's register of shareholders maintained by the Finnish Central Securities Depository Ltd on 23 March 2009 are entitled to funds distributed by the General Meeting. The Board of Directors proposes that the payment date be 31 March 2009. The profit for the period shall be added to accrued earnings.

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

The Board of Directors also decided to propose to the General Meeting that the Board of Directors be authorised to distribute funds out of the retained earnings account or the reserve for invested non-restricted equity to a maximum of EUR 150 million.

The parent company's distributable funds at year-end amounted to EUR 406 million.

BOARD OF DIRECTORS

Elisa Corporation
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CONSOLIDATED INCOME STATEMENT

EUR million	Note	**10-12 2008**	10-12 2007	**1-12 2008**	1-12 2007
Revenue	1	**372,1**	402,1	**1 485,0**	1 568,4
Other operating income		**3,0**	1,3	**6,5**	21,0
Materials and services		**-159,0**	-177,3	**-652,4**	-707,0
Employee expenses		**-43,2**	-50,7	**-162,5**	-181,2
Other operating expenses		**-43,6**	-49,3	**-205,0**	-201,8
EBITDA	1	**129,3**	126,0	**471,6**	499,4
Depreciation and amortisation		**-52,1**	-51,9	**-207,1**	-197,4
EBIT	1	**77,2**	74,1	**264,5**	302,0
Financial income		**7,2**	3,8	**17,1**	27,9
Financial expense		**-14,1**	-12,6	**-54,0**	-44,7
Share of associated companies' profit		**0,0**	0,0	**0,0**	0,0
Profit before tax		**70,3**	65,4	**227,6**	285,2
Income taxes		**-16,6**	-15,2	**-50,6**	-64,9
Profit for the period		**53,7**	50,2	**177,0**	220,3
Attributable to:					
Equity holders of the parent		**53,3**	50,1	**176,3**	219,8
Minority interest		**0,4**	0,1	**0,7**	0,5
		53,7	50,2	**177,0**	220,3
Earnings per share (EUR)					
Basic		**0,34**	0,32	**1,12**	1,38
Diluted		**0,34**	0,32	**1,12**	1,38
Average number of outstanding shares (1000 shares)					
Basic		**155 619**	158 258	157 450	159 417
Diluted		**155 619**	158 258	157 450	159 417

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CONSOLIDATED BALANCE SHEET

EUR million	**31.12. 2008**	31.12. 2007
Non-current assets		
Property, plant and equipment	**630,5**	637,3
Goodwill	**778,6**	773,6
Other intangible assets	**177,5**	194,5
Investments in associated companies	**0,1**	0,1
Available-for-sale investments	**29,0**	30,9
Receivables	**12,4**	7,3
Deferred tax assets	**28,3**	31,7
	1 656,4	1 675,4
Current assets		
Inventories	**21,7**	28,5
Trade and other receivables	**319,4**	454,8
Cash and cash equivalents	**33,0**	16,9
	374,1	500,2
Total assets	**2 030,5**	2 175,6
Equity attributable to equity holders of the parent	**873,4**	1 033,4
Minority interest	**1,6**	2,0
Total equity	**875,0**	1 035,4
Non-current liabilities		
Deferred tax liabilities	**30,9**	34,9
Provisions	**5,6**	7,3
Interest-bearing debt	**672,3**	627,3
Other non-current liabilities	**14,0**	24,6
	722,8	694,1
Current liabilities		
Trade and other payables	**255,5**	303,2
Tax liabilities	**3,4**	10,8
Provisions	**1,5**	4,1
Interest-bearing debt	**172,3**	128,0
	432,7	446,1
Total equity and liabilities	**2 030,5**	2 175,6

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR million	**1-12 2008**	1-12 2007
Cash flow from operating activities		
Profit before tax	**227,6**	285,2
Adjustments		
Depreciation and amortisation	**205,8**	197,4
Other adjustments	**32,1**	3,6
	237,9	201,0
Change in working capital		
Change in trade and other receivables	**132,5**	-116,0
Change in inventories	**6,7**	10,0
Change in trade and other payables	**-56,2**	6,5
	83,0	-99,5
Financial items, net	**-38,8**	-18,9
Taxes paid	**-59,5**	-82,2
Net cash flow from operating activities	**450,2**	285,6
Cash flow from investing activities		
Capital expenditure	**-179,2**	-203,7
Purchase of shares	**-11,6**	-6,2
Proceeds from asset disposal	**0,8**	38,2
Net cash used in investing activities	**-190,0**	-171,7
Cash flow before financing activities	**260,2**	113,9
Cash flow from financing activities		
Purchase of treasury shares	**-43,3**	-85,6
Proceeds from treasury shares		1,7
Proceeds from long-term borrowings	**80,0**	350,0
Repayment of long-term borrowings	**-30,0**	-44,2
Change in short-term borrowings	**38,6**	67,0
Repayment of finance lease liabilities	**-4,0**	-6,7
Dividends paid and capital repayment	**-285,4**	-401,4
Net cash used in financing activities	**-244,1**	-119,2
Change in cash and cash equivalents	**16,1**	-5,3
Cash and cash equivalents at beginning of period	**16,9**	22,2
Cash and cash equivalents at end of period	**33,0**	16,9

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STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Share premium	Treasury shares	Other reserves	Reserve for invested non-restricted equity	Retained earnings	Minority interest	Total equity
Balance at January 1, 2007	83,0	530,4	-81,3	422,1		353,4	4,7	**1 312,3**
Share premium reduction and transfer		-530,4			530,4			
Available-for-sale investments				-18,2				**-18,2**
Other changes						1,6		**1,6**
Items recognised directly in equity		-530,4		-18,2	530,4	1,6		**-16,6**
Profit for the period						219,8	0,5	**220,3**
Total recognised income and expense for the period		-530,4		-18,2	530,4	221,4	0,5	**203,7**
Acquisitions of subsidiaries					5,3	-0,8	-2,8	**1,7**
Dividends						-401,7	-0,4	**-402,1**
Purchase of treasury shares			-85,6					**-85,6**
Sales of treasury shares			1,1			0,4		**1,5**
Share-based compensation						3,9		**3,9**
Balance at December 31, 2007	83,0	0,0	-165,8	403,9	535,7	176,6	2,0	**1 035,4**

EUR million	Share capital	Share premium	Treasury shares	Other reserves	Reserve for invested non-restricted equity	Retained earnings	Minority interest	Total equity
Balance at January 1, 2008	83,0		-165,8	403,9	535,7	176,6	2,0	**1 035,4**
Available-for-sale investments				-10,4				**-10,4**
Items recognised directly in equity				-10,4				**-10,4**
Profit for the period						176,3	0,7	**177,0**
Total recognised income and expense for the period				-10,4		176,3	0,7	**166,6**
Capital repayment					-284,9			**-284,9**
Dividends							-1,1	**-1,1**
Purchase of treasury shares			-43,3					**-43,3**
Share-based compensation			7,1			-4,8		**2,3**
Balance at December 31, 2008	83,0		-202,0	393,5	250,8	348,1	1,6	**875,0**

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NOTES

BASIS OF PREPARATION

Consolidated Financial Statements have been prepared in accordance with the IFRS recognition and measurement priciples, although all requirements of IAS 34 standard have not been followed.
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) effective at the time of preparing and adopted for use by European Union.
The accounting principles applied in the consolidated financial statements are the same as those applied in the Consolidated financial statements at December 31, 2007.

As at 1 January 2008 International Accounting Standards Board (IASB) has not issued and European Union adopted new standards, amendments and interpretations relevant to the group.

1. BUSINESS SEGMENT INFORMATION

10-12/2008		**Fixed**	**Unallocated**		**Group**
EUR million	**Mobile**	**Network**	**items**	**Eliminations**	**Total**
External sales	227,5	144,6			372,1
Inter-segment sales	3,2	8,9		-12,1	0,0
Revenue	230,7	153,5		-12,1	372,1
EBITDA	73,6	57,2	-1,5		129,3
EBIT	44,6	34,1	-1,5		77,2
Financial income and expense					-6,9
Share of associated companies' profit					0,0
Profit before tax					70,3
Investments	37,6	26,1			63,7

10-12/2007		**Fixed**	**Unallocated**		**Group**
EUR million	**Mobile**	**Network**	**items**	**Eliminations**	**Total**
External sales	247,7	154,4			402,1
Inter-segment sales	5,1	7,3		-12,4	0,0
Revenue	252,8	161,7		-12,4	402,1
EBITDA	79,6	46,7	-0,3		126,0
EBIT	51,7	22,8	-0,3		74,2
Financial income and expense			-8,8		-8,8
Share of associated companies' profit					0,0
Profit before tax					65,4
Investments	30,2	38,4			68,6

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1-12/2008		**Fixed**	**Unallocated**		**Group**
EUR million	**Mobile**	**Network**	**items**	**Eliminations**	**Total**
External sales	904,6	580,4			1 485,0
Inter-segment sales	14,7	34,8		-49,5	0,0
Revenue	919,3	615,2		-49,5	1 485,0
EBITDA	266,3	208,7	-3,4		471,6
EBIT	150,5	117,5	-3,5		264,5
Financial income and expense					-36,9
Share of associated companies' profit					0,0
Profit before tax					227,6
Investments in associated companies			0,1		0,1
Total assets	1 398,7	528,5	103,3		2 030,5
Total liabilities	141,6	137,2	876,7		1 155,5
Investments	105,1	78,8			183,9

1-12/2007		**Fixed**	**Unallocated**		**Group**
EUR million	**Mobile**	**Network**	**items**	**Eliminations**	**Total**
External sales	959,7	608,7			1 568,4
Inter-segment sales	20,2	33,5		-53,7	0,0
Revenue	979,9	642,2		-53,7	1 568,4
EBITDA	299,5	206,0	-6,1		499,4
EBIT	194,8	113,4	-6,2		302,0
Financial income and expense			-16,8		-16,8
Share of associated companies' profit					0,0
Profit before tax					285,2
Investments in associated companies			0,1		0,1
Total assets	1 516,6	571,9	87,1		2 175,6
Total liabilities	174,9	162,3	803,0		1 140,2
Investments	92,8	113,6			206,4

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2. OPERATING LEASE COMMITMENTS

EUR million	**31.12. 2008**	31.12. 2007
Due within 1 year	**22,2**	20,6
Due after 1 year but within 5 years	**36,8**	42,6
Due after 5 years	**15,2**	21,1
Total	**74,2**	84,3

3. CONTINGENT LIABILITIES

EUR million	**31.12. 2008**	31.12. 2007
Mortagages		
For own and group companies	**0,4**	
Pledges given		
Pledges given as surety	**0,8**	1,3
Guarantees given		
For others (*	**44,3**	42,3
Mortgages, pledges and guarantees total	**45,5**	43,6
Other commitments		
Repurchase commitments	**0,1**	0,2
Contingent liabilities in QTE-arrangement		
Lease-leaseback agreement (QTE facility)		
Total value of the arrangement	**-**	137,9
Termination risk	**-**	14,5

**) EUR 43,1m is related to the quarantee given on*
a CDO portfolio.

4. DERIVATIVE INSTRUMENTS

EUR million	**31.12. 2008**	31.12. 2007
Interest rate swaps		
Nominal value	**150,0**	**150,0**
Fair value recognised in the balance sheet	**1,0**	**-3,0**
Credit default swaps (*		
Nominal value	**47,4**	**45,6**
Fair value recognised in the balance sheet	**-**	**1,0**

**) CDS is related to hedging of the guarantor bank*
in the QTE-arrangement

5. REAL ESTATE INVESTMENTS

Real estate investments VAT refund liability is 16,8 milj. euros at 31 December 2008.

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KEY FIGURES

EUR million	**1-12 2008**	1-12 2007
Shareholders' equity per share, EUR	**5,61**	6,53
Interest bearing net debt	**811,6**	738,4
Gearing	**92,8 %**	71,3 %
Equity ratio	**43,3 %**	47,9 %
Return on investment (ROI) *)	**15,6 %**	18,3 %
Gross investments in fixed assets	**183,9**	206,4
of which finance lease investments	**4,7**	2,7
Gross investments as % of revenue	**12,4 %**	13,2 %
Investments in shares,	**14,8**	12,4
Average number of employees	**2 946**	3 299

*) rolling 12 months profit preceding the reporting date

Formulae for financial indicators

Gearing %	Interest-bearing debt - cash and cash equivalents -- x 100 Total equity
Equity ratio %	Total equity -- x 100 Balance sheet total - advances received
Return on investment % (ROI)	Profit before taxes + interest and other financial expenses -- x 100 Total equity + interest bearing liabilities (average)
Net debt	Interest-bearing debt - cash and cash equivalents
Shareholders' equity per share	Equity attributable to equity holders of the parent --- Number of shares outstanding at end of period
Earnings/share	Profit for the period attributable to equity holders of parent -- Average number of outstanding shares