FINANCIAL STATEMENTS

2021

ANNUAL REVIEW
SUSTAINABILITY
GOVERNANCE
REMUNERATION

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Report of the board of directors 2021

Market situation

The competitive environment has been active, especially in 4G subscriptions. The COVID-19 pandemic continued to impact the market situation to some extent. The amount of travel has been very low although it increased slightly towards the end of the year. On the other hand, the usage of mobile voice and data continued to evolve favourably. Brisk demand for 5G services has also continued due to the wider range of 5G devices and better network coverage. Competition in the fixed broadband market has continued to be intense in multi-dwelling units, and the number and usage of traditional fixed network subscriptions is decreasing.

The markets for IT and IPTV entertainment services have continued to develop favourably. The demand for other digital services is also growing.

Revenue, earnings and financial position

EUR million	2021	2020	2019
Revenue	**1,998**	1,895	1,844
EBITDA	**697**	685	661
EBITDA-%	**34.9%**	36.2%	35.8%
Comparable EBITDA [1)]	**706**	685	668
Comparable EBITDA-%	**35.3%**	36.2%	36.2%
EBIT	**431**	409	395
EBIT-%	**21.6%**	21.6%	21.4%
Comparable EBIT [1–2)]	**439**	415	402
Comparable EBIT-%	**22.0%**	21.9%	21.8%
Return on equity, %	**28.8%**	28.1%	26.6%

1) Excluding EUR 8m restructuring costs in 2021.
2) Excluding goodwill write-down of EUR 6m in 2020.

Revenue increased by 5 per cent on the previous year, mainly due to the camLine acquisition and Elisa Viihde Viaplay cooperation, as well as growth in mobile services, domestic digital services and equipment sales. A decrease in usage and subscriptions of traditional fixed telecom services and other fixed services as well as interconnection and roaming affected revenue negatively.

EBITDA includes EUR 8 million in one-off restructuring costs relating to personnel reductions. Comparable EBITDA increased by 3 per cent and comparable EBIT by 6 per cent, mainly due to revenue growth and efficiency improvement measures.

Net financial income and expenses decreased to EUR –12 million (–13, excluding the sale of Sulake shares –18), mainly due to the refinancing in January. Income taxes in the income statement were EUR - 75 million (–70). Net profit was EUR 343 million (328), and earnings per share were EUR 2.15 (2.05). Comparable earnings per share were EUR 2.19 (2.05).

Financial position

EUR million	2021	2020	2019
Net debt	**1,219**	1,207	1,184
Net debt / EBITDA[1]	**1.7**	1.8	1.8
Gearing ratio, %	**101.2%**	101.9%	103.0%
Equity ratio, %	**39.9%**	39.1%	41.0%
Cash flow	**322**	300	257
Comparable cash flow[2]	**338**	351	323

[1] (Interest-bearing debt – financial assets) / (four previous quarters' comparable EBITDA).
[2] Excluding EUR 16m in share investments in 2021 and excluding EUR 57m share investments and EUR 6m sale of shares in 2020.

Comparable cash flow after investments decreased by 4 per cent to EUR 338 million (351). Higher EBITDA and lower interest paid affected cash flow positively. A less-positive change in net working capital due to increased inventories, as well as higher taxes paid and capital expenditure, affected cash flow negatively.

The financial position and liquidity are strong. Cash and undrawn committed credit lines totalled EUR 414 million at the end of the reporting period.

Changes in corporate structure

In September, Elisa acquired 50.1 per cent of the Belgium-based software company TenForce. The company serves mostly large global industrial customers with a SaaS model. The company provides operational risk management (ORM) software for process industries to help protect them from environmental, health, safety and quality (EHSQ) risks.

In November 2021, TenForce NV's subsidiary TenForce USA LLC acquired 100 per cent of the US-based Process Data Control Corporation.

Consumer Customers business

EUR million	2021	2020	2019
Revenue	**1,241**	1,183	1,152
EBITDA	**475**	461	433
EBITDA-%	**38.3%**	38.9%	37.6%
Comparable EBITDA [1)]	**478**	461	435
Comparable EBITDA-%	**38.5%**	38.9%	37.8%
EBIT	**314**	291	268
EBIT-%	**25.3%**	24.6%	23.3%
Comparable EBIT [1-2)]	**317**	293	271
Comparable EBIT-%	**25.6%**	24.8%	23.5%
CAPEX	**169**	170	171

[1)] Excluding EUR 3m in restructuring costs in 2021.
[2)] Excluding goodwill write-down of EUR 2.5 million in 2020.

Revenue increased by 5 per cent. Mobile services, equipment sales, the Elisa Viihde Viaplay cooperation and entertainment services all affected revenue positively, while it was negatively affected by interconnection and roaming, as well as the decrease in fixed services. EBITDA includes EUR 3 million in one-off restructuring costs relating to personnel reductions. Comparable EBITDA increased by 4 per cent, mainly due to revenue growth and efficiency improvement measures.

Corporate Customers business

EUR million	2021	2020	2019
Revenue	**757**	711	692
EBITDA	**222**	224	228
EBITDA-%	**29.4%**	31.6%	32.9%
Comparable EBITDA [1)]	**228**	224	232
Comparable EBITDA-%	**30.1%**	31.6%	33.6%
EBIT	**116**	118	127
EBIT-%	**15.4%**	16.6%	18.3%
Comparable EBIT [1-2)]	**122**	122	131
Comparable EBIT-%	**16.1%**	17.1%	19.0%
CAPEX	**96**	96	85

[1)] Excluding EUR 6m in restructuring costs in 2021.
[2)] Excluding goodwill write-down of EUR 3.5 million in 2020.

Revenue increased by 6 per cent. Revenue was positively affected by the camLine acquisition, equipment sales and domestic digital services, whereas the decrease in fixed services as well as interconnection and roaming had a negative effect. EBITDA includes EUR 6 million in one-off restructuring costs relating to personnel reductions. Comparable EBITDA increased by 2 per cent.

Personnel

In 2021, the average number of personnel at Elisa was 5,391 (5,097) and employee expenses totalled EUR 374 million (326). Personnel by segment at the end of the period:

	2021	2020	2019
Consumer Customers	**2,845**	2,914	2,736
Corporate Customers	**2,526**	2,257	2,148
Total	**5,371**	5,171	4,884

The growth in personnel was mainly due to the camLine and TenForce acquisitions.

Investments

EUR million	2021	2020	2019
Capital expenditure [1], of which	**265**	266	256
Consumer Customers	**169**	170	171
Corporate Customers	**96**	96	85
Shares	**28**	70	83
Total	**293**	336	339
Capital expenditure excluding leasing	**247**	245	227

[1] 2020 includes EUR 7 million investment for 26 GHz frequency licence and EUR 2 million acquisition in business operations.

The main capital expenditures related to the coverage increases in the 5G network, as well as to other network and IT investments. Capital expenditure in 4Q21 includes EUR 7 million of leased assets, and EUR 18 million in 2021.

Financing arrangements and ratings

EUR million	Maximum amount	In use on 31 Dec 2021
Committed credit limits	300	**0**
Commercial paper programme (not committed)	350	**0**
EMTN programme (not committed)	1 500	**900**

Long term credit ratings	Rating	Outlook
Credit rating agency		
Moody's Investor Services	Baa2	Stable
S&P Global Ratings	BBB+	Stable

In September, Elisa signed a EUR 130 million, sustainability-linked revolving credit facility with six banks. The facility has a five-year maturity with an option to extend it by two years.

Share

Share trading volumes are based on trades made on the Nasdaq Helsinki and alternative marketplaces. Closing prices are based on the Nasdaq Helsinki.

Trading of shares	2021	2020	2019
Nasdaq Helsinki, millions	**81.6**	122.5	96.7
Other marketplaces, millions [1]	**167.3**	264.3	168.5
Total volume, millions	**248.9**	386.8	265.2
Value, EUR million	**12,698.1**	19,803.8	11,145.4
% of shares	**148.7%**	231.2%	158.5%

Shares and market values	2021	2020	2019
Total number of shares	**167,335,073**	167,335,073	167,335,073
Treasury shares	**7,147,772**	7,252,165	7,437,277
Outstanding shares	**160,187,301**	160,082,908	159,897,796
Closing price, EUR	**54.12**	44.87	49.25
Market capitalisation, EUR million	**9,056**	7,508	8,241
Treasury shares, %	**4.27 %**	4.33 %	4.44 %

Number of shares	Total	Treasury	Outstanding
Shares on 31 Dec 2020	167,335,073	7,252,165	160,082,908
Performance share plan, 2 Feb 2021 [2]		-95 241	95 241
Restricted share plan, 18 Jun 2021 [3]		-9 152	9 152
Shares on 31 Dec 2021	167,335,073	7,147,772	160,187,301

1) Other marketplaces: based on Bloomberg.
2) Stock exchange bulletin 2 February 2021.
3) Stock exchange bulletin 18 June 2021.

On 2 February 2021, Elisa transferred 95,241 treasury shares to people involved in the Performance Share Plan for the period 2018–2020. On 18 June 2021, Elisa transferred 9,152 treasury shares to people involved in the Restricted Share Plan.

Research and development

The majority of the service development occurs during the ordinary course of business and is accounted for as a normal operating expense. Elisa invested EUR 16 million (10) in research and development, of which EUR 7 million (8) was capitalised in 2021, corresponding to 0.8 per cent (0.5) of revenue.

Annual General Meeting 2021

On 8 April 2021, Elisa's Annual General Meeting decided to pay a dividend of EUR 1.95 per share based on the adopted financial statements of 31 December 2020. The dividend was paid to shareholders registered in the company's share register maintained by Euroclear Finland Ltd on 12 April 2021. The dividend was paid on 20 April 2021.

The Annual General Meeting adopted the financial statements for 2020. The members of the Board of Directors and the CEO were discharged from liability for 2020.

The number of the members of the Board of Directors was confirmed at eight. Ms Clarisse Berggårdh, Mr Kim Ignatius, Mr Topi Manner, Ms Eva-Lotta Sjöstedt, Ms Seija Turunen, Mr Anssi Vanjoki and Mr Antti Vasara were re-elected as members of the Board of Directors, and Mr Maher Chebbo as a new member of the Board of Directors. Mr Anssi Vanjoki was appointed as the Chair and Ms Clarisse Berggårdh as the Deputy Chair of the Board of Directors.

The Annual General Meeting decided that the amount of annual remuneration for the members of the Board of Directors and remuneration for meeting participation be changed. The Chair is now paid annual remuneration of EUR 126,000, the Deputy Chair and the Chairs of the Committees EUR 84,000, and other Board members EUR 69,000; additionally, they receive EUR 800 per meeting of the Board and of a committee. However, if a Board member lives permanently outside Finland and is physically present at a Board or committee meeting that is held in a country other than his/her permanent home country, the meeting fee is EUR 1,600.

The audit firm KPMG Oy Ab was re-elected as the company's auditor. Mr Toni Aaltonen, APA, is the responsible auditor.

Composition of the Committees of the Elisa's Board of Directors

The Board of Directors held its organising meeting and appointed Ms Clarisse Berggårdh (Chair), Mr Maher Chebbo, Ms Eva-Lotta Sjöstedt and Mr Antti Vasara to the People and Compensation Committee. Ms Seija Turunen (Chair), Mr Kim Ignatius and Mr Topi Manner were appointed to the Audit Committee.

Authorisations of the Board of Directors

The Annual General Meeting decided to authorise the Board of Directors to resolve to repurchase or accept as pledge the company's own shares. The repurchase may be directed. The number of shares under this authorisation is 5 million shares at maximum. The authorisation is valid for 18 months from the date of the resolution of the General Meeting.

The Annual General Meeting decided to authorise the Board of Directors to pass a resolution concerning the share issue, the right of assignment of treasury shares and/or the granting of special rights referred to in the Limited Liability Companies Act. The number of shares under this authorisation is 15 million shares at maximum. The authorisation is valid for 18 months from the date of the resolution of the General Meeting.

Elisa Shareholders' Nomination Board

The largest shareholders were determined according to the shareholder register of Elisa on 31 August 2021, and they named the members of the Nomination Board. The composition of the Nomination Board since September 2021 is as follows:

- Mr Pauli Anttila, Investment Director, nominated by Solidium Oy
- Mr Jouko Pölönen, President and CEO, nominated by Ilmarinen Mutual Pension Insurance Company
- Mr Reima Rytsölä, Deputy CEO, nominated by Varma Mutual Pension Insurance Company
- Ms Hanna Hiidenpalo, Director, Chief Investment Officer, nominated by Elo Mutual Pension Insurance Company
- Mr Anssi Vanjoki, Chair of the Board of Elisa

The Nomination Board elected from amongst its members Mr Pauli Anttila as the chair.

Elisa's Shareholders' Nomination Board was established in 2012 by the Annual General Meeting. Its duty is to prepare proposals for the election and remuneration of the members of the Board of Directors of Elisa for the Annual General Meeting.

Significant legal and regulatory issues

In January 2021, new provisions related to national security in Finnish networks came into force. The new rules prohibit the use, in the critical parts of a network, of communications network devices that could endanger national security. The provision also applies retroactively to current network devices. The critical parts of a network are defined at a general level in the legislation. The Finnish Transport and Communications Agency has defined the critical parts of a network more precisely. An entitlement to compensation may be possible if a network device is prohibited.

After a tax audit on foreign dividend withholding tax, Elisa received a decision in April 2021 according to which it is required to pay a total of EUR 1.7 million in allegedly wrongly levied withholding taxes relating to the years 2015 and 2016. Elisa has appealed the decision.

The European Commission's delegated act based on the European Electronic Communications Code directive, which sets out single, maximum, EU-wide mobile and fixed voice termination rates, came into force on 1 July 2021. The mobile voice termination rate will decrease to 0.2 cents per minute (previously it was 0.82 in Finland and 0.7 in Estonia) on a glide path until 2024. The fixed voice termination rate has decreased to 0.07 cents per minute (previously 2.8 in Finland and 0.089 in Estonia). These changes will not have any material impact on Elisa's profits.

On 24 November 2021, the Estonian parliament adopted amendments to the Electronic Communications Act aimed at supplementing national security requirements. The amendments enter into force on 1 February 2022. According to the amendments, an operator must coordinate with the state on the hardware and software used in its communications networks, as well as on the corresponding suppliers. If the state deems that a supplier poses a high risk, usage of that supplier's hardware and software in a 5G mobile network is allowed only until 31 December 2025, and until 31 December 2029 in earlier generation (2G–4G) networks and fixed networks.

The start date of the Estonian 3.5 GHz spectrum auction has not yet been announced. The frequencies can be used for 5G networks.

In July 2020, Tucana Telecom NV initiated legal proceedings against Polystar OSIX AB in the Business Court of Brussels with a claim of infringement of exclusivity included in the distribution agreement and also of wrongful termination of the distribution agreement. Related to this legal proceeding, an arbitration award was granted in December 2021 according to which Emblasoft Group AB is entitled to withdraw a certain deposit held as collateral for claims made by Elisa. Elisa estimates that these legal proceedings will have no material financial implications.

Substantial risks and uncertainties associated with Elisa's operations

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

Strategic and operational risks:

The telecommunications industry is intensely competitive 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 and may also require investments that have long payback times.

Elisa processes different kinds of data, including personal and traffic data. Therefore, the applicable data protection legislation, especially the General Data Protection Regulation, has a significant impact on Elisa and its businesses.

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

Changes in governmental relationships may increase the risk that there will be restrictions on network providers' equipment that is also used in Elisa's network. This might have financial or operational impacts 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 therefore limited. Furthermore, the volume of phone traffic on the fixed network has decreased during recent years. These factors may limit opportunities for growth. New international business expansion and possible future acquisitions abroad may increase risks.

Elisa is liable to pay direct and indirect taxes and withholding taxes in the countries in which it operates. The tax authorities have taken a slightly more intense approach to tax inspection of late. Tax payments may be challenged by local tax authorities, and this may have a negative financial impact on Elisa.

Hazard risks:

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

The direct and indirect effects of the coronavirus (COVID–19) pandemic are uncertain. If the pandemic continues for a prolonged period, this may significantly contribute to a slowdown in economic growth, which may have negative effects on Elisa through customer demand, suppliers' security of supply and employee health. Elisa has adapted its operations and taken many proactive measures due to the COVID–19 pandemic, e.g. more intensive follow-up of customer demand for existing services, as well as emerging demand for new business opportunities. Also, the company has moved to remote working in the duties where it is possible.

Financial risks:

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

As most of Elisa's operations and cash flow are denominated in euros, the exchange rate risk is minor. Currency derivatives can be used to manage the currency 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 in financially solid banks, domestic companies and institutions. Credit risk concentrations in accounts receivable are minor, as the customer base is broad.

COVID–19 has increased volatility in the financial markets. This might have an effect on Elisa's ability to raise funds and increase financing costs.

A detailed description of financial risk management can be found in Note 7.1 to the consolidated financial statements.

COVID–19 situation and impacts

The impact of COVID–19 on Elisa's business has been limited. Operations have continued as planned, and all supply chains have continued to operate normally. Elisa has continued its way of working mainly as remote working. The financial effects have been seen mainly in lower roaming revenue due to the reduced amount of travel. Elisa's financial position and cash flow have remained strong. Elisa has prepared for various scenarios to secure its financial position.

Corporate responsibility and non-financial reporting

Elisa's business operations and digitalisation solutions contribute to sustainable development and to environmentally friendly actions among its customers and society. Elisa is committed to the principles of the UN Global Compact in its business operations, and we have identified our contribution to the UN Sustainable Development Goals. Elisa is a pioneer in environmental work: the company is carbon neutral, and the company has set ambitious climate goals aligned with the Paris Climate Agreement and in accordance with the requirements of the Science Based Targets initiative.

Sustainability has been part of Elisa's strategy for over ten years. Our renewed sustainability targets for 2022–2024 emphasise the importance of Elisa's handprint, focusing on the availability of fast connections, cybersecurity, increasing its carbon handprint, the energy efficiency of the mobile network, innovations and promoting equality.

Elisa will publish its ninth assured responsibility report as part of the Annual Report 2021 during week 11 (beginning 14 March 2022). The responsibility report has been prepared according to the Global Reporting Initiative Standards, including selected indicators from the SASB Telecommunication Services Standard, and the report meets the requirements for non-financial reporting, including information with the EU Taxonomy Regulation. The report includes medium-term targets, performance and metrics. In addition, Elisa will publish data related to the Task Force on Climate-related Financial Disclosures (TCFD) on the company website.

In recognising Elisa's material corporate responsibility, the most important financial, social and environmental effects and risks of the company, as well as other significant trends affecting the industry, have been taken into account. The management's description of corporate responsibility is available on the company website.

Corporate Governance Statement

The Group has published a Corporate Governance Statement and a Remuneration Report on week 5.

Events after the financial period

There were no material events after the financial period.

Outlook and guidance for 2022

Growth in the Finnish economy is expected to continue. However, there are some uncertainties, such as inflation and changes in the geopolitical environment. Challenges in global supply chains may also result in uncertainties in volumes and prices. Competition in the Finnish telecommunications market remains keen.

Full-year revenue is estimated to be at the same level or slightly higher than in 2021. Mobile data and digital services are expected to increase revenue. Full-year comparable EBITDA is anticipated to be at the same level or slightly higher than in 2021. Capital expenditure is expected to be a maximum of 12 per cent of revenue.

Elisa is continuing its productivity improvement development, for example by increasing automation and data analytics in different processes, such as customer interactions, network operations and delivery. Additionally, Elisa's continuous quality improvement measures will increase customer satisfaction and efficiency and reduce costs.

Elisa's transformation into a provider of exciting, new and relevant services for its customers is continuing. Long-term revenue growth and profitability improvement will derive from growth in the mobile data market, as well as domestic and international digital services.

Profit distribution

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

The Board of Directors proposes to the Annual General Meeting a dividend of EUR 2.05 per share. The dividend payment corresponds to 94 per cent of the financial period's comparable net profit.

Shareholders who are listed in the company's register of shareholders maintained by Euroclear Finland Ltd on 8 April 2022 are entitled to funds distributed by the General Meeting. The Board of Directors proposes that the payment date be 20 April 2022. The profit for the period will 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 acquire a maximum of five million treasury shares, which corresponds to 3 per cent of the total shares.

BOARD OF DIRECTORS

Consolidated income statement

EUR million	Note	2021	2020
Revenue	2.1, 2.3	1,997.9	1,894.6
Other operating income	2.4	9.0	4.1
Materials and services	2.5	−763.6	−713.7
Employee expenses	4.1	−373.8	−325.7
Other operating expenses	2.5	−172.2	−174.2
EBITDA	2.1	697.4	685.2
Depreciation, amortisation and impairment	2.1, 5.1	−266.6	−276.2
EBIT	2.1	430.8	409.0
Financial income	7.4.1	4.6	8.7
Financial expenses	7.4.1	−16.5	−21.2
Share of associated companies' profit		−0.5	1.9
Profit before tax		418.4	398.3
Income taxes	8.1.1	−74.9	−70.2
Profit for the period		343.5	328.1
Attributable to			
Equity holders of the parent		343.6	328.0
Non-controlling interests		−0.2	0.1
		343.5	328.1
Earnings per share (EUR)			
Basic	2.6	2.15	2.05
Diluted	2.6	2.15	2.05
Average number of outstanding shares (1,000 shares)			
Basic	2.6	160,174	160,066
Diluted	2.6	160,174	160,066

Consolidated statement of comprehensive income

EUR million	Note	2021	2020
Profit for the period		**343.5**	328.1
Other comprehensive income, net of tax			
Items which may be reclassified subsequently to profit or loss			
Cash flow hedge		**0.9**	0.4
Translation differences		**−1.2**	3.1
Items which are not reclassified subsequently to profit or loss			
Remeasurements of the net defined benefit liability	4.3	**−2.8**	4.5
Other comprehensive income		**−3.0**	8.0
Total comprehensive income		**340.4**	336.1
Total comprehensive income attributable to			
Equity holders of the parent		**340.5**	336.1
Non-controlling interests		**−0.1**	0.0

Consolidated statement of financial position

EUR million	Note	31 Dec. 2021	31 Dec. 2020
ASSETS			
Non-current assets			
Property, plant and equipment	5.2	**752.7**	735.1
Right-of-use assets	5.3	**91.0**	94.6
Goodwill	5.4.1	**1,139.4**	1,131.4
Intangible assets	5.4	**198.1**	210.1
Investments in associated companies	8.3.2	**10.6**	1.4
Other financial assets	7.4.3	**16.4**	15.6
Trade and other receivables	6.2.2, 7.4.4	**103.2**	94.9
Deferred tax assets	8.1.2	**13.1**	11.9
		2,324.5	2,295.1
Current assets			
Inventories	6.1	**82.8**	67.9
Trade and other receivables	6.2.1	**506.3**	457.8
Tax receivables		**0.7**	0.5
Cash and cash equivalents		**114.1**	220.1
		703.9	746.3
TOTAL ASSETS	2.1	**3,028.4**	3,041.4

Consolidated statement of financial position

EUR million	Note	31 Dec. 2021	31 Dec. 2020
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		**83.0**	83.0
Treasury shares		**–126.1**	–128.4
Reserve for invested non-restricted equity		**90.9**	90.9
Other reserves		**373.9**	375.7
Retained earnings		**776.1**	761.5
Equity attributable to equity holders of the parent	4.2, 7.3	**1,197.8**	1,182.7
Non-controlling interests		**6.3**	1.5
TOTAL SHAREHOLDERS' EQUITY		**1,204.1**	1,184.2
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	8.1.2	**25.3**	26.2
Interest-bearing financial liabilities	7.4.2, 7.4.3	**1,141.4**	1,136.8
Lease liabilities, interest-bearing	7.4.2, 7.4.3	**73.4**	78.8
Trade payables and other liabilities	6.3, 7.4.3, 7.4.4	**41.0**	32.2
Pension obligations	4.3	**14.4**	11.0
Provisions	8.2	**2.8**	2.9
		1,298.3	1,288.0
Current liabilities			
Interest-bearing financial liabilities	7.4.2, 7.4.3	**100.2**	193.5
Lease liabilities, interest-bearing	7.4.2, 7.4.3	**18.1**	17.7
Trade and other payables	6.3, 7.4.3	**401.6**	356.3
Tax liabilities		**2.9**	1.2
Provisions	8.2	**3.1**	0.5
		526.0	569.2
TOTAL LIABILITIES		**1,824.3**	1,857.2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**3,028.4**	3,041.4

Consolidated cash flow statement

EUR million	Note	2021	2020
Cash flow from operating activities			
Profit before tax		**418.4**	398.3
Adjustments			
Depreciation, amortisation and impairment	5.1	**266.6**	276.2
Financial income (-) and expenses (+)	7.4.1	**11.9**	12.5
Gains (-) and losses (+) on the disposal of fixed assets		**–1.8**	–1.6
Increase (+) / decrease (-) in provisions on the income statement		**2.6**	–1.6
Other adjustments		**–15.6**	–14.2
		263.7	271.3
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables		**–31.7**	11.2
Increase (-) / decrease (+) in inventories		**–17.6**	–1.2
Increase (+) / decrease (-) in trade and other payables		**52.6**	2.6
		3.3	12.7
Dividends received		**0.6**	0.7
Interest received		**2.8**	2.4
Interest paid		**–17.4**	–17.8
Taxes paid		**–75.7**	–67.6
Net cash flow from operating activities		**595.7**	600.0

Consolidated cash flow statement

EUR million	Note	2021	2020
Cash flow from investing activities			
Equity investments and business acquisitions	3	–4.5	–49.0
Contingent consideration of subsidiaries		–1.1	–5.0
Investments in associates		–9.7	
Other investments		–0.4	–2.4
Capital expenditure		–258.8	–249.2
Loans granted		–0.5	
Proceeds from disposal of subsidiaries and businesses	3		2.0
Proceeds from disposal of other investments		0.1	3.1
Proceeds from disposal of tangible and intangible assets		0.8	0.6
Net cash flow used in investing activities		–274.1	–300.0
Cash flow before financing activities		321.6	300.0
Cash flow from financing activities			
Proceeds from long-term borrowings		100.4	297.8
Repayment of long-term borrowings		–174.1	
Increase (+) / decrease (-) in short-term borrowings		–19.6	–113.5
Repayment of lease liabilities		–23.1	–20.8
Acquisition of non-controlling interests			–0.1
Dividends paid		–310.9	–295.7
Net cash used in financing activities		–427.4	–132.4
Change in cash and cash equivalents		–105.8	167.6
Translation differences		–0.2	0.6
Cash and cash equivalents at the beginning of the period		220.1	52.0
Cash and cash equivalents at the end of the period		114.1	220.1

Consolidated statement of changes in shareholders' equity

Consolidated statement of changes in shareholders' equity

EUR million	Share capital	Treasury shares	Reserve for invested non-restricted equity	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2020	83.0	–132.2	90.9	370.8	737.0	1,149.6	0.7	1,150.3
Profit for the period					328.0	328.0	0.1	328.1
Other comprehensive income								
Translation differences					3.2	3.2	–0.1	3.1
Cash flow hedge				0.4		0.4		0.4
Remeasurements of the net defined benefit liability				4.5		4.5		4.5
Total other comprehensive income				4.9	3.2	8.1	–0.1	8.0
Total comprehensive income				4.9	331.2	336.1	0.0	336.1
Dividend distribution					–296.2	–296.2	–0.1	–296.2
Share-based compensation		3.8				3.8		3.8
Acquisition of non-controlling interests							1.0	1.0
Increase in ownership interests in subsidiaries that do not result in change of control					0.0	0.0	–0.1	–0.1
Other changes					–10.6	–10.6		–10.6
Balance at 31 December 2020	83.0	–128.4	90.9	375.7	761.5	**1,182.7**	1.5	**1,184.2**
Profit for the period					343.6	**343.6**	–0.2	**343.5**
Other comprehensive income								
Translation differences					–1.2	**–1.2**	0.1	**–1.2**
Cash flow hedge				0.9		**0.9**		**0.9**
Remeasurements of the net defined benefit liability				–2.8		**–2.8**		**–2.8**
Total other comprehensive income				–1.9	–1.2	**–3.1**	0.1	**–3.0**
Total comprehensive income				–1.9	342.4	**340.6**	–0.1	**340.4**
Dividend distribution					–312.4	**–312.4**	–0.1	**–312.5**
Share-based compensation		2.3				**2.3**		**2.3**
Acquisition of non-controlling interests							5.1	**5.1**
Other changes					–15.5	**–15.5**		**–15.5**
Balance at 31 December 2021	83.0	–126.1	90.9	373.9	776.1	**1,197.8**	6.3	**1,204.1**

Notes to the consolidated financial statements

1 GENERAL ACCOUNTING PRINCIPLES

1.1 Basic information about the Group

Elisa Corporation ("Elisa" or "the Group") engages in telecommunications activities and provides ICT and online services in Finland and in selected international market areas. The parent company of the Group is Elisa Corporation ("the parent") domiciled in Helsinki, and its registered address is Ratavartijankatu 5. The shares of the parent company, Elisa Corporation, have been listed on the Nasdaq Helsinki since 1997.

On 26 January 2022, Elisa Corporation's Board of Directors accepted this financial statement for publication. A copy of financial statement is available from Elisa's head office at Ratavartijankatu 5, Helsinki, or on the company's website at corporate.elisa.com.

1.2 Basis of preparation of financial statements

Elisa's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), including adherence to IAS and IFRS standards and SIC and IFRIC interpretations valid as at 31 December 2021. In the Finnish Accounting Act and the provisions issued pursuant to it, the International Financial Reporting Standards refer to standards and interpretations that have been approved for application in the EU according to the procedures provided for in EU regulation (EC) No. 1606/2002 ("IFRS"). The notes to the consolidated financial statements are also compliant with Finnish accounting and corporate legislation.

The consolidated financial statements have been prepared under the historical cost convention with the exception of financial assets and liabilities, share-based payments, pension liabilities and derivatives recognised at fair value through profit or loss or statement of comprehensive income. The financial statements are presented in EUR million and the figures are rounded to one decimal place.

1.2.1 Accounting principles, structure and presentation of the consolidated financial statements

The accounting policies and descriptions of management's judgment-based conclusions are mainly found in the notes to the financial statements, which are listed in the table below. Only some general accounting policies are described in this section.

Summary of notes, related to accounting principles for the consolidated financial statements of Elisa Group.

Accounting principle	Note
Operating segments	2.1
Revenue from contracts with customers	2.3
Other operating income	2.4
Research and development costs	2.5
Earnings per share	2.6
Business acquisitions and disposals	3
Share-based incentives	4.2
Pension obligations	4.3
Property, plant and equipment	5.2
Right-of-use assets	5.3
Intangible assets	5.4
Goodwill	5.4.1
Inventories, trade and other receivables, trade and other liabilities	6
Financial assets and liabilities	7.4
Derivative instruments	7.4.4
Income taxes	8.1.1
Deferred tax assets and liabilities	8.1.2
Provisions	8.2
Consolidation principles, subsidiaries	8.3.1
Consolidation principles, joint arrangements	8.3.2
Off-balance sheet leases	8.4

The symbols below indicate the figures mentioned in the notes that match the balances in the income statement, statement of financial position and the cash flow statement.

I/S = Income Statement
B/S = Balance Sheet
C/F = Cash Flow Statement

Consolidation principles

The consolidated financial statements include the parent company, Elisa Corporation, subsidiaries, associates and joint arrangements as described in detail in Notes 8.3.1 and 8.3.2.

Foreign currency items

The consolidated financial statements are presented in euros, which is the functional and presentation currency of the parent company.

Transactions in foreign currencies

Foreign currencies transactions are translated into functional currency using the exchange rates prevailing on the dates of the transactions. Monetary items have been translated into the functional currency at the exchange rates prevailing at the end of the reporting period. Non-monetary items denominated in foreign currencies are translated at the exchange rate at the date of the transaction, excluding items measured at fair value that are translated at the exchange rates prevailing on the valuation date. Gain and losses arising from the currency translations are recognised through profit or loss. Foreign exchange gain and losses resulting from operating activities are included in the respective items above operating profit. Foreign exchange gain and losses from the liabilities denominated in a foreign currency are included in financial income and expenses, with the exception for exchange rate differences on foreign currency items that constitute a part of the net investment made in a foreign unit. These exchange rate differences are recognised in other comprehensive income and accumulated exchange rate differences are included in the translation difference presented in shareholders' equity.

Translation of foreign Group companies' financial statements

The income statements of foreign subsidiaries that use a functional currency other than the Group's presentation currency have been converted into euro at the average exchange rate prevailing during the year, and statements of financial position at the exchange rate prevailing at the end of the reporting period. The different exchange rates applicable to the conversion of profit or loss on the income statement and balance sheet result in a translation difference recognised in shareholders' equity on the balance sheet, and any change in this difference is recognised in other comprehensive income. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries, as well as translation differences arising from equity items accumulated after the acquisition, are recognised in other comprehensive income. When a subsidiary is divested in full or in part, accumulated translation differences are recognised in the income statement as part of the sales gain or loss.

Goodwill arising from the acquisition of foreign entities and the fair value adjustments made to the book values of the assets and liabilities of such foreign entities upon acquisition is treated as assets and liabilities belonging to the foreign entities. These are converted into euro at the exchange rate prevailing at the end of the reporting period.

1.2.2 Accounting principles that require management's judgement and key sources of estimation uncertainty

Preparation of the financial statements requires the Group's management to make certain estimates and consideration. In addition, judgement in applying the accounting policies is required. This applies particularly to cases in which valid IFRS standards provide for alternative methods of recognition, measurement or presentation.

The estimates made in connection with the preparation of financial statements are based on the management's best view at the end of the financial period, and the outcome may differ from the estimates and assumptions. Estimates are based on historical experience and assumptions concerning the future that are believed to be reasonable at the end of the financial period. The Group regularly assesses the realisation of estimates and assumptions, as well as changes in the underlying factors. Any changes in estimates and assumptions are recorded for the financial year during which the estimate or assumption was adjusted, and for all subsequent periods.

Significant areas of estimation and uncertainty in applying accounting policies that have the most significant impact on amounts recognised in the financial statements are related to business combinations (3), impairment of intangible assets (5.4.1), share-based payments (4.2), recognition of net defined pension liability (4.3) and recognition of deferred tax assets (8.1.2).

1.3 Applied new and revised standards

The consolidated financial statements have been prepared in accordance with the same accounting policies used in 2020, with the exception for the following new standards, interpretations and revisions to existing standards that the Group has applied since 1 January 2021. Revisions did not have a material impact on the consolidated financial statements.

- Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases. Amendments address issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of interest rate benchmark reform. Amendments assist companies in providing useful information about the effects of interest rate benchmark reform on financial statements.

- Amendments to IFRS 16 Leases since 30.6.2021. The amendments allow the lessees not to account for rent concessions as lease modifications if the concessions are a direct consequence of the Covid–19 pandemic and only if certain conditions are met.
- In April 2021, the IFRS Interpretations Committee finalised its agenda decision on configuration or customisation costs in a cloud computing arrangement (IAS 38 Intangible Assets). In this agenda decision, the IFRS IC considered when an intangible asset in relation to configuration or customisation of the application software can be recognised. IFRIC agenda decisions have no effective date, so they are expected to be applied as soon as possible. The agenda decision does not have a material impact on the accounting policies applied to implementation costs in cloud computing arrangement.

On 1 January 2022, the Group will adopt the following new standards, providing these are approved by the EU by the planned date of adoption. Revisions are not expected to have a material impact on the consolidated financial statements.

- Amendments to IAS 16 Property, Plant and Equipment. Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. When an onerous contract is accounted for basing on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs.
- Annual Improvements to IFRS Standards 2018–2020

On 1 January 2023, the Group will adopt the following new standard, providing this is approved by the EU by the planned date of adoption. Revisions are not expected to have a material impact on the consolidated financial statements.

- IFRS 17 Insurance Contracts. The new standard for insurance contracts will help investors and other parties understand better insurers' risk exposure, profitability and financial position. This standard replaces IFRS 4 standard.
- Amendments to IAS 1 Presentation of Financial Statements. The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current. The amendments clarify the application of materiality to disclosure of accounting policies to help companies provide useful accounting policy disclosures.
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.
- Amendments to IAS 12 Income Taxes. The amendments narrow the initial recognition exemption (IRE) and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations which give rise to equal and offsetting temporary differences.

2 Operational result

2.1 Operating segments and geographical areas

The Group has two reporting segments: Consumer Customers and Corporate Customers. The organisational and management structure of Elisa Group is based on a customer-oriented operating model. The reportable segments are based on the internal reporting provided to management.

The Consumer Customers segment provides consumers with telecommunications and communications services, such as fixed and mobile subscriptions with supplementary digital services, cable-tv subscriptions, Elisa Viihde entertainment service and Elisa Kirja e-reading service.

The Corporate Customers segment provides corporate and public administration organisations with services such as IT and communication solutions for the digital environment as well as fixed and mobile subscriptions. The Corporate Customers segment provides worlwide services such as video conferencing services, solutions for automation of network management and operation for mobile operators, and IoT solutions for industry.

Operating segments:

2021 EUR million	**Consumer Customers**	**Corporate Customers**	**Unallocated**	**Group Total**
Revenue	**1,241.3**	**756.6**		**1,997.9**
EBITDA	**475.1**	**222.3**		**697.4**
Depreciation, amortisation and impairment	**−160.7**	**−105.8**		**−266.6**
EBIT	**314.4**	**116.5**		**430.8**
Financial income			**4.6**	**4.6**
Financial expenses			**−16.5**	**−16.5**
Share of associated companies' profit			**−0.5**	**−0.5**
Profit before tax				**418.4**
Investments	**168.7**	**96.3**		**265.1**
Assets	**1,822.3**	**1,051.2**	**154.9**	**3,028.4**

2020 EUR million	**Consumer Customers**	**Corporate Customers**	**Unallocated**	**Group Total**
Revenue	1,183.4	711.2		1,894.6
EBITDA	460.8	224.4		685.2
Depreciation, amortisation and impairment	−169.9	−106.3		−276.2
EBIT	290.8	118.1		409.0
Financial income			8.7	8.7
Financial expenses			−21.2	−21.2
Share of associated companies' profit			1.9	1.9
Profit before tax				398.3
Investments	170.1	96.1		266.2
Assets	1,802.5	989.4	249.5	3,041.4

Revenue 2021

EBITDA 2021

Geographical areas

2021 EUR million	Finland	Rest of Europe	Other countries	Group total
Revenue	**1,702.5**	**251.2**	**44.2**	**1,997.9**
Assets	**2,551.3**	**446.5**	**30.6**	**3,028.4**

2020 EUR million	Finland	Rest of Europe	Other countries	Group total
Revenue	1,639.1	234.1	21.4	1,894.6
Assets	2,584.4	443.8	13.2	3,041.4

Accounting Principles – Operating Segments:

The segments are controlled by segment-specific performance reporting that includes external revenue, EBITDA, EBIT and capital 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, right-of-use assets, inventories, trade and other non-interest bearing receivables. Deferred tax assets, investments in associated companies, other investments, interest-bearing receivables, financial items and income tax receivables are not included in segment assets. Liabilities are not allocated to operating segments.

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

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

2.2 Items affecting comparability

Elisa uses comparable key figures in its financial reporting to describe the financial development of its business and increase comparability between different periods.

Exceptional transactions outside the ordinary course of business are treated as items affecting comparability. Such items, as identified by the Group, are for example capital gains and losses from divestments of the assets and businesses, acquisition costs of assets and businesses, impairments, restructuring expenses and costs of legislative changes, damages or litigations.

Income statement

EUR million	2021	2020
Expenses related to acquisitions of subsidiaries and business combinations	**–8.4**	
Items affecting comparability in EBITDA	**–8.4**	
Impairment of goodwill		–6.1
Items affecting comparability in EBIT	**–8.4**	–6.1
Capital gain		5.6
Items affecting comparability in profit before tax	**–8.4**	–0.4
Deferred tax assets for tax losses carried forward		1.0
Income taxes on items affecting comparability	**1.6**	
Items affecting comparability in profit for the period	**–6.7**	0.5

Items affecting comparability in 2021 include restructuring costs of EUR 8.4 million.

Items affecting comparability in 2020 include impairment of goodwill of EUR 6.1 million, capital gain of EUR 5.6 million from the disposal of Sulake companies and a recognised deferred tax asset of EUR 1.0 million of for tax losses carried forward.

EUR million	2021	2020
Comparable EBITDA		
I/S EBITDA	**697.4**	685.2
Items affecting comparability in EBITDA	**8.4**	
	705.7	685.2
Comparable EBIT		
I/S EBIT	**430.8**	409.0
Items affecting comparability in EBIT	**8.4**	6.1
	439.2	415.0
Comparable profit before taxes		
I/S Profit before taxes	**418.4**	398.3
Items affecting comparability in profit before taxes	**8.4**	0.4
	426.8	398.8
Comparable profit for the period		
I/S Profit for the period	**343.5**	328.1
Items affecting comparability in profit for the period	**6.7**	–0.5
	350.2	327.6
Comparable profit for the period attributable to equity holders of the parent		
Comparable profit for the period	**350.2**	327.6
Non-controlling interests	**–0.2**	0.1
	350.4	327.5
Comparable earnings per share, EUR		
Comparable profit for the period attributable to equity holders of the parent	**350.4**	327.5
Average number of outstanding shares, diluted (1,000 shares)	**160,174**	160,066
	2.19	2.05

Cash flow

EUR million	2021	2020
Investment in shares and business combinations	**16.2**	56.5
Proceeds from disposal of subsidiaries and businesses		–5.1
Items affecting comparability in cash flow before financing	**16.2**	51.3

The main items affecting comparability in 2021 was the acquisition of SedApta for EUR 9.7 million and TenForce NV for EUR 3.4 million.

The most significant items affecting comparability in 2020 were the acquisition of camLine GmbH and its sister companies of EUR 45.4 million, the contingent consideration related to the acquisition of Polystar Osix AB of EUR 5.0 million and the acquisition of Sutaria Services Inc. of EUR 3.0 million.

Comparable cash flow after investments	2021	2020
C/F Cash flow before financing	**321.6**	300.0
Items affecting comparability in cash flow before financing	**16.2**	51.3
	337.8	351.3

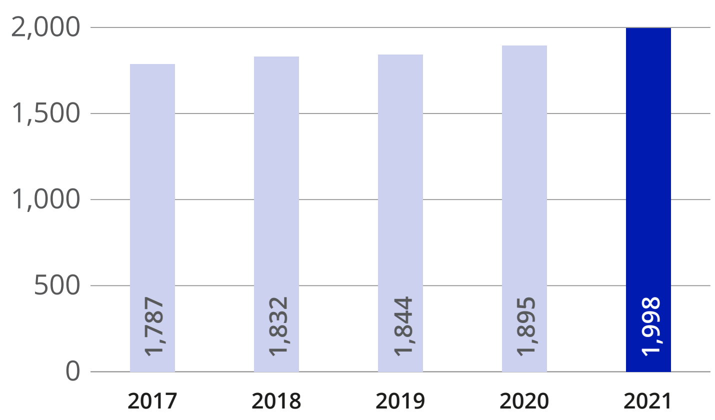
2.3 Revenue

Division of Group's revenue

EUR million	2021	2020
Rendering of services	**1,642.0**	1,569.1
Sale of equipment	**356.0**	325.5
I/S	**1,997.9**	1,894.6

EUR million	2021	2020
Mobile telecommunications	**1,179.7**	1,123.3
Fixed-network broadband and others	**818.3**	771.3
I/S	**1,997.9**	1,894.6

Development of revenue, EUR million



Accounting Principles – Revenue from contracts with customers:

The revenue of consumer customers mainly consists of fixed and mobile subscriptions with supplementary digital services, cable-tv subscriptions, Elisa Viihde entertainment service and Elisa Kirja e-reading service. Consumer customer contracts are typically standard contracts that are treated as separate performance obligations.

Customer contract may include several performance obligations, and Elisa may agree on the delivery or rendering of several products, services or access rights (service bundle). In that case, prices specified in the contract are used as transaction price, which is allocated to performance obligations on a relative stand-alone selling price basis.

The revenue of corporate customers mainly consists of fixed and mobile subscriptions with supplementary digital services, IT and communication solutions for the digital environment, video conferencing services, solutions for automation of network management and operation for mobile operators and IoT solutions for industry. Contracts with corporate customers typically meet the criteria laid down for a contract negotiated as a single package, in which case the revenue will be allocated to the goods and services based on the prices agreed with each customer.

A performance obligation may be fulfilled and revenue recognised over time or at certain points of time. The key criterion for the revenue recognition is the transfer of control. For performance obligations that are satisfied at a certain point of time, such as equipment, the customer is deemed to gain control at the entry to contract and revenue is recognised when the equipment is transferred to the customer. Service contracts mainly comprise performance obligations that are satisfied over time. The performance is carried out, and revenue is recognised over time as the services are provided.

Fixed-term service contracts are recognised over the contract period and the opening fees and related expenses, as well as discounts granted, are allocated to the entire contract period. Incremental costs of obtaining a fixed-term contract such as sales and represent commissions are capitalised and accrued as an expense during the contract period when these commissions relate directly to a contract that can be specifically identified. Service contracts valid until further notice are recognised over time. The opening fees and related expenses are recognised at the time when the service is connected.

The Group provides consumer customers with the various payment methods granting possibility to purchase equipment on 12–36 months credits. Revenue for equipment is recognised at the time of the sale regardless of whether the customer pays for the device fully at the time of sale or by monthly payments. Based on management's judgement, the contracts do not include a significant financing component.

Revenue from prepaid mobile phone cards is recognised over the period of realised use of the cards. Service fees invoiced from a customer on behalf of a third-party content service provider are not recognised as revenue.

As a rule, the customer has 4 weeks to cancel the service contract made at a distance sale and return the purchased equipment. In principle, there is no right of cancellation for equipment bought from an Elisa shop. Based on historical experience the number of refunds is expected to be low due to which the Group has not recognised a refund liability for the amounts expected to be refunded and revenue has not been adjusted by the estimated number of refunds.

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

2.4 Other operating income

EUR million	2021	2020
Gain on disposals of property, plant and equipment	**1.9**	0.2
Gain on disposal of subsidiaries and businesses [1]		0.5
Other items [2]	**7.1**	3.4
I/S	**9.0**	4.1

[1] Includes a capital gain of EUR 0.5 million from the divestment of remote measurement business for corporate customers.

[2] Other items include rental income from the real estate and other income not associated with ordinary operating activities.

Accounting Principles – Other operating income:

Other operating income includes non-operating income, such as capital gain on the disposal of tangible and intangible assets, subsidiaries and businesses, and rental income from real estate.

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

2.5 Operating expenses

Materials and services

EUR million	2021	2020
Materials, supplies and goods	**522.3**	468.5
Change in inventories	**–10.6**	1.0
External services	**251.2**	244.2
Foreign exchange gains and losses	**0.6**	0.0
I/S	**763.6**	713.7

Gains and losses arising from foreign currency translations are recognised in accordance with their nature either in materials and services or financial income and expenses.

Employee expenses

More detailed analysis of employee expenses is included in Note 4.

Auditor fees

EUR million	2021	2020
Auditing	**0.4**	0.3
Tax advisory services	**0.0**	0.1
Other services	**0.1**	0.0
	0.4	0.4

In 2021, non-audit fees charged by KPMG Oy Ab were EUR 0.1 (0.1) million.

Research and development costs

EUR million	2021	2020
Research and development costs recognised as expenses	**9.5**	2.4
Capitalised development costs	**6.6**	8.0
	16.1	10.4

The focus areas for the research and development activities in 2021 were of the development of a customer relationship management system, production and quality management software for the manufacturing industry, as well as the development of network software solutions for telecom operators.

Accounting Principles – Research and development:

Research costs are recorded as expenses in the income statement. Development costs are capitalised from the date the product is technically feasible, it can be utilised commercially and the asset is expected to generate future economic benefit and the Group has both intention and the resources to complete the development and use or sell the asset. Capitalised development costs include those material, labour and testing costs and any capitalised borrowing costs that are directly attributable to bringing the asset to its working condition for its intended use. Otherwise, development costs are recorded as an expense. Development costs initially recognised as expenses cannot be capitalised subsequently.

2.6 Earnings per share

Earnings per share, basic	2021	2020
I/S Net profit for the period attributable to equity holders of the parent (EUR million)	**343.6**	328.0
Weighted average number of shares outstanding (1,000 shares)	**160,174**	160,066
Earnings/share, basic (EUR/share)	**2.15**	2.05

Accounting principles – Earnings per share:

Basic earnings per share are calculated by dividing the net profit for the period attributable to the parent company's equity holders by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated on the same basis as earnings per basic share, except for the dilutive effect of converting all dilutive potential shares into basic shares.

The Group had no material dilutive effect on the number of shares during the financial years 2021 and 2020.

3. Business acquisitions and disposals

Acquired businesses in 2021

Acquisition of TenForce NV

On 31 August 2021, Elisa acquired a majority stake of 50.1 per cent in Belgian TenForce NV. TenForce is a provider of environmental, health, safety and quality performance (EHSQ) and operational risk management software. TenForce primarily serves large global industrial customers with a SaaS model. The acquisition is consistent with Elisa's strategy to grow digital businesses internationally and to accelerate the Elisa IndustrIQ business. TenForce provides Elisa with cross-selling opportunities across its customer base and brings a complementary offering and skills, especially with its deep understanding of process industries and their critical features.

The price paid for the acquisition carried out as directed share issue was EUR 15.1 million, of which EUR 10 million was carried out as a directed share issue. EUR 0.8 million of the total acquisition price was allocated to the customer base, which will be amortised over four years, and EUR 0.6 was allocated to software, which will also be amortised over four years. The acquisition resulted in EUR 8.9 million of goodwill relating to Group's growth in digital services internationally and strengthening Elisa IndustIQ business. The calculation of the allocation of the acquisition price is preliminary, as the valuation of the acquired net assets has not been fully completed.

The acquisition generated a non-controlling interest amounting to EUR 5.1 million, which is included in the Non-controlling interest balance sheet item. The non-controlling interest is measured at a proportionate share of the acquiree's identifiable net assets.

The acquisition contract includes an option for Elisa to redeem and for non-controlling interests conditional right to sell the remaining 49.9 per cent of the shares in 2026. The liability for the redemption of the remaining shares has been recognised in the financial statements. The initial recognition of the liability and any changes in it will be treated as equity transactions.

The acquired company has been consolidated from 1 September 2021 onwards. External revenue after the acquisition was EUR 1.9 million, and the impact on Group's profit for the period was EUR –0.4 million. Had the acquisition been made as of the beginning of the year 2021, the impact on Group revenue would have been EUR 5.5 million and the effect on profit for the period EUR –0.6 million.

Consideration transferred

EUR million	Preliminary
Cash paid	15.1
Total acquisition	15.1

Analysis of net assets acquired

EUR million	
Tangible assets	0.1
Right-of-use assets	1.0
Customer base	0.8
Intangible assets	1.6
Trade and other receivables	1.0
Cash and cash equivalents	11.7
Deferred tax liabilities	–0.3
Interest-bearing liabilities	–0.3
Lease liabilities	–1.0
Trade payables and other liabilities	–3.2
Tax liabilities	–0.1
	11.3

Effects of acquisition on cash flow

EUR million	
Acquisition price paid in cash	–15.1
Cash and cash equivalents of the acquired entity	11.7
	–3.4

Goodwill arising from business combination

EUR million	
Consideration transferred	15.1
Identifiable net assets of the acquired entity	11.3
Non-controlling interest's proportionate share of identifiable net assets acquired	–5.1
Goodwill	8.9

EUR 0.2 million of acquisition-related costs, such as professional fees, is recorded in other operating expenses.

Acquisition of Process Data Control Corp

In November 2021, TenForce NV's subsidiary TenForce USA LLC, acquired Process Data Control Corp. The acquisition price was EUR 1.5 million. The acquisition resulted in EUR 1.5 million of goodwill. The calculation of the allocation of the acquisition price is preliminary, as the valuation of the acquired net assets has not been fully completed. The acquisition does not have a material impact on the Group.

Disposals of businesses in 2021 and 2020

There were no significant disposals during reporting periods.

Acquired businesses in 2020

Acquisition of P-OSS Solutions S.L.U.

On 18 May 2020, Elisa's subsidiary Polystar OSIX AB acquired a software development company P-OSS Solutions S.L.U. The acquisition strengthens Polystar's network performance management and analytics solutions for telecommunications networks offered to international operators.

The debt-free acquisition price paid for the company shares was EUR 1.1 million. EUR 1.1 million of acquisition price was allocated to software, which will be amortised over five years. EUR 0.0 million of acquisition-related costs, such as professional fees, is recorded in other operating expenses. The acquisition does not have a material impact on the Group.

Acquisition of Sutaria Services Inc.

On 1 October 2020, Elisa acquired 56.5 per cent of Sutaria Services Inc., a U.S.-based supply chain software provider for the electronics manufacturing services. The trade name of the company is CalcuQuote. The acquisition is consistent with Elisa’s strategy to grow digital businesses internationally and to accelerate the Elisa Industrial Software business.

The price paid for the acquisition carried out as directed share issue was EUR 5.1 million. EUR 0.4 million of the total acquisition price was allocated to software, which will be amortised over five years. The acquisition resulted in EUR 3.7 million of goodwill relating to strengthening Group's industrial software business.

The acquisition generated a non-controlling interest amounting to EUR 0.9 million, which is included in the Non-controlling interest balance sheet item. The non-controlling interest is measured at a proportionate share of the acquiree’s identifiable net assets.

The acquisition contract includes an option for Elisa to redeem and for non-controlling interests to sell the remaining 43.5 per cent of the shares in 2023. The liability for the redemption of the remaining shares has been recognised in the financial statements. The initial recognition of the liability and any changes in it will be treated as equity transactions.

The acquired company has been consolidated from 1 October 2020 onwards. External revenue after the acquisition was EUR 0.3 million, and the impact on Group's profit for the period was EUR –0.2 million. Had the acquisition been made as of the beginning of the year 2020, the impact on Group revenue would have been EUR 1.1 million and the effect on profit for the period EUR –0.4 million, respectively.

Consideration transferred

EUR million	Carrying amount
Cash paid	5.1
	5.1

Analysis of net assets acquired

EUR million	
Intangible assets	0.6
Trade and other receivables	0.1
Cash and cash equivalents	2.1
Deferred tax liabilities	–0.1
Trade payables and other liabilities	–0.4
	2.3

Effects of acquisition on cash flow

EUR million	
Acquisition price paid in cash	–5.1
Cash and cash equivalents of the acquired entity	2.1
	–3.0

Goodwill arising from business combination

EUR million	
Consideration transferred	5.1
Identifiable net assets of the acquired entity	2.3
Non-controlling interest's proportionate share of identifiable net assets acquired	–0.9
Goodwill	3.7

EUR 0.5 million of acquisition-related costs, such as professional fees, is recorded in other operating expenses.

Acquisition of camLine group

On 23 December 2020, Elisa acquired a German camLine GmbH with its group of companies. camLine is a software solution provider for manufacturing industry with strong focus on manufacturing execution systems (MES), quality and operational excellence. The company has a global customer base, including semiconductor and electronics manufacturers, and medical devices. The transaction is consistent with Elisa's strategy to grow digital businesses internationally, and it strengthens Elisa's industrial software business growth.

The acquisition price paid was EUR 63.8 million including the contingent consideration of EUR 4.4 million. EUR 7.8 million of total acquisition price was allocated to the customer base, which will be amortised over five years. The acquisition resulted in EUR 43.6 million of goodwill relating to the Group's growth in digital services internationally and strengthening the Group's Industrial software business.

Elisa's holding in camLine companies is 100 per cent, except for camLine Hungary Kft, for which holding is 60 per cent. The acquisition generated a non-controlling interest amounting to EUR 0.1 million, which is included in the Non-controlling interest balance sheet item. The non-controlling interest is measured at a proportionate share of the acquiree's identifiable net assets.

The acquired company has been consolidated on 31 December 2020. The financial results have been consolidated from 1 January 2021 onwards.

Consideration transferred

EUR million	Carrying amount
Cash paid	59.4
Contingent consideration	4.4
Total acquisition price	63.8

Analysis of net assets acquired

EUR million	
Tangible assets	5.7
Right-of-use assets	0.2
Customer base	7.8
Intangible assets	0.2
Inventories	0.3
Trade and other receivables	4.6
Tax receivables	0.1
Cash and cash equivalents	14.4
Deferred tax liabilities	–2.4
Interest-bearing liabilities	–3.1
Lease liabilities	–0.2
Advances received	–0.2
Trade payables and other liabilities	–7.2
Tax liabilities	–0.1
	20.2

Effects of acquisition on cash flow

EUR million	
Acquisition price paid in cash	–59.4
Cash and cash equivalents of the acquired entity	14.4
	–45.1

Goodwill arising from business combination

EUR million	
Consideration transferred	63.8
Identifiable net assets of the acquired entity	20.2
Non-controlling interest's proportionate share of identifiable net assets acquired	–0.1
Goodwill	43.6

EUR 0.6 million of acquisition-related costs, such as professional fees, is recorded in other operating expenses.

Changes in ownership interests

On 4 June 2020, the Group acquired an additional 20.0 per cent of shares in Kiinteistö Oy Rinnetorpa. The acquisition price was EUR 0.1 million. Following the acquisition, the Group owns the entire share capital of the company. Due to the acquisition the share of non-controlling interests decreased by EUR 0.1 million and the Group's retained earnings increased by EUR 0.0 million.

Accounting principles – Business acquisitions and disposals:

Subsidiaries are consolidated from the date the Group obtains control, and divested companies until the loss of control.

Acquisitions are measured at amortised costs. Identifiable assets acquired and assumed liabilities are measured at their fair value on the acquisition date.

Possible investments in non-controlling interests are measured either at a proportionate share of the acquiree's identifiable net assets or at fair value. The method to be used is selected on a case-by-case basis. Subsequent changes in non-controlling interests are treated as equity transactions.

In business combinations carried out in stages, previously held equity share in the acquiree is measured at fair value and the resulting gain or loss is recognised through profit or loss.

The acquisition price consists of the fair value of cash and contingent consideration transferred. The amount of the acquisition price that exceeds the fair value of the acquired net assets is recognised as goodwill. Additional information regarding valuation and impairment testing of goodwill is available under note 5.4.1.

The changes in contingent consideration are expensed through profit and loss. Acquisition-related costs, such as consulting fees and transfer tax, are accounted for as expenses for the periods, when the costs were incurred and the services received. The costs are presented as Other operating expenses in the income statement.

In connection with loss of control, any investment retained in a former subsidiary is measured at fair value through profit or loss at the date of transaction. Changes in ownership interest that do not result in a loss of control are accounted for as equity transactions.

Accounting policies that require management's judgements – Acquisitions:

The identifiable assets and liabilities acquired in a business combination are measured at fair value at the acquisition date. When determining the fair value of the acquired net assets, consideration and estimates may be required. Estimates and judgement are based on the management's best view of the situation at the time of the acquisition.

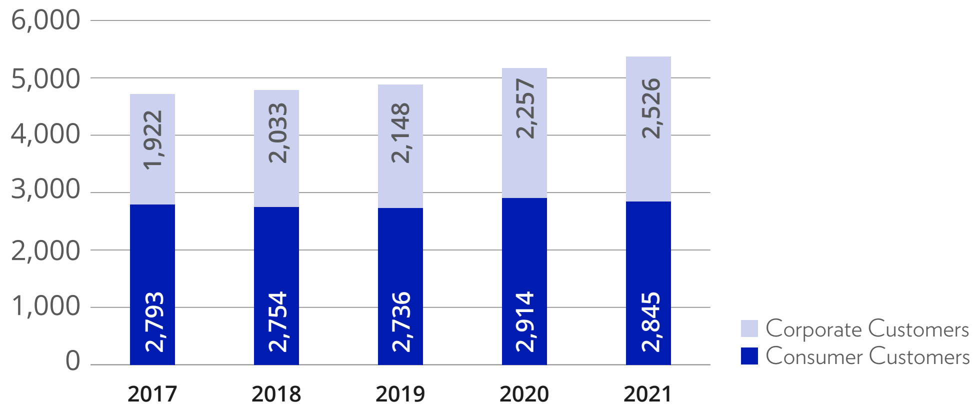
4 Personnel

4.1 Employee expenses

EUR million	2021	2020
Salaries and wages	**304.7**	267.0
Share-based payments	**8.0**	6.8
Pension expenses - defined contribution plans	**40.4**	33.6
Pension expenses - defined benefit plans	**0.2**	0.4
Other employee costs	**20.5**	18.0
I/S	**373.8**	325.7

Number of personnel at the end of the reporting period	2021	2020
Consumer Customers	**2,845**	2,914
Corporate Customers	**2,526**	2,257
	5,371	5,171

Number of personnel at the year end



Employee bonus and incentive schemes

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

Performance-based bonus scheme

Rewards are based on financial and operational metrics of Elisa Corporation and its units. Targets are set, and the maximum amount of reward is confirmed semi-annually. Some of the Group's key personnel also participated in the share-based compensation plan in 2021.

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 metrics for the performance-based bonus schemes are earnings per share (EPS) and achievement of defined strategic goals. The Board of Directors decides on the performance-based bonus schemes and sets the earning criteria for the profit share reward annually.

The members of the personnel fund are the employees of Elisa Group, with the exception for those employees who are part of the share incentive plan. In 2021, the Group's personnel fund contribution was EUR 2.7 (1.6) million.

Management remuneration

EUR million	2021	2020
Managing Directors	**8.1**	8.1
Members and deputy members of Boards of Directors	**0.7**	0.6

Employment benefits for key management

Key management consists of Elisa's Board of Directors, the CEO and the Executive Board.
Management remuneration is described under parent company's Note 4.

Annual employee benefits recognised on the income statement

EUR million	2021	2020
Remunerations and other short-term employee benefits	**4.6**	4.6
Post-employment benefits	**0.3**	0.4
Share-based compensation [1]	**2.8**	2.1
	7.7	7.1

[1] In 2021, the share-based compensation expenses were EUR 8.0 (6.8) million, of which EUR 0.7 (0.5) million is allocated to the CEO and EUR 2.1 (1.6) million to the Executive Board. The terms and conditions of share-based incentive plans are described under Note 4.2.

Benefits paid

EUR million	2021	2020
Board of Directors	**0.7**	0.6
CEO	**0.9**	0.9
Executive Board	**2.9**	3.1
Share-based compensations [1]	**3.3**	9.8
	7.9	14.3

1) The reward paid to the CEO under the share-based compensation plans was EUR 0.9 (2.3) million and to the Executive Board members EUR 2.5. (7.5) million.

If the service contract is terminated by the Group, the period of notice for the CEO is six months, and if the contract is terminated by the CEO, the period of notice is three months. If the service contract is terminated by the Group, the CEO is entitled to a severance payment equalling the total salary of 24 months less the salary for the period of notice.

The period of notice for members of the Executive Board is six months, if the service contract is terminated by the Group and three months from the member's side. Should the contract be terminated by Elisa, the member of the Executive Board entitled to receive a severance payment that equals the total salary of 15 months less the salary for the period of notice.

Managing Directors' pension commitments

In 2020, the Board of Directors agreed with the CEO of Elisa Corporation Veli-Matti Mattila that he will continue as CEO until further notice. Under previous executive agreement, the Group CEO would have retired at the age of 60. The defined benefit pension plan includes vested rights. The company is liable for the pension until the age of 63 and the related accumulated liability of EUR 2.3 million is included in pension obligations on the balance sheet. The pension is accrued annually by 5.1 per cent of the annual earnings under Employees Pensions Act (TyEL), and annually by EUR 120,000 during the period 2017–2020. In the management's cash-based supplementary pension insurance, the pension is accrued from 20.7 per cent of the annual earnings under the Employees Pensions Act (TyEL) starting from the age of 62. The pension arrangement of the CEO is a cash-based plan, and it covers an increase in the statutory retirement age.

The executive agreements of the Group Management Board members appointed before year 2013 expire mainly at the age of 62, when they have the right to retire. Pension provisions are cash-based, and they are covered by management supplementary pension insurance, which includes vested rights.

Share-based compensation granted to the management

The reward paid in 2021 to the CEO under the 2017 plan's 2018–2020 performance period equals the value of 8,258 shares and for the rest of the Executive Board 25,752 shares.

The reward paid in 2020 to the CEO under the 2014 plan's 2017–2019 performance period equals the value of 41,283 shares and for the rest of the Executive Board 136,095 shares.

The maximum reward granted to the CEO under the 2017 plan's 2019–2021 performance period equals the value of 39,000 shares and for the rest of the Executive Board 107,100 shares. The reward will be paid after the publication of the 2021 financial statements.

The maximum reward granted to the CEO under the 2017 plan's 2020–2022 performance period equals the value of 32,000 shares and for the rest of the Executive Board 97,500 shares. The reward will be paid after the publication of the 2022 financial statements.

The maximum reward granted to the CEO under the 2021 plan's 2021–2023 performance period equals the value of 32,000 shares and for the rest of the Executive Board 94,500 shares. The reward will be paid after the publication of the 2023 financial statements.

The maximum reward granted to the CEO under the 2021 plan's 2022–2024 performance period equals the value of 32,000 shares and for the rest of the Executive Board 89,500 shares. The reward will be paid after the publication of the 2024 financial statements.

Elisa shares held by key members of the management

The members of Elisa's Board of Directors, the CEO, the members of the Executive Board and their related parties held a total of 304,229 shares and votes, corresponding to 0.18 per cent of all shares and votes.

4.2 Share-based incentives

The Group has share-based incentive plans in place. The aim of the plans is to align the objectives of the shareholders and the key employees in increase the value of the Company in the long-term, to retain the key employees at the Company, and to offer them a competitive reward plan that is based on earning and accumulating the Company´s shares. The potential rewards are based on the accomplishment of the goals set.

4.2.1 Share-based incentive plan 2021

On 4 March 2021, the Board of Directors of Elisa Corporation has appoved a share-based incentive plan for the Group key employees for years 2021–2025.

The Performance Share Plan includes three three-year performance periods, calendar years 2021–2023, 2022–2024 and 2023–2025. The Board of Directors decided the performance criteria for the plan and required performance levels for each criterion at the beginning of a perfomance period. After the end of the performance period, the reward is paid as a combination of company shares and cash after the completion of financial statements. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. As a rule, no reward will be paid, if a participant's employment or service ends before the reward payment.

The performance criteria for the performance period 2022–2024 are based on Group's Earnings per Share (EPS), on the International Digital services growth, on Employee Engagement and annual progress in specific key business growth targets. The rewards to be paid on the basis of the performance period 2022–2024 correspond to the value of a maximum total of 360.500 Elisa Corporation shares.

The earnings criteria for the performance period 2021–2023 are based on Group's Earnings per Share (EPS), on the International Digital services growth and on annual progress in specific key business growth targets. The rewards to be paid on the basis of the performance period 2022–2024 correspond to the value of a maximum total of 410.700 Elisa Corporation shares.

The CEO of the Company and a member of the Corporate Executive Board must hold a minimum of 50 per cent of the net shares given on the basis of the plan, until the CEO's shareholding in the Company in total corresponds to the value of his annual salary and, respectively, the member's shareholding in the Company in total corresponds to the value of half of his or her annual salary.

Amount of share incentives and terms and assumptions in the fair value calculation	Performance period 2022–2024	Performance period 2021–2023
Maximum number of shares granted, pcs	360,500	410,700
Grant date	31.12.2021	31.12.2020
Fair value of the share at the grant date, EUR [1]	48.27	44.15
Share price at the grant date, EUR	54.12	49.70
Estimated realisation of share price after performance period [2]	58.89	53.09
Performance period starts	1.1.2022	1.1.2021
Performance period ends	31.12.2024	31.12.2023
Estimated realisation of earning criteria at the beginning of performance period, %	44	46
Estimated realisation of earning criteria at the closing date, %	44	69
Number of participants in the plan at the closing date	186	166

[1] The fair value of the share is the share price at the grant date, less estimated dividend. Estimated dividend used in the calculation equals the dividend for the previous period.

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

4.2.2 Share-based incentive plan 2017

On 15 December 2017, Elisa's Board of Directors decided on the share-based incentive plan for key personnel for 2018–2022.

The new performance-based incentive plan has three performance periods: the calendar years 2018–2020, 2019–2021 and 2020–2022. The Board of Directors decides the performance criteria for the plan and required performance levels for each criterion at the beginning of a performance period. After the end of the performance period, the reward is paid as a combination of company shares and cash after the completion of financial statements. The cash portion intends to cover the tax obligations resulting from the share-based payment. As a rule, no reward will be paid, if a participant's employment or service ends before the reward payment.

The earnings criteria for the performance period 2020–2022 are based on earnings per share (EPS), on development of new businesses and other key objectives. The total maximum amount to be paid for the performance period 2020–2022 equals the value of 407,600 Elisa shares.

The earnings criteria for the performance period 2019–2021 are based on earnings per share (EPS), on development of new businesses and other key objectives. The total maximum amount to be paid for the performance period 2019–2021 equals the value of 536,000 Elisa shares.

The earnings criteria for the performance period 2018–2020 are based on earnings per share (EPS), on development of new businesses and other key objectives. The total maximum amount to be paid for the performance period 2018–2020 equals the value of 550,000 Elisa shares.

The CEO of the Company and a member of the Corporate Executive Board must hold a minimum of 50 per cent of the net shares given on the basis of the plan, until the CEO's shareholding in the Company in total corresponds to the value of his annual salary and, respectively, the member's shareholding in the Company in total corresponds to the value of half of his or her annual salary.

Amount of share incentives and terms and assumptions in the fair value calculation	Performance period 2020–2022	Performance period 2019–2021	Performance period 2018–2020
Maximum number of rewards granted, pcs	407,600	536,000	550,000
Grant date	31.12.2019	31.12.2018	31.12.2017
Fair value of share at the grant date, EUR [1]	44.00	31.13	28.22
Share price at the grant date, EUR	49.25	36.08	32.72
Estimated realisation of share price after performance period [2]	54.62	38.63	35.57
Performance period starts	1.1.2020	1.1.2019	1.1.2018
Performance period ends	31.12.2022	31.12.2021	31.12.2020
Estimated realisation of earning criteria at the beginning of performance period, %	61	74	85
Estimated realisation of earning criteria at the closing date, %	62	31	
Realisation of earning criteria, %			39
Distributed number, pcs			95,241
Volume weighted average share price at distribution date, EUR			49.39
Distributed number out of the maximum number of share rewards granted, %			17
Number of participants in the plan at the closing date	177	175	164

1) The fair value of the share is the share price at the grant date, less estimated dividend. Estimated dividend used in the calculation equals the dividend for the previous period.

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

4.2.3 Committed share-based incentive plan 2019

On 31 January 2019, Elisa's Board of Directors decided on a new committed share-based incentive plan for 2019–2025.

The rewards granted under the plan have a restriction period of 1–3 years. The potential reward is based on the validity of the key person's contract of employment. The maximum number of rewards paid under the plan equals the value of 500,000 Elisa shares.

Amount of share incentives and terms and assumptions in the fair value calculation	2019–2020
Maximum number of rewards granted, pcs	22,500
Grant date	10.6.2019
Fair value of the share at the grant date, EUR [1]	38.00
Share price at the grant date, EUR	41.50
Estimated realisation of share price after the performance period [2]	43.38
Restriction period started	10.6.2019
Restriction period ends	10.6.2021
Estimated realisation of earnings criteria at the beginning of performance period, %	100
Earning criteria, realised %	100
Shares transferred, pcs	9,152
Average exchange rate on the day of transfer, EUR	51.00
Amount distributed as shares of the maximum amount of share rewards granted, %	41

1) The fair value of the share is the share price at the grant date, less estimated dividend. Estimated dividend used in the calculation equals the dividend for the previous period.

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

Expenses of share-based incentive plans

In 2021, EUR 8.0 (6.8) million of expenses were recognised for the share incentive plans.

Accounting principles – Share-based payments:

In the share-based payment scheme, the total reward amount is the gross earning of shares granted less the applicable withholding tax, with the remaining net amount being paid to the reward recipient in shares. Compensation costs for the share-based incentive plans are entirely recognised as equity-settled arrangements. As a result, share-based incentive costs, recognised in equity, also include a cash component that is equal to the value of the shares paid to cover the taxes and tax-like costs incurred under the reward. The Group settles a cash payment of a portion, required to meet withholding tax obligations, to the Tax Administration. The withholding tax paid to the Tax Administration is recognised directly in equity.

Share-based incentive plans are measured at the fair value at the grant date. If the assumption regarding the realised number of shares changes, an adjustment will be recorded through profit and loss. The share-based incentive plans do not include any other non-market based terms and conditions. Transfer restrictions related to the share-based incentive plans are out of the scope of the fair value measurement and expense recognition.

Accounting policies that require management's judgements – Share-based payments:

The expense recognition for the share-based incentive plans is based on an estimate of the fulfilment of the share incentive plan criteria and the development of Elisa Group's share price. The fulfilment of the share incentive plan criteria and the development of the share price might deviate from the estimates.

4.3 Pension obligations

The Group's pension obligations are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Group pays fixed contributions to pension insurance companies. If the pension insurance company does not hold sufficient assets to pay all employees the benefits in question, the Group will have no legal or constructive obligation to pay further contributions. The contributions for defined contribution pension plans are recognised as expenses during the financial year, in which the payment obligation has arisen. All other plans not meeting the above criteria are classified as defined benefit plans.

The pension schemes for the Group's personnel in Finland are covered by the Employees Pensions Act (TyEL) and are arranged through pension insurance companies. The Finnish Employees Pensions Act (TyEL) is a defined contribution plan. Supplementary pensions are arranged through life insurance companies. Some supplementary pension plans and pension plans under the responsibility of some group companies have been classified as defined benefit plans. The defined benefit plans are mainly funded by yearly contributions to the insurance companies, based on actuarial valuation. Local tax and other legislation are applied to the pension plans' arrangements. Only Elisa Corporation has defined benefit plans. The pension plans in foreign subsidiaries are defined contribution plans.

Post-employment benefits of key management are described in Note 4.1.

The net defined benefit related to pension liability

EUR million	2021	2020
Present value of unfunded obligations	**–3,6**	–2.9
Present value of funded obligations	**–59,0**	–61.1
Fair value of plan assets	**48,2**	52.9
B/S Net pension liability (-) / receivable (+) in the statement of financial position	**–14,4**	–11.0

Pension expenses recognised in the statement of comprehensive income

EUR million	2021	2020
Expense recognised in profit or loss		
Service cost	**0.1**	0.2
Net interest	**0.1**	0.1
	0.2	0.4
Remeasurements	**3.5**	–5.7
Tax effect of the remeasurements	**–0.7**	1.1
I/S	**2.8**	–4.5

Reconciliation of the net defined benefit obligations in the statement of financial position

EUR million	2021	2020
Net defined benefit obligation at the beginning of the period	**11.0**	16.7
Pension expenses recognised in profit or loss	**0.2**	0.4
Remeasurements	**3.5**	–5.7
Contributions paid by the employer	**–0.3**	–0.4
Net defined benefit obligation at the end of period	**14.4**	11.0

Changes in the present value of the defined benefit obligations

EUR million	2021	2020
Obligation at the beginning of the period	**–63.9**	–71.3
Current service cost	**–0.1**	–0.2
Interest expenses	**–0.3**	–0.5
Remeasurements		
Actuarial gain (+) or loss (-) arising from changes in economic assumptions	**–3.5**	3.5
Gain (+) or loss (-) arising from experience adjustments	**0.8**	–0.3
Benefits paid	**4.5**	4.8
Obligation at the end of period	**–62.6**	–63.9

Changes in the fair value of plan assets

EUR million	2021	2020
Fair value of plan assets at the beginning of the period	**52.9**	54.6
Interest income	**0.3**	0.4
Remeasurements, gain (+) or loss (-)	**–0.7**	2.4
Benefits paid	**–4.5**	–4.8
Contributions paid by the employer	**0.3**	0.4
Fair value of plan assets at the end of period	**48.2**	52.9

The principal actuarial assumptions used	2021	2020
Discount rate, %	**0.7**	0.6
Future pension increase, %	**1.9**	1.3
Inflation, %	**1.8**	1.0

Sensitivity analysis of net defined benefit obligation

	Effect on the net defined benefit obligation, EUR million	
Change in actuarial assumptions	2021	2020
Discount rate + 0.5%	**–1.2**	–0.9
Future pension increase +0.5%	**3.9**	4.0
Expected mortality +1 year	**0.8**	0.6

When calculating a change in one assumption of the sensitivity analysis, the other assumptions are assumed to remain unchanged. In practice, this is not likely to happen, and some changes in the assumptions may correlate with each other. The figures in the sensitivity analysis have been calculated using the same method which is applied when calculating defined benefit obligations.

Defined benefit obligations expose the Group to various risks. Decreases in the gain of corporate bonds, higher inflation and higher expected retirement age may predispose the Group to the growth of defined benefit obligations. On the other hand, since the fair value of assets is calculated using the same discount rate which is used when calculating the obligation, the change in the discount rate will only affect the net defined benefit obligation. Similarly, a rise in life expectancy will increase the assets and affect the net defined benefit obligation.

Weighted average duration of the obligation is 12.8 (12.6) years.

The Group expects to contribute EUR 0.4 (0.7) million to defined benefit pension plans in 2022.

The assets of the defined benefit obligations are 100 per cent acceptable insurances.

Accounting principles – Pension obligations:

The Group's defined benefit obligation has been calculated separately from each plan using the projected unit credit method. Pension expenses calculated by authorised actuaries are recognised in profit or loss over the employees' working lives. The rate used to discount the present value of the defined benefit obligation is determined by reference to market yields of high-quality corporate bonds. If such information is not available, the market yields on government bonds are used. The maturity of corporate bonds and government bonds are substantially consistent with the maturity of pension obligations. The present value of defined benefit obligation is reduced by the fair value of the plan assets at the end of the reporting period. The net defined benefit pension liability is recognised in the statement of financial position.

Current service cost and net interest of the net defined benefit liability are recorded in employee expenses on the income statement. The remeasurements of the net defined benefit liability, for example actuarial gains and losses and the return on plan assets, are recognised in other comprehensive income during the financial period in which they incur.

Accounting policies that require management's judgements – Pension obligations:

The book value of defined pension obligations is based on actuarial valuations. Assumptions and estimates used in the valuations include, among others, the discount rate used on the valuation of the pension obligation and plan assets as well as the development of inflation and salary levels.

5 Tangible and intangible assets

5.1 Depreciation, amortisation and impairment

EUR million	2021	2020
Tangible assets		
Land and water areas		
Right-of-use assets	**1.0**	1.0
Buildings and constructions		
Owned buildings and constructions	**12.4**	12.6
Right-of-use assets	**17.6**	17.1
Telecom devices, machinery and equipment		
Owned telecom devices, machinery and equipment	**173.2**	178.7
Right-of-use assets	**3.1**	3.9
Other tangible assets	**0.1**	0.0
	207.5	213.2
Intangible assets		
Goodwill		6.1
Customer base	**6.6**	6.6
Other intangible assets	**52.5**	50.2
	59.1	63.0
I/S	**266.6**	276.2

Impairment losses were EUR 0.0 (6.1) million.

5.2 Property, plant and equipment

2021 EUR million	Land and water areas	Buildings and structures	Telecom devices, machinery and equipment	Other tangible assets	Tangible assets under construction	Total
Acquisition cost at 1 Jan.	11.1	298.9	3,781.9	35.7	28.5	4,156.1
Business acquisitions	1.1	−0.4	1.2	0.7	0.2	2.8
Additions	0.1	12.7	162.6	0.1	26.5	201.8
Disposals	0.0	−0.5	−15.0		0.0	−15.4
Reclassifications	0.0	5.3	18.3		−21.3	2.3
Translation differences	0.0	0.0	0.1	0.0	0.0	0.1
Acquisition cost at 31 Dec.	12.3	316.0	3,949.0	36.5	33.9	4,347.7
Accumulated depreciation and impairment at 1 Jan.	0.0	183.7	3,202.2	35.1		3,421.0
Depreciation and impairment		12.4	173.2	0.1		185.7
Accumulated depreciation on business acquisitions		0.1	1.0	0.6		1.7
Accumulated depreciation on disposals and reclassifications		−0.3	−13.1			−13.5
Translation differences		0.0	0.0	0.0		0.1
Accumulated depreciation and impairment at 31 Dec.	0.0	195.9	3,363.3	35.8		3,595.0
B/S Book value at 1 Jan.	11.1	115.2	579.7	0.7	28.5	735.1
B/S Book value at 31 Dec.	12.3	120.0	585.7	0.8	33.9	752.7

2020 EUR million	Land and water areas	Buildings and structures	Telecom devices, machinery and equipment	Other tangible assets	Tangible assets under construction	Total
Acquisition cost at 1 Jan.	10.9	280.5	3,619.5	35.7	31.7	3,978.3
Business acquisitions		2.7	0.3	0.0	1.9	5.0
Additions	0.2	14.2	158.6	0.0	16.4	189.3
Business disposals		0.0				0.0
Disposals			–13.2		0.1	–13.1
Reclassifications	0.0	1.5	16.8	0.0	–21.5	–3.2
Translation differences		0.0	–0.2	0.0		–0.2
Acquisition cost at 31 Dec.	11.1	298.9	3,781.9	35.7	28.5	4,156.1
Accumulated depreciation and impairment at 1 Jan.	0.0	171.2	3,040.3	35.0		3,246.5
Depreciation and impairment	0.0	12.6	178.7	0.0		191.3
Accumulated depreciation on business acquisitions			0.0			0.0
Accumulated depreciation on disposals and reclassifications		–0.1	–16.6	0.0		–16.7
Translation differences		0.0	–0.1	0.0		–0.1
Accumulated depreciation and impairment at 31 Dec.	0.0	183.7	3,202.2	35.1		3,421.0
B/S Book value at 1 Jan.	10.9	109.3	579.2	0.6	31.7	731.8
B/S Book value at 31 Dec.	11.1	115.2	579.7	0.7	28.5	735.1

On 31 December 2021, the investment commitments for tangible and intangible assets were EUR 55.7 (46.9) million.

Accounting principles – Property, plant and equipment:

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

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

Government grants, such as grants received in connection with the acquisition of fixed assets, are recorded as a deduction from the carrying amount of the fixed assets. Government grants are recognised in profit and loss in the form of lower depreciation over the useful life of the fixed asset.

Expected useful life of property, plant and equipment:

Buildings and structures	25–40 years
Machinery and equipment in buildings	10–25 years
Telecommunications network (line, backbone, area, subscription, cable TV)	8–15 years
Exchanges and concentrators (fixed and mobile core)	6–10 years
Equipment for the network and exchanges	3–8 years
Telecommunication terminals	2–4 years
Other machinery and equipment	3–5 years

Land and water areas are not depreciated.

5.3 Right-of-use assets

2021 EUR million	Land and water areas	Buildings and structures	Telecom devices, machinery and equipment	Total
Acquisition cost at 1 Jan.	14.0	114.0	131.7	259.7
Business acquisitions		0.8	0.3	1.2
Additions	1.5	14.3	2.1	18.0
Disposals			–1.1	–1.1
Reclassifications			–2.8	–2.9
Translation differences		0.0	0.0	0.0
Acquisition cost at 31 Dec.	15.5	129.1	130.3	274.9
Accumulated amortisation and impairment at 1 Jan.	1.9	38.8	124.4	165.1
Depreciation and impairment	1.0	17.6	3.1	21.8
Accumulated amortisation on disposal and reclassifications		–0.2	–2.8	–3.0
Translation differences		0.0		0.0
Accumulated depreciation and impairment at 31 Dec.	2.9	56.3	124.7	183.9
B/S Book value at 1 Jan.	12.1	75.2	7.3	94.6
B/S Book value at 31 Dec.	12.6	72.8	5.5	91.0

2020 EUR million	Land and water areas	Buildings and structures	Telecom devices, machinery and equipment	Total
Acquisition cost at 1 Jan.	12.8	96.0	129.7	238.4
Business acquisitions			0.1	0.1
Additions	1.2	18.2	2.0	21.5
Reclassifications		−0.2	−0.1	−0.3
Translation differences		0.0	0.0	0.0
Acquisition cost at 31 Dec.	14.0	114.0	131.7	259.7
Accumulated depreciation and impairment at 1 Jan.	0.9	21.9	120.6	143.4
Depreciation and impairment	1.0	17.1	3.9	22.0
Accumulated depreciation on disposal and reclassifications		−0.2	−0.2	−0.3
Translation differences		0.0	0.0	0.0
Accumulated depreciation and impairment at 31 Dec.	1.9	38.8	124.4	165.1
B/S Book value at 1 Jan.	11.9	74.0	9.1	95.0
B/S Book value at 31 Dec.	12.1	75.2	7.3	94.6

On 31 December 2021, the lease commitments for lease contracts commencing in the future in accordance with IFRS 16 were EUR 4.8 (1.0) million.

Accounting principles – Right-of-use assets:

A lease contract is a contract or a part of a contract that conveys the right to use the underlying asset for a specified period in exchange for consideration. When a new contract is made, Elisa assesses whether the contract in question is a lease contract or contains a lease contract.

The Group's leases mainly consist of leases for business premises, telecom and equipment premises, retail facilities and vehicles. Last mile rentals from other operators and indefeasible right to use (IRU) contracts mainly do not fulfil the definition of a lease.

The right-of-use assets and lease liabilities recognised in the balance sheet are measured at present value of future lease payments at the time of initial recognition. The lease payments are discounted using industry-specific interest rates considering the length of the lease contracts. The depreciation costs of the right-of-use assets and the interest portion of the lease liabilities are expensed. The depreciation of right-of-use assets is recorded on a straight-line basis starting on the commencement of the agreement over the useful life of the right-of-use asset or over the lease period, depending on which of these is shorter.

The right-of-use asset is adjusted in certain cases with remeasurements of the lease liability. Lease liabilities are mainly remeasured when future payments change due to index or interest rate changes or when the Group's assessment of using a possible extension option changes. When a lease liability is remeasured, the book value of the right-of-use asset is usually adjusted accordingly.

Short term and low value leases are recognised in the income statement and presented as off-balance sheet commitments. Leases with the lease term of 12 months or less are short term leases and leases for which the underlying asset is of low value are low value leases. Rental expenses for short term and low value leases are described under Note 8.4 Off-balance sheet leases and other commitments.

The Group separates the service components included in the lease agreements of business premises, retail facilities and vehicles and recognises their share as an expense in the income statement.

5.4 Intangible assets

2021 EUR million	Goodwill	Customer base	Other intangible assets	Intangible assets under construction	Total
Acquisition cost at 1 Jan.	1,152.5	126.9	801.7	10.2	2,091.4
Business acquisitions	8.6	0.8	3.6		13.0
Additions			34.4	10.9	45.3
Disposals			0.0		0.0
Reclassifications		–82.5	5.3	–7.7	–84.9
Translation differences	–0.5	–0.2	0.1		–0.7
Acquisition cost at 31 Dec.	1,160.6	45.0	845.1	13.4	2,064.1
Accumulated amortisation and impairment at 1 Jan.	21.1	110.5	618.3		749.9
Depreciation and impairment		6.6	52.5		59.1
Accumulated depreciation on business acquisitions			2.0		2.0
Accumulated amortisation on disposal and reclassifications		–82.5	–1.9		–84.4
Translation differences	0.2	–0.1	0.0		0.1
Accumulated depreciation and impairment at 31 Dec.	21.2	34.5	671.0		726.7
Book value at 1 Jan.	1,131.4	16.4	183.4	10.2	1,341.5
Book value at 31 Dec.	1,139.4	10.5	174.2 (1	13.4	1,337.4

2020 EUR million	Goodwill	Customer base	Other intangible assets	Intangible assets under construction	Total
Acquisition cost at 1 Jan.	1,101.2	118.8	758.3	13.0	1,991.3
Business acquisitions	49.0	7.8	3.2		60.0
Additions			47.8 [2]	7.7	55.5
Disposals			–0.9	0.0	–0.9
Reclassifications			–6.6	–10.5	–17.0
Translation differences	2.3	0.4	0.0		2.6
Acquisition cost at 31 Dec.	1,152.5	126.9	801.7	10.2	2,091.4
Accumulated depreciation and impairment at 1 Jan.	15.0	103.7	583.9		702.6
Depreciation and impairment	6.1	6.6	50.2		63.0
Accumulated depreciation on business acquisitions			1.1		1.1
Accumulated depreciation on disposals and reclassifications			–16.9		–16.9
Translation differences	0.0	0.2	0.0		0.2
Accumulated depreciation and impairment at 31 Dec.	21.1	110.5	618.3		749.9
Book value at 1 Jan.	1,086.1	15.1	174.4	13.0	1,288.7
Book value at 31 Dec.	1,131.4	16.4	183.4 [1]	10.2	1,341.5

[1] Includes software in carrying amount of EUR 85.1 (91.3) million.
[2] Includes 26 GHz spectrum licence in carrying amount of EUR 7.0 million.

Accounting principles – Intangible assets:

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

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

Amortisation periods for intangible assets:

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

Research costs are recorded as expenses in the income statement. Development expenses are capitalised from the date the product is technically feasible, it can be utilised commercially and the asset is expected to generate future economic benefit. Otherwise, development costs are recorded as an expense. Development costs initially recognised as expenses cannot be capitalised subsequently.

Public grants related to research and development projects are recognised as other operating income, when research and development costs are recognised as an annual expense. If the public grant relates to the product development cost to be capitalised, the grant received reduces the capitalised acquisition costs.

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If such evidence exists, the recoverable amount of the asset is assessed. Additionally, regardless of any existence of impairment indications, the recoverable amount of intangible assets under construction is assessed annually. The Group does not have any intangible assets with an indefinite useful life.

The recoverable amount of the asset is its fair value less cost of disposal or its value in use, if it is higher. Value in use is a discounted present value of future net cash flows expected to be derived from an asset. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. An impairment loss is recognised immediately in the income statement. An impairment loss is reversed, if there are indications that a change in circumstances has taken place, and the asset's recoverable amount has changed since the impairment loss was recognised. However, the reversal of an impairment loss will never exceed the carrying amount of the asset had no impairment loss been recognised.

5.4.1 Goodwill

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

EUR million	2021	2020
Consumer Customers	**641.0**	641.0
Corporate Customers	**498.4**	490.4
B/S	**1,139.4**	1,131.4

The reported operating segments based on Elisa's organisational and management structure are Consumer Customers and Corporate Customers.

Impairment testing:

In annual 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). Covering a five-year period, the cash flow projections are based on plans approved by the management. The projections are mostly consistent with information from external sources and reflect actual development. The used discount rate before taxes is 5.3 per cent (6.3 per cent in comparison period). Cash flows after five years have been projected by estimating the change in future cash flows as 2 per cent growth.

As a result of the performed impairment tests, there was no need for impairment of the segments' goodwill.

Usage 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 forecast revenue and profitability levels.

Recognition of impairment losses in comparison period:

In addition to the Group's annual impairment test, a separate impairment test was performed on the businesses of Banana Fingers Ltd and Videra Oy, Corporate Customers segment, as part of the assessment of strategic alternatives. Based on the separate impairment test, a EUR 6.1 million impairment of goodwill was recognised.

The main cause of the impairment was a lower revenue than previously expected.
As a result of the performed impairment tests, there was no need for impairment of the segments' goodwill.

Sensitivity analysis Projection parameters applied	Consumer Customers 2021	Corporate Customers 2021	Consumer Customers 2020	Corporate Customers 2020
Amount in excess of CGU carrying value, EUR million	**7,973**	**3,871**	7,497 [2]	3,640, [3]
EBITDA margin on average, % [1]	**38.4**	**31.7**	38.4	30.7
Horizon growth, %	**2.0**	**2.0**	2.0	2.0
Pre-tax discount rate, %	**5.3**	**5.3**	5.3	5.3

[1] On average during a five-year projection period.

[2] After the recognition of impairment of the goodwill relating to the Banana Fingers business, the amount by which the book value of the Consumer Customers unit is exceeded is EUR 7,500 million.

[3] After the recognition of impairment of the goodwill relating to the Videra Oy business, the amount by which the book value of the Corporate Customers unit is exceeded is EUR 3 643 million.

Change in projection parameters that makes the fair value equal to book value	Consumer Customers 2021	Corporate Customers 2021	Consumer Customers 2020	Corporate Customers 2020
EBITDA margin on average, %	**–20.9**	**–16.0**	–20.0[4]	–15.6[5]
Horizon growth, %	**–35.5**	**–29.0**	–28.7[4]	–28.7[5]
Pre-tax discount rate, %	**19.9**	**16.6**	22.0[4]	21.7[5]

[4] After the recognition of goodwill impairment loss relating to the Banana Fingers business the change in EBITDA margin should be approximately –20.0 per cent, the change in horizon growth –28.8 per cent, and the change in pre-tax discount rate 16.7 per cent.

[5] After the recognition of goodwill impairment loss relating to the Videra Oy business the change in EBITDA margin should be approximately –15.6 per cent, the change in horizon growth –29.0 per cent, and the change in pre-tax discount rate 16.5 per cent.

Accounting principles – Goodwill:

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

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

An impairment loss is recognised, when the carrying amount of an asset exceeds its recoverable amount. An impairment loss is recognised immediately in the income statement. If an impairment loss is allocated to a cash-generating unit, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to the other assets of the unit on a pro rata basis. An impairment loss recognised for goodwill is never reversed under any circumstances.

Accounting policies that require management's judgements – Goodwill impairment testing:

The recoverable amount of cash-generating units is determined by calculations based on value in use, the preparation of which requires estimates and assumptions. The main uncertainties are associated with the estimated levels of revenue and profitability and the discount rate. Any changes may lead to the recognition of impairment losses.

6 Inventories, trade and other receivables, trade and other liabilities

6.1 Inventories

EUR million	2021	2020
Materials and supplies	**23.7**	21.6
Finished goods	**59.1**	46.4
B/S	**82.8**	67.9

An impairment on inventories of EUR 2.1 (1.5) million was recognised during the financial period.

6.2 Trade and other receivables

6.2.1 Current receivables

EUR million	2021	2020
Trade receivables	**395.7**	373.3
Impaired trade receivables	**–5.4**	–13.3
Contract assets related to revenue	**4.3**	2.6
Contract assets related to costs	**5.7**	5.7
Accrued income	**79.5**	70.1
Finance lease receivables	**11.9**	9.4
Loan receivables	**0.1**	0.1
Receivables from associated companies	**0.1**	0.1
Other receivables	**14.3**	9.9
B/S	**506.3**	457.8

Accrued income includes interest receivables and cost accruals from the operating activities.

Aging of trade receivables

	2021			2020		
EUR million	Nominal value	Impairment	Carrying amount	Nominal value	Impairment	Carrying amount
Not past due	**354.0**	**-0.3**	**353.8**	326.9	−0.3	326.6
Past due						
Past due less than 30 days	**28.2**	**-0.2**	**28.0**	26.0	−1.0	24.9
Past due 31–60 days	**5.3**	**-0.4**	**4.9**	5.8	−0.8	5.0
Past due 61–90 days	**2.7**	**-0.3**	**2.4**	2.6	−0.6	2.0
Past due 91–180 days	**2.3**	**-1.5**	**0.8**	3.2	−2.9	0.4
Past due more than 181 days	**3.2**	**-2.7**	**0.5**	8.8	−7.8	1.0
	395.7	**-5.4**	**390.3**	373.3	−13.3	360.0

The book value of trade receivables approximates their fair value. The credit risk associated with trade receivables is described in note 7.1. The maximum exposure to credit risk is the carrying amount of the trade receivables on the closing date, EUR 390.3 million.

6.2.2 Non-current receivables

EUR million	2021	2020
Loan receivables	**0.0**	0.0
Trade receivables	**92.0**	87.3
Finance lease receivables	**6.2**	3.9
Accrued income	**3.1**	3.0
Non-current derivatives	**1.6**	0.4
Other non-current receivables	**0.4**	0.3
B/S	**103.2**	94.9

The effective interest rate on receivables (current and non-current) was 0.00 (0.00) per cent.

Gross finance lease receivables – maturity of minimum lease receivables

EUR million	2021	2020
Within one year	**12.1**	9.5
Later than one year, not later than five years	**6.3**	4.0
	18.4	13.5
Future finance income	**–0.3**	–0.2
Present value of finance lease receivables	**18.1**	13.3

Maturity of present value of future minimum lease receivables

EUR million	2021	2020
Within one year	**11.9**	9.4
Later than one year, not later than five years	**6.2**	3.9
	18.1	13.3

Lease periods vary from one to five years, and conditions vary in terms of index clauses.

6.3 Trade and other liabilities

EUR million	2021	2020
Non-current		
Trade payables [1]	**8.1**	14.7
Advances received	**4.4**	4.9
Derivative instruments	**0.0**	
Other liabilities [2]	**28.5**	12.5
B/S	**41.0**	32.2
Current		
Trade payables	**203.8**	179.3
Advances received	**9.3**	8.2
Contract liabilities, from revenue	**27.7**	13.4
Accrued employee-related expenses	**60.8**	54.3
Other accruals	**8.4**	21.4
Liabilities to associated companies	**0.0**	0.0
Other liabilities	**91.6**	79.8
B/S	**401.6**	356.3
	442.6	388.5

[1] Non-current trade payables include liabilities of EUR 5.3 (10.5) million for 3540–3670 MHz spectrum licence, EUR 2.8 (4.2) million for 26 GHz spectrum licence. Current trade payables include liabilities of EUR 5.3 (5.3) million for a 3540–3670 MHz spectrum licence, EUR 1.4 (1.4) million for a 26 GHz spectrum licence and EUR 0.0 (4.4) million for 700 MHz spectrum licence.

[2] Other non-current liabilities include contingent considerations and contingent redemption obligations of non-controlling interests of EUR 21.4 (6.9) million from the business acquisitions.

Other accruals consist of accrued interest expenses and other cost accruals.

Accounting principles – Inventories, trade and other receivables, trade and other liabilities:

Inventories:
Inventories are measured at their acquisition cost or at the net realisable value, if lower than the cost. In ordinary course of business net realisable value is the estimated selling price less necessary estimated costs associated with the eventual sale. The cost is determined using a weighted average price.

Receivables:
Receivables are valued at amortised cost and recognised at the original invoiced amount. The Group records the provision for the impairment losses arising from trade receivables based on historical default rates over the expected life and recognises the impairment loss when the trade receivables are stated as lost. The impairment loss is adjusted by the amount of factored receivables.

Trade receivables and other receivables are classified as non-current receivables, if they mature in more than 12 months. In other cases, they are classified as current receivables.

The Group offers the consumer customers various payment methods granting possibility to purchase equipment on 12–36 months credits. At the time of the sale of the equipment, such transactions are recorded as revenue and trade receivable. The trade receivables are classified as non-current, if their maturity exceeds 12 months.

Finance lease receivables:
The Group acts as a lessor in the lease arrangements for video conferencing and data terminal equipment, which is accounted for as finance leases. At the time of the sale of the equipment, the proceeds is recorded as revenue and receivables at present value. Rental income received is recorded as financial income and a reduction of the receivables, reflecting a constant periodic rate of return on the net investment.

Trade payables:
The current value of trade payables and other liabilities is a reasonable estimate of their fair value. The payment terms of the Group's trade payables correspond to conventional corporate payment terms.

7 Capital structure

7.1 Financial risk management

Elisa's central treasury department manages the exchange rate, interest rate, liquidity and refinancing risks for the entire Group. The financing policies, covering funding and investment principles, are annually discussed and ratified by the Audit Committee of the Board of Directors. Funding risks are monitored as a part of the regular business monitoring procedure.

Market risks

7.1.1 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 borrowings and investments are diversified in fixed and variable-rate instruments. Derivative financial instruments may also be used in managing interest rate risk. The purpose is to minimise the negative effects caused by changes in the interest rate level.

Timing of interest rate changes for interest-bearing financial liabilities (EUR million) 31 Dec. 2021, at nominal value

Time of interest rate change	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Variable-rate financing instruments				
Bank loans	100.0			100.0
Schuldschein loan [1]	100.0			100.0
Fixed-rate financing instruments				
Bonds		600.0	300.0	900.0
Bank loans		150.0	3.5	153.5
Lease liabilities	18.1	32.1	41.3	91.6
	218.1	782.1	344.8	1,345.1

[1] On 30 March 2021, Elisa issued a EUR 100 million Schuldschein loan for short-term financing. The loan matures on 4 May 2022. The loan was arranged by Landesbank Baden-Württemberg.

On 31 December 2021, the Group's interest-bearing financial assets consisted of commercial papers and bank deposits amounting to EUR 0.0 million and cash in the bank amounting to EUR 114.1 million.

Lease contracts contain index-linkages, which affect the amounts of lease liabilities, right-of-use assets and depreciation.

The sensitivity analysis includes the financial liabilities at the balance sheet date. The change in interest rate level is assumed to be one percentage point and the effect on income is calculated before taxes. 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 the contracts will be valid and stay unchanged for the entire year.

EUR million	2021	2020
Change in interest rate level +/- 1%	**–1.8/+0.0**	–1.3/+0.1

7.1.2 Foreign exchange risk

Most of Elisa Group's cash flows are denominated in euros, which means that the company's exposure to exchange rate risk (economic risk and transaction risk) is low. Business related exchange rate risks arise from Polystar Osix Ab and its subsidiaries, international interconnection traffic and, to a minor extent, other acquisitions. The most essential currencies are the US dollar (USD), Swedish Krona (SEK), the Canadian dollar (CAD, the British pound (GBP), the Australian dollar (AUD) and the Norwegian Krone (NOK). The impact of other currencies is insignificant.

During the financial year, exchange rate hedges have been used against changes in the value of the Swedish Krona. Elisa Corporation has hedged Swedish Krona denominated expenses with foreign currency forward contracts. The Group's financial liabilities do not include exchange rate risk.

The translation difference exposure from the foreign subsidiaries included in consolidated equity mainly consists of Polystar subgroup. The translation difference exposure has not been hedged during the reporting period.

Foreign currency position

	2021		2020	
EUR million	**Trade receivables**	**Trade payables**	**Trade receivables**	**Trade payables**
USD	**11.8**	**5.3**	3.6	9.0
SEK	**4.9**	**0.4**	3.2	0.3
CAD	**1.1**	**0.0**	1.1	0.0
GBP	**0.4**	**0.5**	0.4	0.4
RUB	**0.1**	**0.0**	0.1	0.0
CHF	**0.1**	**0.0**	0.3	0.0
NOK	**0.5**	**0.0**	0.3	0.0
AUD		**0.0**	0.1	0.0
SGD		**0.0**	0.1	0.1
HKD			0.1	0.0

The Group level currency exposure is the basis for the sensitivity analysis of foreign exchange risk. Assuming euro to appreciate or depreciate 20 percent against all other currencies, the impact on cash flows would be:

EUR million	2021	2020
USD	+/-,1.3	-/+,1.1
SEK	+/-,0.9	+/-,0.6
CAD	+/-,0.2	+/-,0.2
GBP	-/+,0.0	+/-,0.0
RUB	+/-,0.0	+/-,0.0
CHF	+/-,0.0	+/-,0.0
AUD	-/+,0.0	+/-,0.0
Other	+/-,0.1	+/-,0.1

7.1.3 Liquidity risk

The objective of liquidity risk management is to ensure the Group's financing under all circumstances. The Group's most important financing arrangement is an EMTN programme of EUR 1,500 million, under which the Company issued bonds for EUR 900 million. Furthermore, the Company has a EUR 350 million commercial paper programme and committed credit limit of EUR 300 million, out of which EUR 130 million credit limit will fall due on 22 September 2026 and EUR 170 million will fall due on 7 July 2024. Both credits were fully undrawn on 31 December 2021. The loan margin is determined based on the Company's 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 Global has rated the company's long-term commitments as BBB+ (outlook stable) and short-term commitments as A–2.

Cash and undrawn committed limits

EUR million	2021	2020
Cash and cash equivalents	**114.1**	220.1
Credit limits	**300.0**	300.0
	414.1	520.1

On 31 December 2021, cash and cash equivalents, as well as undrawn committed credit limits less commercial papers issued by Elisa, were EUR 414.1 (500.6) million.

Contract-based cash flows for financial liabilities are presented under Note 7.4.2.

7.1.4 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 in investment targets with good credit ratings. Investments and the limits specified for them are reviewed annually, or more often, if necessary. Derivative contracts are only signed with Finnish and foreign banks with good credit ratings.

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

Credit risk concentrations in trade receivables are minor, as the Group's customer base is wide; the ten largest customers represent approximately 6 per cent of customer invoicing. EUR 5.4 (13.3) million of uncertain receivables have been deducted from consolidated trade receivables. The Group's previous experience in the collection of trade receivables corresponds to the recognised impairment. Furthermore, the Group regularly sells the past due trade receivables of defined customer groups. Based on these facts, the management is confident that the Group's trade receivables do not involve any substantial credit risk. The maximum credit risk is the value of trade receivables, which on 31 December 2021 was EUR 390.3 million. The aging of trade receivables is described in note 6.2.1.

7.1.5 Commodity risks

Elisa hedges electricity purchases with physical purchase contracts and derivatives. The electricity price risk is assessed for a five-year period. Hedge accounting is applied to contracts hedging future purchases. The effective portion of derivatives that qualify for hedge accounting is recognised in the revaluation reserve of equity and the ineffective portion is recognised in the income statement under other operating income or expenses. The change in the revaluation reserve, recognised in equity, is presented in the statement of comprehensive income under Cash flow hedge.

At the end of the year, the ineffective portion of hedge accounting was EUR 0.0 (0.0) million.

The hedging rate for purchases in the following years, %	2021	2020
0–1 years	**93.1**	87.9
1–2 years	**30.6**	64.7

If the market price of electricity derivatives changed by +/- 10 per cent from the balance sheet date (31 December 2021), it would contribute EUR +2.0/–1.2 (+0.5/–0.2) million to equity. The impact has been calculated before tax.

7.2 Capital management

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 liabilities, directly or indirectly.

The target for the company's equity ratio is over 35 per cent and comparable net debt / EBITDA 1.5 to 2.0.

The company's distribution of profit to shareholders consists of dividends, capital repayment and acquisition of treasury shares. Effective profit distribution is 80 per cent to 100 per cent of profit for the period. Furthermore, additional profit distribution to the shareholders may occur. When proposing or deciding on the profit distribution, the Board takes into account the company's financial position, future financing needs, and set financial objectives.

7.2.1 Capital structure and key indicators

EUR million	2021	2020
Interest-bearing net debt	**1,219.1**	1,206.8
B/S Total equity	**1,204.1**	1,184.2
Total capital	**2,423.2**	2,391.0
Gearing ratio, %	**101.2**	101.9
Net debt / EBITDA	**1.7**	1.8
Equity ratio, %	**39.9**	39.1

7.2.2 Available sources of financing

With regard to capital financing, the company's objective is to maintain sufficient flexibility for the Board of Directors to issue shares. The Annual General Meeting 2021 authorised the Board of Directors to pass a resolution concerning the share issue, right of assignment of treasury shares and/or granting of special rights referred to in the Limited Liability Companies Act. The authorisation entitles the Board of Directors to issue the shares in a proportion other than that of the current shareholdings (directed share issue). A maximum aggregate of 15 million of the company's shares can be issued under the authorisation. In 2021, the authorisation has been used in executing share-based incentive plans.

Shareholders' equity	2021	2020
Treasury shares, 1,000 pcs	**7,148**	7,252
Share issue authorisation, 1,000 pcs	**14,991**	14,815

On 31 December 2021, the maximum amount of the share issue authorisation at the share closing price was EUR 811.3 (664.7) million.

With regard to capital 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	2021	2020
Commercial paper programme (non-committed) (1	**350.0**	330.5
Revolving credits (committed) (2	**300.0**	300.0
EMTN programme (non-committed) (3	**600.0**	426.0
Total, EUR million	**1,250.0**	1,056.5

On the closing date, the share issue authorisation as well as committed and non-committed credit arrangements totalled EUR 2,061.3 (1,721.3) million.

1) The commercial paper programme amounted to EUR 350 million, of which EUR 0.0 million was in use on 31 December 20201.

2) Elisa has two committed revolving credit facilities of EUR 300 million in total. Both credits were undrawn on 31 December 2020.

3) Elisa has a European Medium Term Note programme (EMTN) for a total of EUR 1,500 million, of which EUR 900.0 million was in use on 31 December 2021. The programme was updated on 27 July 2021, and it is valid for one year as of the update.

7.3 Equity

7.3.1 Share capital and treasury shares

EUR million	Number of shares (thousands)	Share capital	Treasury shares
1 Jan. 2020	167,335	83.0	–132.2
Disposal of treasury shares			3.8
B/S 31 Dec. 2020	167,335	83.0	–128.4
Disposal of treasury shares			2.3
B/S 31 Dec. 2021	167,335	83.0	–126.1

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

According to its Articles of Association, Elisa Corporation has only one series of shares, each share entitling to one vote. All issued shares have been paid for. Shares do not have a nominal value.

Treasury shares include the acquisition cost of treasury shares held by the Group, and they are deducted from shareholder's equity in the consolidated financial statements.

Treasury shares	Shares, pcs	Accounting countervalue, EUR	Holding, % of shares and votes
Treasury shares held by the Group at 1 Jan. 2020	7,437,277	3,690,437	4.44
Disposal of treasury shares	–185,112		
Treasury shares held by the Group at 31 Dec. 2020	7,252,165	3,598,583	4.33
Disposal of treasury shares	–104,393		
Treasury shares held by the Group at 31 Dec. 2021	7,147,772	3,546,782	4.27

7.3.2 Dividends

The Annual General Meeting has proposed a total dividend of EUR 2.05 per share to be paid for the 2021 result. A dividend of EUR 1.95 per share was paid for the 2020 result.

7.3.3 Other reserves

EUR million	Reserve for invested non-restricted equity	Contingency reserve	Fair value reserve	Other reserves	Total
1 Jan. 2020	90.9	3.4	–13.6	381.0	461.7
Cash flow hedge			0.4		0.4
Remeasurements of the net defined benefit liability			4.5		4.5
B/S 31 Dec. 2020	90.9	3.4	–8.7	381.0	466.6
Cash flow hedge			0.9		0.9
Remeasurements of the net defined benefit liability			–2.8		–2.8
B/S 31 Dec. 2021	90.9	3.4	–10.6	381.0	464.8

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

The contingency reserve includes the amount transferred from distributable equity under the Articles of Association or by General Meeting decision. The fair value reserve includes changes in the fair value of other investments, the remeasurements of the net defined benefit liability and the effective portion of the changes in the fair values of derivatives designated as cash flow hedges. Other reserves were formed through share issues in business acquisitions by the amount exceeding the par value of the share received by the Company.

7.4 Financial assets and liabilities

7.4.1 Financial income and expenses

EUR million	2021	2020
Financial income		
Dividend income on other financial assets	**0.6**	0.5
Interest and financial income on loans and other receivables	**1.9**	2.1
Gain on disposal of financial assets [1]	**0.1**	5.7
Foreign exchange gain	**2.0**	0.2
Other financial income	**0.1**	0.2
I/S	**4.6**	8.7
Financial expenses		
Interest expenses on financial liabilities measured at amortised cost	**−10.1**	−14.5
Interest expenses on lease liabilities	**−2.7**	−2.8
Other financial expenses on financial liabilities measured at amortised cost	**−2.5**	−1.9
Other interest expenses	**−0.2**	−0.3
Foreign exchange loss	**−0.6**	−1.4
Other financial expenses	**−0.3**	−0.2
I/S	**−16.5**	−21.2

[1] The comparable period includes a capital gain of EUR 5.6 million from the sale of the shares in Sulake companies.

Interest income and expenses are recognised using the effective interest rate method, and dividend income is recognised when the right to dividend is incurred.

Foreign exchange rate gains and losses are recognised in accordance with their nature either in materials and services or in financial income and expenses.

7.4.2 Financial liabilities

EUR million	2021 Balance sheet values	2021 Fair values	2020 Balance sheet values	2020 Fair values
Non-current				
Bonds	**888.1**	**913.1**	884.5	927.6
Bank loans	**253.3**	**253.3**	252.3	252.3
Lease liabilities	**73.4**	**73.4**	78.8	78.8
B/S	**1,214.8**	**1,239.8**	1,215.7	1,258.7
Current				
Bonds			174.0	174.2
Bank loans	**100.2**	**100.2**		
Lease liabilities	**18.1**	**18.1**	17.7	17.7
Commercial papers			19.5	19.5
B/S	**118.4**	**118.4**	211.2	211.5
	1,333.2	**1,358.2**	1,426.9	1,470.2

The financial liabilities include a total of EUR 91.6 (96.5) million of secured lease liabilities. In practice, lease liabilities are secured liabilities, as the rights to the leased property will revert to the lessor if the payments are neglected.

All financial liabilities are denominated in euros. Financial liabilities are measured at amortised cost. The fair values of financial liabilities are based on quoted market prices.

The average maturity of non-current liabilities was 3.7 (4.1) years and the effective average interest rate was 0.7 (1.0) per cent.

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

2021 EUR million	2022	2023	2024	2025	2026	2027–	Total
Bonds	6.8	6.8	306.8	4.1	304.1	300.8	929.3
Financial costs	6.8	6.8	6.8	4.1	4.1	0.8	29.3
Repayments			300.0		300.0	300.0	900.0
Bank loans	1.1	151.0	0.4	100.4	0.3	2.1	255.4
Financial costs	0.8	0.8	0.1	0.1	0.0	0.1	1.9
Repayments	0.3	150.3	0.3	100.3	0.3	2.0	253.5
Schuldschein loan	100.0						100.0
Financial costs							
Repayments	100.0						100.0
Lease liabilities	20.6	16.5	13.3	11.3	8.7	66.3	136.6
Financial costs	2.4	5.6	4.6	4.1	3.2	25.0	45.1
Repayments	18.1	10.9	8.7	7.2	5.4	41.3	91.6
Derivatives	–1.6						–1.6
Electricity derivatives	–1.6						–1.6
Currency derivatives	0.0						0.0
Trade payables	203.8						203.8
Total	**330.6**	**174.3**	**320.5**	**115.9**	**313.1**	**369.2**	**1,623.5**
Financial costs	**8.4**	**13.1**	**11.5**	**8.4**	**7.4**	**25.9**	**74.6**
Repayments	**322.3**	**161.2**	**309.0**	**107.5**	**305.7**	**343.3**	**1,548.9**

2020 EUR million	2021	2022	2023	2024	2025	2026–	Total
Bonds	185.5	6.8	6.8	306.8	4.1	604.9	1,114.7
Financial costs	11.5	6.8	6.8	6.8	4.1	4.9	40.8
Repayments	174.0	0.0	0.0	300.0	0.0	600.0	1,074.0
Bank loans	1.0	1.1	151.0	0.4	100.4	1.0	254.9
Financial costs	0.8	0.8	0.8	0.1	0.1	0.0	2.5
Repayments	0.2	0.3	150.3	0.3	100.3	0.9	252.3
Commercial papers	19.5						19.5
Financial costs	0.1						0.1
Repayments	19.4						19.4
Lease liabilities	20.5	15.5	13.6	11.7	10.1	73.0	144.5
Financial costs	2.8	5.4	4.9	4.3	3.8	26.8	48.0
Repayments	17.7	10.1	8.7	7.4	6.4	46.2	96.5
Derivatives	0.4						0.4
Electricity derivatives	0.4						0.4
Currency derivatives	0.1						0.1
Trade payables	179.3						179.3
Total	406.2	23.3	171.4	318.9	114.7	678.8	1,713.4
Financial costs	15.6	12.9	12.4	11.2	8.0	31.7	91.8
Repayments	390.6	10.4	159.0	307.7	106.7	647.2	1,621.6

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

The company has EUR 300 million in credit facilities, of which EUR 130 million matures in 2026 and EUR 170 million in 2024. Both credits were undrawn on 31 December 2021.

Bonds

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

	31 Dec. 2021					
	Fair value EUR million	Balance sheet value EUR million	Nominal value EUR million	Nominal interest rate, %	Effective interest rate, %	Maturity date
EMTN programme 2001 / EUR 1,000 million						
I/2017	305.4	295.7	300.0	0.875	0.974	17.3.2024
I/2019	310.7	294.6	300.0	1.125	1.236	26.2.2026
I/2020	297.0	297.8	300.0	0.250	0.322	15.9.2027
	913.1	888.1	900.0			

The fair value of bonds is based on market quotes.

Maturity of lease liabilities' cash flows

EUR million	2021	2020
Within one year	**18.1**	17.7
Later than one year, but not later than five years	**32.1**	32.6
Later than five years	**41.3**	46.2
	91.6	96.5

7.4.3 Financial assets and liabilities recognised at fair value

Carrying amounts of financial assets and liabilities by category

2021 EUR million	Financial assets/liabilities measured at fair value through profit or loss	Financial assets/liabilities measured at fair value through other comprehensive income	Financial assets/liabilities measured at amortised cost	Book values	Fair values	Note
Non-current financial assets						
Other financial assets [1]	**0.8**		**15.6**	**16.4**	**16.4**	
Trade and other receivables		**1.6**	**101.6**	**103.2**	**103.2**	6.2.2
Current financial assets						
Trade and other receivables			**506.3**	**506.3**	**506.3**	6.2.1
	0.8	**1.6**	**623.5**	**625.9**	**625.9**	
Non-current financial liabilities						
Financial liabilities			**1,214.8**	**1,214.8**	**1,239.8**	7.4.2
Trade and other liabilities [2]	**3.3**	**0.0**	**33.3**	**36.6**	**36.6**	6.3
Current financial liabilities						
Financial liabilities			**118.4**	**118.4**	**118.4**	7.4.2
Trade and other liabilities [2]			**392.3**	**392.3**	**392.3**	6.3
	3.3	**0.0**	**1,758.8**	**1,762.1**	**1,787.1**	

1) Other investments contain the Group's listed and unlisted equity investments
2) Excluding advances received

2020 EUR million	Financial assets/liabilities measured at fair value through profit or loss	Financial assets/liabilities measured at fair value through other comprehensive income	Financial assets/liabilities measured at amortised cost	Book values	Fair values	Note
Non-current financial assets						
Other financial assets [1]			15.6	15.6	15.6	
Trade and other receivables		0.4	94.5	94.9	94.9	6.2.2
Current financial assets						
Trade and other receivables			457.8	457.8	457.8	6.2.1
		0.4	567.9	568.3	568.3	
Non-current financial liabilities						
Financial liabilities			1,215.7	1,215.7	1,258.7	7.4.2
Trade and other liabilities [2]	4.4		22.9	27.3	27.3	6.3
Current financial liabilities						
Financial liabilities			211.2	211.2	211.5	7.4.2
Trade and other liabilities [2]			348.1	348.1	348.1	6.3
	4.4		1,797.9	1,802.3	1,845.6	

[1] Other investments contain the Group's unlisted equity investments
[2] Excluding advances received

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

Financial assets and liabilities recognised at fair value

EUR million	2021	Level 1	Level 2	Level 3
Financial assets and liabilities measured at fair value through other comprehensive income				
Electricity derivatives	**1.6**		1.6	
Currency derivatives	**0.0**		0.0	
Financial assets and liabilities measured at fair value through profit or loss				
Listed equity investments	**0.8**	0.8		
Contingent considerations in business combinations	**–3.3**			–3.3
	–0.9	0.8	1.6	–3.3

EUR million	2020	Level 1	Level 2	Level 3
Financial assets and liabilities measured at fair value through other comprehensive income				
Electricity derivatives	0.4		0.4	
Currency derivatives	0.1		0.1	
Financial assets and liabilities measured at fair value through profit or loss				
Contingent considerations in business combinations	–4.4			–4.4
	–3.9		0.4	–4.4

Items measured at fair value are categorised using a three-level value hierarchy. Level 1 includes financial instruments with quoted prices in active markets, such are listed shares owned by the Group. Level 2 includes instruments with observable prices based on market data, such are electricity and currency derivatives. Level 3 includes instruments with prices that are not based on observable market data, but instead, on the company's internal information, such are Group's contingent considerations relating to business combinations.

Level 3 reconciliation
Contingent considerations related to business acquisitions

EUR million	2021	2020
At the beginning of the period	**4.4**	5.9
Increase in contingent consideration		4.4
Payment of contingent consideration	**–1.1**	–5.0
Reversals of contingent consideration		–0.9
At the end of the period	**3.3**	4.4

According to the management's estimation for the financial instruments valued at Level 3, replacing one or more of the pieces of fair value measurement data with a possible alternative assumption would not significantly change the fair value of the items, considering the small total amount of underlying liabilities.

Accounting principles – Financial assets and liabilities:

Financial assets:
Acquisition and sale of financial assets are recognised on the settlement date. The Group derecognises financial assets when its contractual rights to the cash flows from the financial asset expire or when it has transferred substantially all the risks and rewards to an external party.

Cash and cash equivalents include cash at hand and bank deposits as well as highly liquid short-term investments with maturities up to 3 months.

Investments in shares, excluding investments in associated companies and mutual real-estate companies, are classified as other financial assets and generally measured at fair value. Investments in unlisted companies are recognised at original acquisition cost less any impairment. Investments in listed companies are measured at fair value, based on share transactions. Equity investments are included in non-current assets. On 31 December 2021, Group's equity investments consisted mainly of investments in unlisted companies.

Financial liabilities:

Financial liabilities are initially recognised at fair value equalling the net proceeds received and subsequently measured at amortised cost, using the effective interest rate method. The transaction costs are included in the original acquisition cost of financial liabilities. Financial liabilities are recognised in non-current and current liabilities, and they may be non-interest-bearing or interest-bearing.

In cases where the terms of the financial liability measured at amortised cost are amended in such a way that the change does not result in derecognition of the liability from the balance sheet, the Group must nevertheless recognise the profit or loss in the income statement. The profit or loss is calculated as the difference between the original contractual cash flows and the cash equivalents, discounted at the original effective interest rate of amended agreements.

Lease liabilities:

Lease liabilities are initially measured at present value of future lease payments. The estimated lease term includes the non-cancellable period of the lease together with periods covered by termination and extension options, if exercise of these options is reasonably certain. Company has discounted the future lease payments using the borrowing rate based on duration of the estimated lease term. The lease liability is initially measured using the actual value of an index at the commencement date. The lease liabilities are remeasured if the changes are reflected in the cash flow or if the Group reassesses whether it is reasonably certain to exercise a possible option.

Classification of assets and liabilities:

The Group's financial assets and liabilities are classified as financial assets and liabilities measured at amortised cost, financial assets and liabilities measured at fair value through other comprehensive income, and financial assets and liabilities measured at fair value through profit or loss. Financial assets and liabilities measured at amortised cost include fixed-term contracts the cash flow of which include payments of principal and interest on the principal amount outstanding. Financial assets and liabilities measured at fair value through other comprehensive income include financial items that are expected both to collect contractual cash flows and to sell financial assets/liabilities. Financial assets and liabilities measured at fair value through profit or loss include items that do not meet the criteria of the other groups.

The Group categorises electricity and currency derivatives that qualify for hedge accounting as financial assets or liabilities measured at fair value through other comprehensive income. Contingent considerations in business combinations and listed equity investments are recognised as financial assets or liabilities measured at fair value through profit or loss. Other financial assets and liabilities are measured at amortised cost.

7.4.4 Derivative instruments

Nominal values of derivatives

	2021			2020		
	Period of validity			Period of validity		
EUR million	Less than 1 year	1–5 years	Over 5 years	Less than 1 year	1–5 years	Over 5 years
Electricity derivatives	**1.9**			1.1		
Currency derivatives	**3.5**			3.2		
	5.5			4.2		

Fair values of derivatives

	2021			2020		
EUR million	Positive fair value	Negative fair value	Total	Positive fair value	Negative fair value	Total
Electricity derivatives	**1.6**		**1.6**	0.4		0.4
Currency derivatives		**0.0**	**0.0**	0.1		0.1
	1.6	**0.0**	**1.6**	0.4		0.4

Determination of fair value and categorisation

The fair value of derivative instruments is determined using quoted prices in active markets.

The Group recognises the derivative instruments at the fair value hierarchy Level 2. Please see note 7.4.3.

Accounting principles – Derivative instruments:

Derivatives are recognised at fair value as financial assets or liabilities on the date of acquisition. Gains and losses arising from the fair value remeasurements are recognised in accordance with the nature of derivative contracts. Outstanding derivatives that do not qualify for hedge accounting are measured at fair value at the end of the reporting period and the fair value changes are immediately recognised in financial items on the income statement. The fair value of derivatives is expected to approximate the quoted market prices or, if the quoted market prices are not available, the value is estimated using commonly used valuation methods.

The Group applies hedge accounting for electricity price risk and the Swedish krona, and treats electricity derivative contracts as cash flow hedges. The change in fair value of effective portion of derivatives that qualify for hedge accounting is recognised in other comprehensive income and presented in the equity hedge revaluation reserve (as a part of "Other reserves"). Gains or losses on derivative instruments accumulated in equity are expensed when any hedged item affects profit or loss. The ineffective portion of the derivatives is recognised in other operative income and expenses on the income statement. The hedge accounting is discontinued when the hedge contract is expired, sold, terminated or completed. Any cumulative gain or loss arising from the hedge instrument remains in equity until the expected transaction is realised.

8 Other notes

8.1 Taxes

8.1.1 Income taxes

EUR million	2021	2020
Taxes for the period	**-77.0**	-71.0
Taxes for previous periods	**0.0**	-0.1
Deferred taxes	**2.1**	0.8
I/S	**-74.9**	-70.2

Income taxes recognised directly in comprehensive income:

	2021			2020		
EUR million	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
Remeasurements of the net defined benefit liability	**-3.5**	**0.7**	**-2.8**	5.7	-1.1	4.5
Cash flow hedge	**1.1**	**-0.2**	**0.9**	0.5	-0.1	0.4
	-2.3	**0.5**	**-1.9**	6.1	-1.2	4.9

Translation differences do not include a tax effect.

Reconciliation of the tax expense on the income statement and taxes calculated at the Group's domestic statutory tax rate 20 (20):

EUR million	2021	2020
I/S Profit before tax	**418.4**	398.3
Tax according to the domestic tax rate	**-83.7**	-79.7
Tax effects of the following:		
Tax-free income	**0.3**	1.5
Non-deductible expenses	**-0.2**	-1.7
Tax effect related to the foreign subsidiaries	**8.6**	8.6
Usage of tax losses, for which no deferred tax was recognised		0.8
Deferred tax assets from previously unrecognised tax losses		1.0
Taxes for previous periods	**0.0**	-0.1
Other items	**0.1**	-0.6
I/S Taxes on the income statement	**-74.9**	-70.2
Effective tax rate, %	**17.9**	17.6

Accounting principles – Income taxes for the period and deferred taxes:

Taxes recognised on the income statement include current and deferred taxes. Income taxes for the financial year are calculated on the net profit for the period at the current tax rate and are adjusted by taxes for the prior periods.

The reporting period as well as prior reporting periods may be subject to a tax audit, which may subsequently result in a change in tax decisions, additional tax payments or refunds.

Deferred taxes are calculated from all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Please refer to the next note 8.1.2 for details.

8.1.2 Deferred tax assets and liabilities

The change in deferred tax assets and liabilities during 2021

Deferred tax assets EUR million	1 Jan. 2021	Recognised on the income statement	Recognised on consolidated statement of comprehensive income	Translation differences	31 Dec. 2021
Provisions	0.7	0.5			1.2
Confirmed losses	1.0	–0.3			0.7
Right-of-use assets	1.5	0.0			1.6
Internal margins	2.6	0.2			2.8
Share-based incentive plans	2.5	0.4			3.0
Pension obligations	2.6	–0.3	0.7		3.0
Other temporary differences	1.0	0.1	–0.2	0.0	0.9
B/S	11.9	0.8	0.5	0.0	13.1

Deferred tax liabilities EUR million	1 Jan. 2021	Recognised on the income statement	Business combinations	Translation differences	31 Dec. 2021
Fair value measurement of tangible and intangible assets in business combinations	4.9	–1.4	0.4		3.9
Accumulated depreciation differences	16.0	0.4			16.4
Finance lease agreements	0.8	–0.2			0.6
Customer contracts	1.8	0.1			1.9
Bonds	0.9	–0.1			0.8
Other temporary differences	1.7	–0.1		0.0	1.6
B/S	26.2	–1.3	0.4	0.0	25.3

Deferred income tax assets recognised for tax losses are carried forward to the extent that the realisation of the related tax benefit through future profits is probable. On 31 December 2021, EUR 0.7 (1.0) million deferred tax asset was recognised for confirmed losses, that will expire in 2025–2026. At the end of the reporting period, the Group had EUR 14.0 (12.6) million of unused tax losses for which no tax assets have been recognised.

The change in deferred tax assets and liabilities during 2020

Deferred tax assets EUR million	1 Jan. 2020	Recognised on the income statement	Recognised on consolidated statement of comprehensive income	Translation differences	31 Dec. 2020
Provisions	1.0	−0.4			0.7
Tax losses carried forward		1.0			1.0
Right-of-use assets	1.4	0.2			1.5
Internal margins	2.4	0.1			2.6
Share-based incentive plans	4.7	−2.2			2.5
Pension obligations	3.7		−1.1		2.6
Other temporary differences	1.1	0.1	−0.1	0.0	1.0
B/S	14.4	−1.2	−1.2	0.0	11.9

Deferred tax liabilities EUR million	1 Jan. 2020	Recognised on the income statement	Business combinations	Translation differences	31 Dec. 2020
Fair value measurement of tangible and intangible assets in business combinations	3.3	−1.0	2.6		4.9
Accumulated depreciation differences	17.1	−1.1			16.0
Finance lease contracts	0.6	0.2			0.8
Customer contracts	1.8	0.1			1.8
Bonds	1.0	−0.1			0.9
Other temporary differences	1.8	−0.1		0.0	1.7
B/S	25.6	−2.0	2.6	0.0	26.2

Accounting principles – Deferred tax assets and liabilities:

Deferred taxes are calculated from the temporary differences arising between carrying amount and the tax base. The temporary tax liabilities are not recognised if they arise from initial recognition of goodwill or from the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect either the accounting or the taxable profit. No deferred tax is recognised on valuation differences of shares for which the sales profit would be tax-deductible.

Deferred income tax assets are recognised only to the extent that it is probable that they can be utilised against future taxable income. Deferred tax liabilities are recognised on the balance sheet in total, with the exception for Estonian subsidiaries where no tax liability has been recognised for the untaxed retained earnings EUR 345.2 million, as no profit distribution decision or plans for profit distribution exist for the time being.

Deferred tax liabilities and assets are not offset.

Accounting policies that require management's judgements – Deferred tax assets:

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

8.2 Provisions

EUR million	Termination benefits	Other	Total
1 Jan. 2020	3.3	1.7	5.0
Increase in provisions	0.7		0.7
Release of unused provisions	–0.2		–0.2
Utilised provisions	–2.1		–2.1
31 Dec. 2020	1.7	1.7	3.4
Increase in provisions	7.6		7.6
Release of unused provisions	–1.6		–1.6
Utilised provisions	–3.5		–3.5
31 Dec. 2021	4.3	1.7	5.9

EUR million	2021	2020
B/S Long-term provisions	**2.8**	2.9
B/S Short-term provisions	**3.1**	0.5
	5.9	3.4

Termination benefits

As a part of the Group's rationalisation, Elisa has carried out statutory employee negotiations leading to personnel reductions in 2021. The restructuring provision includes provisions for both unemployment pensions and other expenses due to redundancies. The provisions associated with redundancies will be realised during 2022–2023 and the provision associated with unemployment pensions will be realised in 2022–2024.

Other provisions

Other provisions include environmental provisions made for telephone poles.

Accounting principles – Provisions and contingent liabilities:

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

Contingent liabilities are potential liabilities arising from past events that may occur depending on the outcome of uncertain future events which are beyond the control of the Group. Also a present obligation that is unlikely to require settlement of a payment obligation or the amount of which cannot be reliably measured is a contingent liability. Contingent liabilities are not recognised in the statement of financial position. Contingent liabilities are presented in note 8.4.

8.3 Related party details

The Group's related parties include the parent company, subsidiaries, associates and joint ventures. The related parties also include Elisa's Board of Directors, the CEO, the Executive Board as well as entities controlled by them and close members of their family.

Transactions carried out with related parties:

2021 EUR million	Revenue	Purchases	Receivables	Liabilities
Associates and joint arrangements	**0.5**	**0.8**	**0.1**	**0.0**
2020 EUR million				
Associates and joint arrangements	0.7	0.9	0.1	0.0

The employee benefits of the Group's related parties are presented in Note 4.1.

8.3.1 Group companies

The parent company of the Group is Elisa Corporation.

Subsidiaries	Domicile	Group's ownership, %
Banana Fingers Limited	Bristol, UK	100
Digiset Oy	Helsinki, Finland	100
Elisa IndustriQ Oy	Helsinki, Finland	100
Elisa camLine Holding GmbH	Petershausen, Germany	100
camLine GmbH	Petershausen, Germany	100
camLine Dresden GmbH	Dresden, Germany	100
camLine Solutions S.r.l.	Iași, Romania	100
camLine USA Inc.	Atlanta GA, USA	100
camLine Hungary Kft.	Szombathely, Hungary	60
camLine Pte. Ltd.	Singapore, Singapore	100
camLine Taiwan	New Taipei City, Taiwan	100
camLine sdn. Bhd.	Bayan Lepas, Malaysia	100
TenForce NV	Leuven, Belgium	50
TenForce USA LLC	Houston TX, USA	50
Process Data Control Corporation	Arlington TX, USA	50
Elisa Deutschland GmbH	Aachen, Germany	100
Elisa Finance Oü	Tallinn, Estonia	100
Elisa France SAS	Les Sorinieres, France	100
Elisa Hong Kong Limited	Hong Kong, Hong Kong	100
Elisa Santa Monica Oy	Helsinki, Finland	100

Subsidiaries	Domicile	Group's ownership, %
Elisa Teleteenused AS	Tallinn, Estonia	100
Elisa Eesti AS	Tallinn, Estonia	100
Santa Monica Networks AS	Tallinn, Estonia	100
Elisa Videra Oy	Helsinki, Finland	100
Elisa Videra Inc.	Los Angeles CA, USA	100
Elisa Videra Italy S.r.l	San Genesio, Italia	100
Elisa Videra Norge As	Oslo, Norway	100
Elisa Videra Singapore PTE Ltd.	Singapore, Singapore	100
Elisa Videra Spain S.L	Madrid, Spain	100
Elisa Videra UK Ltd.	London, UK	100
Elistar AB	Stockholm, Sweden	100
Polystar Egypt LLC	Cairo, Egypt	100
Polystar Instruments Canada Inc.	Toronto, Kanada	100
Polystar Instruments Inc.	Frisco,TX, USA	100
Polystar Osix AB	Stockholm, Sweden	100
Polystar Asia Private Ltd.	Singapore, Singapore	100
Polystar Australia Pty	Sydney, Australia	100
P-OSS Solutions S.L.U.	Bilbao, Spain	100
Polystar Ryssland LLC	Moscow, Russia	100
Enia Oy	Helsinki, Finland	100
Epic TV SAS	Sallanches, France	100
Fenix Solutions Oy	Turku, Finland	100
Fonum Oy	Helsinki, Finland	100
Karelsat Oy	Joensuu, Finland	100
Kepit Systems Oy	Vaasa, Finland	70
Kiinteistö Oy Raision Luolasto	Espoo, Finland	100
Kiinteistö Oy Rinnetorppa	Kuusamo, Finland	100
Kiinteistö Oy Tapiolan Luolasto	Espoo, Finland	100
LE-Kuitu Oy	Salo, Finland	100
LNS Kommunikation AB	Stockholm, Sweden	100
Preminet Oy	Helsinki, Finland	100
OOO LNR	St. Petersburg, Russia	100
Sutaria Services Inc.	Murphy TX, USA	57
Watson Nordic Oy	Vaasa, Finland	100
Joint arrangements		
Kiinteistö Oy Brahenkartano	Turku, Finland	60

Significant changes in ownership of subsidiaries are presented in note 3.

Accounting principles – Consolidation principles, subsidiaries:

The consolidated financial statements include the parent company, Elisa Corporation, and those subsidiaries over which the Group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date the Group obtains control and divested companies until the loss of control. Acquisition method is used in the accounting for the elimination of internal ownership. All intra-group transactions, gains on the sale of inventories and fixed assets, intra-group receivables, payables and dividends are eliminated.

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

Accounting principles – Consolidation principles, joint arrangements:

Joint arrangements are arrangements over which the Group exercises joint control with one or more parties. A joint arrangement is either a joint venture or a joint operation. A joint venture is a joint arrangement, where the Group has rights to the net assets of the arrangement. A joint operation is a joint arrangement where the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

The only joint arrangement owned by the Group, Kiinteistö Oy Brahenkartano, is a joint operation, which is consolidated using the proportional consolidation method. 60 per cent of the assets, liabilities, income and expenses of the joint operation are consolidated to the Group's financial statements. The company owns and manages a building and a site in Turku. Elisa is mainly entitled to manage office and telecom facilities with the shares owned.

8.3.2 Investments in associated companies

Aggregated financial information of associates

EUR million	2021	2020
I/S Group's share of profit	**–0.5**	1.9
B/S Transactions carried out with related parties	**10.6**	1.4

EUR million	2021	2020
Balance at the beginning of the period	**1.4**	2.4
Additions	**9.8**	
Disposals		–2.6
Reclassifications	**–0.1**	
Share of profits for the period	**–0.5**	1.9
Dividends received		–0.2
Impairment		–0.1
B/S Balance at the end of the period	**10.6**	1.4

On 29 March 2021, Elisa acquired 19 per sent of Italian industrial software provider specialised in innovative IT solutions for Digital Supply Chain and Smart Manufacturing, sedApta Group. The companies are consolidated as associates on the basis of significant influence.

During comparison period, Elisa divested its holdings in Sulake companies. The sale profit of EUR 5.6 is included in other financial income.

Associates	Domicile	Group's ownership,%
FNE-Finland Oy	Kontiolahti, Finland	46
Kiinteistö Oy Helsingin Sentnerikuja 6	Helsinki, Finland	50
Kiinteistö Oy Herrainmäen Luolasto	Tampere, Finland	50
Kiinteistö Oy Lauttasaarentie 19	Helsinki, Finland	42
Kiinteistö Oy Pohjanplassi	Lapua, Finland	39
Kiinteistö Oy Riihimäen Maisterinkatu 9	Riihimäki, Finland	35
Kiinteistö Oy Runeberginkatu 43	Helsinki, Finland	30
Kiinteistö Oy Stenbäckinkatu 5	Helsinki, Finland	40
sedApta Group	Milan, Italy	19
Suomen Numerot NUMPAC Oy	Helsinki, Finland	33
Tele Scope Oy	Espoo, Finland	22

Accounting principles – Consolidation principles, associated companies

Associated companies are entities over which the Group exercises significant influence. Significant influence is presumed to exist when the Group owns over 20 per cent of the voting rights of the company or when the Group otherwise exercises significant influence, but does not exercise control. Associated companies are consolidated in accordance with equity method.
If the Group's share of losses of an associated company exceeds its interest in the associated company, the investment is recognised on the balance sheet at zero value and the Group discontinues recognising its share of further losses unless the Group has other obligations for the associated company. Associated companies are consolidated from the date the Group obtains significant influence and divested associated companies are consolidated until the loss of significant influence.

8.4 Off-balance sheet leases and other commitments

Leases

Group as a lessee

Lease payments related to off-balance sheet lease commitments:

EUR million	2021	2020
Lease payments associated with short-term leases	**32.8**	31.6
Lease payments associated with low-value assets	**4.2**	3.5
	37.0	35.1

Future minimum lease payments under non-cancellable off-balance sheet leases:

EUR million	2021	2020
Within one year	**12.5**	11.7
Later than one year, but not later than five years	**4.7**	5.1
Later than five years	**1.2**	1.1
	18.4	17.9

Group as a lessor

Future minimum lease receivables under non-cancellable operating leases:

EUR million	2021	2020
Within one year	**2.5**	2.4
Later than one year, but not later than five years	**0.9**	0.7
	3.3	3.1

Accounting principles – Leases:

The group as a lessee
The Group recognises rental expenses for short-term leases and low-value assest in the income statements and presents such contracts as off-balance sheet liabilities.

Rental liabilities are exclusive of value added tax.

The group as a lessor
The Group acts as a lessor in two different types of lease arrangements that are accounted for as operating leases: rental income from telecom premises and carrier services is recognised as revenue over the lease period, and rental income from real estate is recognised as other operating income. The lease contract periods are mainly short with durations of 1–6 months.

Rental income is recognised over the lease period.

Collateral, commitments and other liabilities

EUR million	2021	2020
On behalf of own commitments		
Mortgages	**3.8**	
Guarantees	**0.4**	
Deposits	**0.4**	0.4
	4.6	0.4
Other contractual obligations		
Venture Capital investment obligation	**0.8**	1.3
Repurchase obligations	**0.0**	0.0
	0.8	1.3

Real estate investments
VAT refund liability for real estate investments indicates the amount that may become completely non tax-deductible if the intended use of the property was to change.

On 31 December 2021, VAT refund liability for real estate investments was EUR 33.2 (31.7) million.

8.5 Events after the end of the reporting period

There were no significant events after the balance sheet date.

9 Key indicators

The key indicator tables are unaudited.

9.1 Key indicators describing the Group's financial development

	2021	2020	2019	2018	2017
INCOME STATEMENT					
Revenue, EUR million	**1,998**	1,895	1,844	1,832	1,787
Change of revenue, %	**5.5**	2.8	0.7	2.5	9.3
EBITDA, EUR million	**697**	685	661	640	608
EBITDA as % of revenue	**34.9**	36.2	35.8	34.9	34.0
EBIT, EUR million	**431**	409	395	404	378
EBIT as % of revenue	**21.6**	21.6	21.4	22.0	21.2
Profit before tax, EUR million	**418**	398	372	381	403
Profit before tax as % of revenue	**20.9**	21.0	20.2	20.8	22.6
Return on equity (ROE), %	**28.8**	28.1	26.6	29.2	33.5
Return on investment (ROI), %	**16.9**	16.7	17.2	18.3	19.9
Research and development costs, EUR million	**16**	10	8	8	10
Research and development costs as % of revenue	**0.8**	0.5	0.4	0.5	0.6
BALANCE SHEET					
Gearing ratio, %	**101.2**	101.9	103.0	94.8	103.2
Current ratio	**1.4**	1.3	1.2	1.0	1.0
Equity ratio, %	**39.9**	39.1	41.0	42.4	40.5
Non-interest bearing liabilities, EUR million	**491**	430	428	393	423
Interest bearing net debt	**1,219**	1,207	1,184	1,068	1,073
Balance sheet total, EUR million	**3,028**	3,041	2,814	2,669	2,580
INVESTMENTS					
Investments in shares and business combinations, EUR million	**28**	70	83	14	104
CAPITAL EXPENDITURE					
Gross investments, EUR million	**265**	266	256	254	246
Gross investments as % of revenue	**13.3**	14.1	13.9	13.9	13.8
PERSONNEL					
Average number of employees during the period	**5,391**	5,097	4,882	4,814	4,614
Revenue/employee, EUR 1,000	**371**	372	378	380	387

The order book is not presented, as the information is not relevant due to the nature of the Group's business.

FORMULAE FOR FINANCIAL SUMMARY INDICATORS

EBITDA: EBIT + depreciation, amortisation and impairment

EBIT: Profit for the period + income taxes + financial income and expenses + share of associated companies' profit

Return on equity (ROE), %

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

Return on investment (ROI), %

$$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Total equity + interest-bearing liabilities on average}} \times 100$$

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, %

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

9.2 Alternative performance measures [1]

	2021	2020	2019	2018	2017
INCOME STATEMENT					
Comparable EBITDA, EUR million	**706**	685	668	639	613
Comparable EBITDA as % of revenue	**35.3**	36.2	36.2	34.9	34.3
Comparable EBIT, EUR million	**439**	415	402	403	384
Comparable EBIT as % of revenue	**22.0**	21.9	21.8	22.0	21.5
Comparable profit before tax, EUR million	**427**	399	379	380	364
Comparable profit before tax as % of revenue	**21.4**	21.0	20.5	20.8	20.4
Comparable return on equity (ROE), %	**29.3**	28.1	27.1	28.8	29.5
Comparable return on investment (ROI), %	**17.2**	16.7	17.5	18.3	18.0
Comparable earnings per share (EPS)	**2.19**	2.05	1.93	1.95	1.86

[1] other than the financial indicators defined by IFRS

FORMULAE FOR ALTERNATIVE PERFORMANCE MEASURES

Comparable EBITDA	EBIT + depreciation, amortisation and impairment +/- items affecting comparability
Comparable EBIT	Profit for the period + income taxes + financial income and expenses + share of associated companies' profit +/- items affecting comparability
Comparable profit for the period	Profit for the period +/- items affecting comparability
Comparable EPS	$\frac{\text{Profit attributable to owners of the parent company +/- items affecting comparability}}{\text{Average number of shares during the period adjusted for share issues}}$
Comparable return on equity (ROE), %	$\frac{\text{Profit for the period +/- items affecting comparability}}{\text{Total shareholders' equity on average}} \times 100$
Comparable return on investment (ROI), %	$\frac{\text{Profit before taxes + interest and other financial expenses +/- items affecting comparability}}{\text{Total equity + interest-bearing liabilities on average}} \times 100$
Comparable cash flow after investments	Net cash flow from operating activities - net cash used in investing activities +/- items affecting comparability

9.3. Per-share indicators [1]

	2021	2020	2019	2018	2017
Share capital, EUR	**83,033,008**	83,033,008	83,033,008	83,033,008	83,033,008
Number of shares at year-end	**160,187,301**	160,082,908	159,897,796	159,723,252	159,533,676
Average number of shares	**160,174,453**	160,065,712	159,880,581	159,736,826	159,606,603
Number of shares at year-end, diluted	**160,187,301**	160,082,908	159,897,796	159,723,252	159,533,676
Average number of shares, diluted	**160,174,453**	160,065,712	159,880,581	159,736,826	159,606,603
Market capitalisation, EUR million [2]	**9,056**	7,508	8,241	6,037	5,475
Earnings per share (EPS), EUR	**2.15**	2.05	1.90	1.98	2.11
Dividend per share, EUR	**2.05** [6]	1.95	1.85	1.75	1.65
Payout ratio, %	**95.6**	95.1	97.6	88.5	78.2
Equity per share, EUR	**7.48**	7.39	7.19	7.05	6.52
P/E ratio	**25.2**	21.9	26.0	18.2	15.5
Effective dividend yield, % [3]	**3.8**	4.3	3.8	4.9	5.0
Share performance on Nasdaq Helsinki					
Mean price, EUR	**51.00**	51.08	42.26	36.34	33.74
Closing price at year-end, EUR	**54.12**	44.87	49.25	36.08	32.72
Lowest price, EUR	**45.10**	40.79	35.51	31.68	30.42
Highest price, EUR	**56.18**	58.88	49.91	41.95	36.94
Trading of shares on Nasdaq Helsinki [4]					
Total trading volume, 1,000 shares	**81,557**	122,497	96,662	104,879	104,467
Percentage of shares traded [5]	**49**	73	58	63	62

1) The numbers of shares are presented without treasury shares held by Elisa Group.
2) Calculated on the basis of the closing price on the last trading day of the year and the total number of shares at the end of the period (167 335 073).
3) Calculated on the basis of the closing price on the last trading day of the year.
4) Elisa share is also traded in alternative marketplaces. According to Bloomberg and the Fidessa Fragmentation report, the trading volumes in these markets in 2021 were approximately 205 (216) per cent of Nasdaq Helsinki's volumes.
5) Calculated in proportion to the total number of shares at the end of the period.
6) The Board of Directors proposes a dividend payment of EUR 2.05 per share.

FORMULAE FOR PER-SHARE INDICATORS

Earnings per share (EPS)

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

Dividend per share [1]

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

Effective dividend yield, % [1]

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

Payout ratio, % [1]

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

Equity per share

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

P/E ratio (price/earnings)

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

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

Income statement, parent company, FAS

EUR million	Note	2021	2020
Revenue	1	**1,657.8**	1,604.4
Other operating income	2	**8.8**	3.3
Materials and services	3	**–642.8**	–617.6
Personnel expenses	4	**–253.4**	–235.4
Depreciation and amortisation	5	**–265.8**	–267.0
Other operating expenses		**–156.9**	–162.0
Operating profit		**347.6**	325.7
Financial income and expenses	7	**–15.2**	–16.5
Profit before tax and appropriations		**332.3**	309.2
Appropriations	8	**–5.2**	5.0
Income taxes	9	**–73.9**	–69.0
Profit for the period		**253.2**	245.2

Balance sheet, parent company, FAS

EUR million	Note	31 Dec. 2021	31 Dec. 2020
ASSETS			
Fixed assets			
Intangible assets	10	**304.5**	354.1
Property, plant and equipment	10	**682.1**	661.3
Investments	11	**861.0**	860.4
		1,847.6	1,875.8
Current assets			
Inventories	12	**56.1**	48.1
Non-current receivables	13	**122.0**	112.4
Current receivables	14	**419.3**	367.3
Cash and bank receivables		**72.7**	181.9
		670.3	709.7
TOTAL ASSETS		**2,517.9**	2,585.5
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	15		
Share capital		**83.0**	83.0
Treasury shares		**−125.9**	−128.2
Reserve for invested non-restricted equity		**77.8**	77.8
Contingency reserve		**3.4**	3.4
Retained earnings		**334.2**	403.3
Profit for the period		**253.2**	245.2
		625.7	684.5
Accumulated appropriations		**77.8**	75.2
Provisions for liabilities and charges	16	**6.9**	4.1
Liabilities			
Non-current liabilities	17	**1,163.8**	1,170.4
Current liabilities	18	**643.7**	651.3
		1,807.5	1,821.7
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,517.9**	2,585.5

Cash flow statement, parent company, FAS

EUR million	2021	2020
Cash flow from operating activities		
Profit before appropriations and taxes	**332.3**	309.2
Adjustments:		
Depreciation and amortisation	**265.8**	267.0
Other income and expenses with no payment relation	**1.9**	1.4
Other financial income (-) and expenses (+)	**15.3**	22.0
Gains (-) and losses (+) on the disposal of fixed assets	**–1.7**	0.0
Gains (-) and losses (+) on the disposal of investments	**–0.1**	–5.5
Change in provisions in the income statement	**2.8**	–1.6
Cash flow before changes in working capital	**616.5**	592.5
Change in working capital		
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	**–29.0**	3.4
Increase (-) / decrease (+) in inventories	**–10.0**	–1.6
Increase (+) / decrease (-) in trade and other payables	**38.0**	–0.7
Cash flow before financial items and taxes	**615.5**	593.5
Dividends received	**0.9**	0.9
Interests received	**1.9**	1.7
Interests paid	**–19.8**	–21.7
Income taxes paid	**–72.4**	–66.2
Net cash flow from operating activities	**526.1**	508.1

Cash flow statement, parent company, FAS

EUR million	2021	2020
Cash flow from investing activities		
Capital expenditure	**–248.3**	–236.6
Proceeds from disposal of property, plant and equipment and intangible assets	**2.4**	0.0
Investments in shares and other investments	**–0.5**	–25.6
Proceeds from disposal of shares and other investments	**0.1**	20.6
Loans granted	**–38.4**	–3.5
Repayment of loan receivables	**3.1**	–0.5
Net cash flow used in investing activities	**–281.7**	–245.5
Cash flow after investing activities	**244.4**	262.6
Cash flow from financing activities		
Increase in long-term borrowings (+)	**100.0**	300.0
Decrease in long-term borrowings (-)	**–174.0**	
Increase (+) / decrease (-) in short-term borrowings	**31.2**	–122.2
Group contributions received (+) / paid (-)	**0.0**	–1.8
Dividends paid	**–310.8**	–295.7
Net cash flow used in financing activities	**–353.6**	–119.7
Change in cash and cash equivalents	**–109.2**	142.9
Cash and cash equivalents at the beginning of the period	**181.9**	39.0
Cash and cash equivalents at the end of the period	**72.7**	181.9

Notes to the financial statements of the parent company

ACCOUNTING PRINCIPLES

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

Foreign currency items

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the dates of transactions. At the end of the reporting period assets and liabilities denominated in foreign currencies are valued at the exchange rates quoted by the European Central Bank on the closing date.

Fixed assets

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

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

The useful life according to plan for the different asset groups:

Intangible rights	3–5 years
Goodwill	5–20 years
Other expenditure with long-term effects	5–10 years
Buildings and structures	25–40 years
Machinery and equipment in buildings	10–25 years
Telephone exchanges	6–10 years
Cable network	8–15 years
Telecommunication terminals	2–4 years
Other machines and equipment	3–5 years

Inventories

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

Marketable securities

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

Revenue recognition principles

Revenue from deliverables is recognised at the time of ownership transfer and revenue from services is recognised when the services have been performed.

Interconnection fees that are invoiced from the customers and paid as such to other telecommunication companies are presented as an adjustment to revenue (Finnish Accounting Standards Board 1995/1325).

The profit from the sale of business operations and fixed assets, subsidies received and rental income from premises are presented under other operating income. The loss from the sale of fixed assets is presented under other operating expenses. The profit or loss from the sale of shares is presented in financial income and expenses.

Research and development

Research costs are expensed as they incur, with the exception of development costs, which are capitalised. The capitalisation criteria are met when the product is technically and commercially feasible, and it is expected to generate future economic benefit. Development costs initially recognised as expenses cannot be capitalised subsequently.

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

Future expenses and losses

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

Income taxes

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

1. Revenue

EUR million	2021	2020
Revenue	**1,721.0**	1,667.7
Interconnection fees and other adjustments	**–63.2**	–63.3
	1,657.8	1,604.4
Geographical distribution		
Finland	**1,640.7**	1,582.5
Rest of Europe	**16.1**	20.1
Other countries	**1.0**	1.8
	1,657.8	1,604.4

2. Other operating income

EUR million	2021	2020
Gain on disposals of fixed assets	**1.7**	0.0
Other income [1]	**7.1**	3.3
	8.8	3.3

[1] Other income include rental income from the real estate, management fee income charged from subsidiaries and other income not associated with ordinary operating activities.

3. Materials and services

EUR million	2021	2020
Materials, supplies and goods		
Purchases during reporting period	**340.2**	299.1
Change in inventories	**–8.1**	–0.3
	332.2	298.9
External services	**310.7**	318.8
	642.8	617.6

4. Personnel expenses

EUR million	2021	2020
Salaries and wages	**213.7**	203.4
Pension costs	**33.8**	27.2
Other social security costs	**5.9**	4.8
	253.4	235.4
Personnel on average	**3,280**	3,242

CEO remuneration, EUR	2021	2020
Fixed salaries	**661,180.00**	661,180.00
Performance-based bonus	**251,030.79**	198,238.35
Fringe benefits	**23,363.00**	22,965.81
Share-based payments [1]	**865,204.04**	2,269,493.25
	1,800,777.83	3,151,877.41

1) The maximum award allocated to the CEO under the share-based compensation plans equals the value of 135,000 shares. For more details, please refer to Note 4.1.

In 2020, the Board of Directors agreed with the CEO of Elisa Corporation Veli-Matti Mattila that he will continue as CEO until further notice. Under previous executive agreement, the Group CEO would have retired at the age of 60. The defined benefit pension plan includes vested rights. See Note 4.1 of the consolidated financial statements.

The remuneration of the Board members, EUR	2021	2020
Clarisse Berggårdh	**95,050.00**	91,600.00
Maher Chebbo	**81,800.00**	
Kim Ignatius	**81,650.00**	78,100.00
Petteri Koponen		2,100.00
Topi Manner	**80,850.00**	76,000.00
Leena Niemistö		2,100.00
Eva-Lotta Sjöstedt	**82,450.00**	73,750.00
Seija Turunen	**96,650.00**	93,100.00
Anssi Vanjoki	**133,900.00**	130,400.00
Antti Vasara	**80,050.00**	76,600.00
	732,400.00	623,750.00

For year 2021, following remuneration were decided by the Annual General Meeting to the Members of the Board: annual remuneration fee for the Chair EUR 126,000, for Deputy Chair and the Chairs of the Committees EUR 84,000, and other Board members EUR 69,000; in addition a meeting fee of EUR 800 per meeting of the Board and of a Commetee. However, if a Board member lives permanently outside Finland and is physically present in the Board or Committee meeting, which is held in a country other than his/her permanent home country, the meeting fee is EUR 1,600. In accordance with the decision of the Annual General Meeting on 8 April 2021, the annual remuneration was paid in Company shares on 26 April 2021. The outstanding remuneration amounts were paid net of tax, 60 per cent.

5. Depreciation and amortisation

EUR million	2021	2020
Intangible assets	**91.2**	88.3
Property, plant and equipment	**174.7**	178.7
	265.8	267.0

Specification of depreciation by balance sheet items is included in note 10.

6. Auditor fees

EUR million	2021	2020
Auditing	**0.1**	0.1
Tax advisory services	**0.0**	0.1
Other services	**0.1**	0.0
	0.2	0.2

7. Financial income and expenses

EUR million	2021	2020
Interest income and other financial income		
Dividends received		
From the Group companies	**0.3**	0.2
From associated companies		0.2
From others	**0.6**	0.5
	0.9	0.9
Other interest and financial income		
From the Group companies	**0.2**	0.1
Capital gains from investments [1]	**0.1**	7.0
From others	**1.6**	2.0
	1.9	9.1
	2.8	10.0
Interest costs and other financial expenses		
To the Group companies	**−5.5**	−5.5
Impairment of investments in subsidiaries		−3.0
To others	**−12.6**	−18.1
	−18.1	−26.6
	−15.2	−16.5

1) In 2020, the gains on disposals mainly consisted of divestments of shares in Sulake companies.

8. Appropriations

EUR million	2021	2020
Change in appropriations	**–2.5**	5.0
Group contributions received	**4.2**	4.2
Group contributions paid	**–6.8**	–4.3
	–5.2	5.0

9. Income taxes

EUR million	2021	2020
Income taxes for the reporting period	**–73.9**	–68.9
Taxes for previous periods	**0.0**	0.0
	–73.9	–69.0

10. Intangible assets and property, plant and equipment

	Intangible assets					
2021 EUR million	Development costs	Intangible assets	Goodwill	Other intangible assets	Intangible assets under construction	Total
Acquisition cost at 1 Jan.	53.5	154.0	886.3	540.4	10.2	**1,644.4**
Additions	3.9	3.0		24.4	10.8	**42.0**
Reclassifications	2.1	0.2		4.9	–7.7	**–0.4**
Acquisition cost at 31 Dec.	59.6	157.2	886.3	569.7	13.3	**1,686.1**
Accumulated depreciation and amortisation at 1 Jan.	44.0	78.3	716.0	452.2		**1,290.4**
Amortisation and depreciation for the period	6.6	8.3	42.7	33.7		**91.2**
Accumulated depreciation and amortisation at 31 Dec.	50.5	86.5	758.6	485.9		**1,381.5**
Book value at 31 Dec.	9.1	70.7	127.7	83.8	13.3	**304.5**

	Property, plant and equipment					
2021 EUR million	**Land and water areas**	**Buildings and structures**	**Machinery and equipment**	**Other assets**	**Assets under construction**	**Total**
Acquisition cost at 1 Jan.	9.9	216.6	3,766.6	35.1	25.1	**4,053.3**
Additions	0.0	11.3	163.2		20.7	**195.2**
Disposals	0.0	–0.5	0.0			**-0.5**
Reclassifications	0.0	0.3	14.1		–14.0	**0.4**
Acquisition cost at 31 Dec.	10.0	227.7	3,943.8	35.1	31.8	**4,248.4**
Accumulated depreciation at 1 Jan.		135.0	3,222.4	34.5		**3,392.0**
Accumulated depreciation on disposals and reclassifications		–0.3	0.0			**-0.3**
Depreciation for the period		8.5	166.1	0.0		**174.7**
Accumulated depreciation at 31 Dec.		143.2	3,388.6	34.5		**3,566.3**
Book value at 31 Dec.	10.0	84.5	555.3	0.6	31.8	**682.1**

Intangible Assets

2020 EUR million	Development costs	Intangible rights	Goodwill	Other intangible assets	Intangible assets under construction	Total
Acquisition cost at 1 Jan.	45.3	142.2	886.3	505.4	12.3	1,591.5
Additions	4.7	11.2		29.3	7.7	52.9
Disposals					0.0	0.0
Reclassifications	3.6	0.6		5.7	–9.8	0.0
Acquisition cost at 31 Dec.	53.5	154.0	886.3	540.4	10.2	1,644.4
Accumulated depreciation and amortisation at 1 Jan.	38.6	70.5	673.2	419.7		1,202.1
Amortisation and depreciation for the period	5.4	7.7	42.7	32.4		88.3
Accumulated depreciation and amortisation at 31 Dec.	44.0	78.3	716.0	452.2		1,290.4
Book value at 31 Dec.	9.6	75.8	170.3	88.2	10.2	354.1

Property, plant and equipment

2020 EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other assets	Assets under construction	Total
Acquisition cost at 1 Jan.	9.8	204.1	3,604.4	35.1	30.0	3,883.5
Additions	0.1	11.4	154.1	0.0	13.9	179.6
Disposals			–9.8		0.1	–9.7
Reclassifications	0.0	1.0	18.0	0.0	–19.0	0.0
Acquisition cost at 31 Dec.	9.9	216.6	3,766.6	35.1	25.1	4,053.3
Accumulated depreciation at 1 Jan.		125.9	3,060.9	34.5		3,221.3
Accumulated depreciation on disposals and reclassifications			–8.0			–8.0
Depreciation for the period		9.1	169.5	0.0		178.7
Accumulated depreciation at 31 Dec.		135.0	3,222.4	34.5		3,392.0
Book value at 31 Dec.	9.9	81.5	544.1	0.6	25.1	661.3

11. Investments

2021 EUR million	Investments in: Subsidiaries	Associates	Other companies	Receivables from: Group companies	Other companies	Total
Acquisition cost at 1 Jan.	837.5	6.2	22.5	1.6	0.1	**867.9**
Additions	0.2		0.4			**0.6**
Disposals			0.0	0.0		**0.0**
Acquisition cost at 31 Dec.	837.7	6.2	22.9	1.6	0.1	**868.5**
Impairment at 1 Jan.	–3.3	–0.1	–4.1			**–7.5**
Impairment at 31 Dec.	–3.3	–0.1	–4.1			**–7.5**
Book value at 31 Dec.	834.4	6.1	18.8	1.6	0.1	**861.0**

A list of the Group and associated companies is available under Note 8.3 of the consolidated financial statements.

2020 EUR million	Investments in: Subsidiaries	Associates	Other companies	Receivables from: Group companies	Other companies	Total
Acquisition cost at 1 Jan.	831.5	7.5	22.3	1.6	0.1	862.9
Additions	24.9		2.4	0.0		27.4
Disposals	–18.9	–1.2	–2.2			–22.3
Acquisition cost at 31 Dec.	837.5	6.2	22.5	1.6	0.1	867.9
Impairment at 1 Jan.	–0.4		–4.1			–4.5
Additions	–2.9	–0.1				–3.0
Impairment at 31 Dec.	–3.3	–0.1	–4.1			–7.5
Book value at 31 Dec.	834.2	6.1	18.4	1.6	0.1	860.4

12. Inventories

EUR million	2021	2020
Materials and supplies	**13.9**	13.3
Finished goods	**42.2**	34.8
	56.1	48.1

13. Non-current receivables

EUR million	2021	2020
Receivables from the Group companies		
Loan receivables	**24.6**	14.5
Receivables from others		
Trade receivables	**81.8**	80.7
Prepayments and accrued income [1]	**15.7**	17.2
	97.4	97.9
	122.0	112.4

[1] Breakdown of prepayments and accrued income		
Rent advances	**8.7**	7.6
Transaction costs and losses related to loan issuance	**6.9**	9.5
Others		0.1
	15.7	17.2

14. Current receivables

EUR million	2021	2020
Receivables from the Group companies		
Loan receivables	**28.1**	3.0
Trade receivables	**2.3**	2.4
Prepayments and accrued income	**1.3**	0.6
Other receivables	**4.2**	4.8
	35.8	10.7
Receivables from the associated companies		
Trade receivables	**0.1**	0.1
	0.1	0.1
Receivables from others		
Trade receivables	**309.9**	293.7
Loan receivables		0.0
Prepayments and accrued income [1]	**60.7**	53.6
Other receivables	**12.9**	9.2
	383.5	356.5
	419.3	367.3
[1] Breakdown of prepayments and accrued income		
Interests		0.0
Rent advances	**1.4**	1.4
Transaction costs and losses related to loan issuance	**3.1**	3.0
Other business expense advances paid	**56.2**	49.2
	60.7	53.6

15. Shareholders' equity

EUR million	2021	2020
Share capital at 1 Jan.	**83.0**	83.0
Share capital at 31 Dec.	**83.0**	83.0
Treasury shares at 1 Jan.	**–128.2**	–132.0
Disposal of treasury shares	**2.3**	3.8
Treasury shares at 31 Dec.	**–125.9**	–128.2
Reserve for invested non-restricted equity at 1 Jan.	**77.8**	77.8
Reserve for invested non-restricted equity at 31 Dec.	**77.8**	77.8
Contingency reserve at 1 Jan.	**3.4**	3.4
Contingency reserve at 31 Dec.	**3.4**	3.4
Retained earnings at 1 Jan.	**648.5**	702.5
Dividend distribution	**–312.3**	–296.2
Withdrawal of dividend liabilities	**0.3**	0.7
Disposal of treasury shares	**–2.3**	–3.8
Retained earnings at 31 Dec.	**334.2**	403.3
Profit for the period	**253.2**	245.2
Total shareholder's equity	**625.7**	684.5
Distributable earnings		
Retained earnings	**334.2**	403.3
Treasury shares	**–125.9**	–128.2
Reserve for invested non-restricted equity	**77.8**	77.8
Development costs	**–12.3**	–12.6
Profit for the period	**253.2**	245.2
	526.9	585.6

16. Provisions

EUR million	2021	2020
Provision for unemployment pensions	**4.3**	3.6
Other provisions [1]	**2.6**	0.5
	6.9	4.1

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

Provisions of EUR 3,5 (2,1) million were used and EUR 1,6 (0,2) million were reversed as unused in 2021.

17. Non-current liabilities

EUR million	2021	2020
Interest-bearing		
Liabilities to others		
Bonds	**900.0**	900.0
Loans from the financial institutions	**250.0**	250.0
	1,150.0	1,150.0
Non-interest bearing		
Liabilities to others		
Trade payables	**8.1**	14.7
Accruals and deferred income [1]	**5.7**	5.7
	13.8	20.4
	1,163.8	1,170.4
Liabilities maturing after five years		
Bonds	**300.0**	600.0
Loans from the financial institutions		
	300.0	600.0
[1] Breakdown of accruals and deferred income		
Rent advances	**5.7**	5.7

18. Current liabilities

EUR million	2021	2020
Interest-bearing		
Liabilities to the Group companies		
Cash Pool account	**219.6**	169.0
	219.6	169.0
Liabilities to others		
Loans from the financial institutions	**100.0**	
Bonds		174.0
Commercial paper		19.5
	100.0	193.5
	319.6	362.4
Non-interest bearing		
Liabilities to the Group companies		
Trade payables	**7.2**	7.2
Other liabilities	**7.0**	4.5
	14.2	11.6
Liabilities to the associates		
Trade payables	**0.0**	0.0
	0.0	0.0
Liabilities to others		
Advances received	**4.9**	4.4
Trade payables	**174.8**	152.3
Accrued liabilities [1]	**54.7**	53.0
Other liabilities	**75.4**	67.6
	309.9	277.2
	324.1	288.8
	643.7	651.3
[1] Breakdown of accrued liabilities		
Salaries, wages and social security costs	**45.5**	41.1
Interests	**5.5**	9.8
Direct taxes	**1.9**	0.3
Rent advances	**0.9**	1.2
Income received in advance	**0.5**	0.5
Others	**0.4**	
	54.7	53.0

19. Lease commitments and other liabilities

Collateral

EUR million	2021	2020
On behalf of own commitments		
Bank deposits	**0.3**	0.3
	0.3	0.3

Lease commitments

EUR million	2021	2020
Lease commitments on telecom networks [1]		
Within one year		0.1
Other lease commitments [2]		
Within one year	**3.8**	4.3
Later that one year, but not later that five years	**3.8**	3.7
	7.5	8.0
Venture Capital investment obligation	**0.8**	1.3
Repurchase obligations	**0.0**	0.0
	0.8	1.3
Real estate leases [3]		
Within one year	**27.7**	23.7
Later that one year, but not later that five years	**47.6**	46.1
Later than five years	**63.6**	70.2
	138.9	140.0
Total leases	**147.3**	149.3

1) Consist of certain individualised mobile network equipment and access fees for backbone connections.

2) Lease liabilities consist mainly of car and IT equipment leases.

3) Real estate leases comprise rental contracts relating to business, office and telecom premises.

Real estate leases are presented at nominal values.

Rental liabilities are exclusive of value added tax, except for vehicle lease liabilities.

Derivative instruments

EUR million	2021	2020
Currency derivatives		
Nominal value	**3.5**	3.2
Fair value	**0.0**	0.1
Electricity derivatives		
Nominal value	**1.9**	1.1
Fair value	**1.6**	0.4

Elisa hedges electricity purchases through physical purchase agreements and derivatives. The electricity price risk is assessed at a five-year period. Electricity derivatives are subject to hedge accounting.

The hedging rate for purchses during following years, %	2021	2020
0–1 years	**93.1**	87.9
1–2 years	**30.6**	64.7

If the market price of electricity derivatives changes by +/- 10 per cent from the balance sheet date of 31 December 2021, it would contribute EUR +2.0/- 1.2 (+0.5/–0.2) million to 2022 equity. The impact has been calculated before tax.

Real-estate investments

On 31 December 2021, the VAT refund liability of real-estate investments was EUR 33.2 (31.7) million.

Shares and shareholders

1. Share capital and shares

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

At the end of the financial year, the number of Elisa Corporation shares was 167,335,073, all within one share series.

2. Authorisations of the Board of Directors

On 8 April 2021, the Annual General Meeting authorised the Board of Directors to decide on a new share issue, transfer of treasury shares owned by the company and/or granting of special rights referred to in Chapter 10, Section 1 of the Finnish Companies Act subject to the following: The authorisation allows the Board of Directors to issue a maximum of 15,000,000 shares in one or several issues. The share issue and shares granted by virtue of special rights are included in the aforementioned maximum number. The maximum number is approximately 9 per cent of the entire stock. The share issue can be free or for consideration and can also 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 is valid for 18 months, and it annuls the authorisation given by the Annual General Meeting to the Board of Directors on 2 April 2020.

On 8 April 2021, the Annual 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 5,000,000 treasury shares. The acquisition may take place as one or several blocks of shares. The consideration payable for the shares shall not be more than the ultimate market price. In purchasing the Company's own shares derivative, share lending and other contracts customary in the capital market may be concluded pursuant to law and the applicable legal provisions. The authorisation entitles the Board of Directors to pass a resolution to purchase the shares by making an exception to the purchase of shares relative to the current holdings of the shareholders. The treasury shares may be used for making acquisitions or implementing other arrangements related to the Company's business, to finance investments, to improve the Company's financial structure, to be used as part of the incentive compensation plan, or for the purpose of otherwise assigning or cancelling the shares. The Board of Directors shall have the right to decide on all other matters related to the acquisition of the Company's own shares. The authorisation is valid for 18 months, and it annuls the respective authorisation given by the Annual General Meeting to the Board of Directors on 2 April 2020.

3. Treasury shares, share issues and cancellations

At the beginning of the financial period, Elisa held 7,252,165 treasury shares.

The Annual General Meeting held on 8 April 2021 authorised the Board of Directors to acquire and assign treasury shares. The authorisation applies to a maximum of 5,000,000 treasury shares. On the basis of the authorisation, Elisa has not acquired any treasury shares.

A total of 104,393, treasury shares were disposed during the financial year.

At the end of the financial period, Elisa held 7,147,772 treasury shares.

The treasury shares held by Elisa Corporation do not have any substantial impact on the distribution of holdings and votes in the Company. They represent 4.27 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 2021 was 115,459 shares and votes, which represented 0.07 per cent of all shares and votes.

5. Share performance

The Elisa share closed at EUR 54,12 on 31 December 2021. The highest quotation of the year was EUR 56.18 and the lowest EUR 45.10. The average price was EUR 51.00. Information is based on the share trades made on Nasdaq Helsinki stock exchange.

At the end of the financial year, the market capitalisation of Elisa's total number of shares was EUR 9,056.2 million.

6. Quotation and trading

The Elisa share is quoted on the Main List of the Nasdaq Helsinki with the ticker ELISA. The aggregate volume of trading on the Nasdaq Helsinki between 1 January and 31 December 2021 was 81,556,921 shares for an aggregate price of EUR 4,159 million. The trading volume represented 48.7 per cent of the total number of shares at the end of the financial year.

7. Distribution of holding by shareholder groups at 31 December 2021

		Number of shares	Proportion of all shares, %
1	Private companies	3,763,718	2.25
2	Financial and insurance institutions	4,059,986	2.43
3	Public corporations	29,501,049	17.63
4	Non-profit organisations	5,771,344	3.45
5	Households	37,845,388	22.62
6	Foreign	719,263	0.43
7	Nominee registered	78,526,553	46.93
	Elisa Group, treasury shares	7,147,772	4.27
		167,335,073	100.00

8. Distribution of holding by amount at 31 December 2021

Size of holding	Number of shareholders	%	Number of shares	%
1–100	47,633	24.42	2,111,439	1.26
101–1,000	128,196	71.10	28,227,334	16.87
1,001–10,000	4,229	2.35	10,003,189	5.98
10,001–100,000	217	0.12	5,612,489	3.35
100,001–1,000,000	27	0.02	7,178,787	4.29
1,000,001–	7	0.00	28,382,149	16.96
Nominee registered			78,526,553	46.93
	180,310	100.00		
Elisa Common Clearing account [1]			145,361	0.09
Elisa Corporation, treasury shares			7,147,772	4.27
Issued amount			167,335,073	100.00

[1] Shares on the Common Clearing account include shares that had not been transferred to the share owners' book-entry accounts at the time of, or after, entering the shares into the Finnish book-entry system.

9. Largest shareholders at 31 December 2021

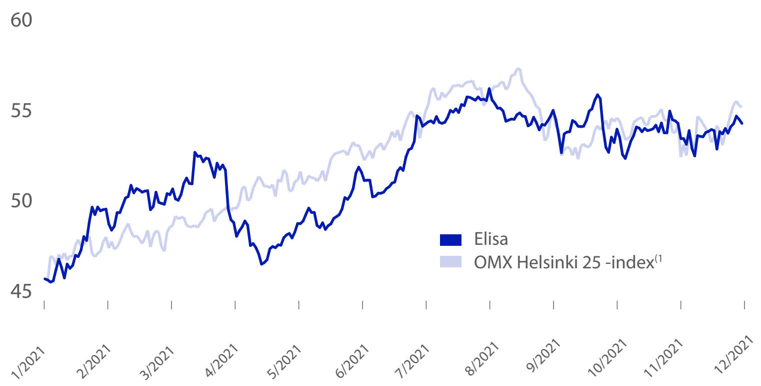
	Name	Number of shares	%
1	Solidium Oy	16,802,800	10.04
2	Ilmarinen Mutual Pension Insurance Company	3,759,118	2.25
3	Varma Mutual Pension Insurance Company	3,671,976	2.19
4	Elo Mutual Pension Insurance Company	1,923,565	1.15
5	City of Helsinki	1,124,690	0.67
6	State Pension Fund	1,100,000	0.66
7	Föreningen Konstsamfundet r.f.	700,000	0.42
8	OP-Finland mutual fund	554,885	0.33
9	Nordea Pro Finland Fund	553,910	0.33
10	Åbo Akademi University Foundation sr	531,723	0.32
11	Seligson & Co Equity Fund	362,610	0.22
12	Sigrid Juselius Foundation	348,800	0.21
13	Keva	318,479	0.19
14	Samfundet Folkhälsan i svenska Finland r.f.	315,263	0.19
15	Andra AP-Fonden	304,971	0.18
16	Evli Finland Select Fund	265,000	0.16
17	City of Vantaa	258,738	0.15
18	OP-Life Insurance	248,628	0.15
19	Finnish Cultural Foundation	224,056	0.13
20	SEB Finlandia Optimized Low Carbon	223,592	0.13
		33,592,804	20.08
	Elisa Corporation, treasury shares	7,147,772	4.27
	Elisa Personnel Fund	71,910	0.04
	Elisa Common Clearing account (1	145,361	0.09
	Nominee registered (2	78,526,553	46.93
	Shareholders not specified above	47,850,613	28.60
		167,335,073	100.00

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

2) On 27 February 2017, BlackRock, Inc gave a notice in accordance with Chapter 9, Section 5 of the Finnish Securities Market Act, that the direct share ownership of Elisa Corporation shares owned by BlackRock, Inc. was 8,533,440 and by its funds 1,232,577

10. Daily price development

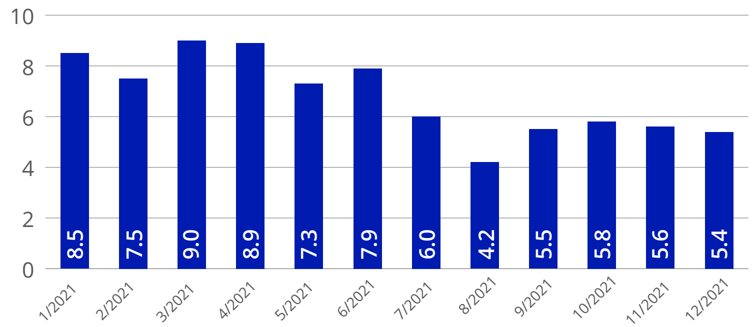
Closing price in EUR



[1)] Rebalanced to Elisa share.

11. Trading volume

Shares per month (million)



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

Board’s proposal for profit distribution

According to the consolidated balance sheet of 31 December 2021, the parent company’s shareholders’ equity is EUR 625,704,294.52, of which distributable funds account for EUR 526,946,424.16.

The parent company’s profit for the period from 1 January to 31 December 2021 was EUR 253,213,705.95.

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

- a dividend of EUR 2.05 per share shall be paid for a total of EUR 328,383,967.05
- no dividend shall be paid on shares in the parent company’s possession
- EUR 198,562,457.11 shall be retained in shareholders’ equity.

SIGNATURES TO THE BOARD OF DIRECTORS’ REPORT AND FINANCIAL STATEMENTS

Helsinki, 26 January 2022

Anssi Vanjoki Chairman of the Board of Directors	**Clarisse Berggårdh**	**Maher Chebbo**
Kim Ignatius	**Topi Manner**	**Eva-Lotta Sjöstedt**
Seija Turunen	**Antti Vasara**	**Veli-Matti Mattila** President and CEO

Auditor's Report

To the Annual General Meeting of Elisa Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Elisa Corporation (business identity code 0116510–6) for the year ended 31 December 2021. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.5 to the consolidated financial statements.

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

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Valuation of goodwill, € 1 139.4 million (Consolidated accounting principles 1.2 and note 5.4)	
• The goodwill balance in the consolidated statement of financial position is significant due to the acquisitions carried out in the previous years. As regard to the amount, the goodwill balance is comparable to the consolidated equity. • Goodwill is tested for impairment annually and the company prepares impairment tests for the financial statements or when needed on a discounted cash flow basis with sensitivity analyses. • Estimating future cash flows underlying the impairment tests involves a significant amount of management judgment, particularly in respect of growth in net sales, profitability and discount rates. • Due to management judgments about the estimates used in the impairment tests, as well as the significant carrying amount involved, impairment of goodwill is considered a key audit matter.	• We assessed critically those management judgments and the assumptions made, which were used to prepare the cash flow projections for the coming years. In addition, we compared previous years' estimates to the actual amounts to be able to evaluate the reliability of the estimating methods applied. • We used KPMG valuation specialists when considering the appropriateness of the discount rate used and the technical correctness of the calculations, as well as comparing the assumptions used to market and industry-specific information. • In addition, we assessed the adequacy of the sensitivity analyses and the appropriate presentation of the notes related to impairment tests in the consolidated financial statements.

Revenue recognition, € 1 997.9 million
(Consolidated accounting principles 1.2 and note 2.3)

- Revenues are recognized once the service has been rendered to the customer or once the significant risks and rewards related to the ownership of the goods have been transferred to the buyer.
- The IT system environment related to billing transactions is complex and the volume of billing data is large containing wide variety of different products. The industry is also marked by price and contract changes in the short run.
- Due to large volumes of data, revenue recognition involves the risk of revenue being recognized in an incorrect period as well as the risk that all transactions are not recorded as complete.
- Revenue recognition accrual is partially based on estimates from the management's past experience.

- We evaluated the sales-related IT control environment and the key controls in the billing process over the completeness and accuracy of revenue.
- The majority of the company's billing data is processed in a single IT system. We evaluated the reliability of the associated IT control environment by assessing, among others, the processes related to the user authorization management and back-up and recoveries, as well as by testing the key application controls over the billing process.
- We also evaluated the company's internal control procedures over the control environment in the billing process, as well as assessed the company's monthly revenue monitoring procedures at business unit level.
- In addition to control testing, we performed substantive procedures to sales accruals to assess the completeness and the accuracy of the recognized revenues.

Capital expenditures
(Consolidated accounting principles 1.2 and note 5)

- The company invests heavily especially in its own telecommunication network and IT environments as well as new technology to remain competitive.
- The company's capital expenditures (investments) amount to € 265.1 million in 2021, and therefore capital expenditures comprise a significant part of the consolidated statement of financial position.

- We observed the company's investment budget for the year 2021 and followed up developments quarterly.
- We evaluated the company's internal control environment. We also tested the controls over the approval of investment projects; over the authorization process when placing individual orders under an investment project; over the associated approval process when approving purchase invoices; and over recording transactions in the asset register (for property, plant and equipment and intangible assets).
- Our substantive procedures focused on assessing the appropriateness of the accounting treatment in respect of the most significant investment projects. In addition, we tested whether the assets under construction met the capitalization requirements and assessed whether they were disclosed appropriately in the financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director 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, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 31 March 2004, and our appointment represents a total period of uninterrupted engagement of 18 years. The current auditor in charge, Toni Aaltonen, Authorised Public Accountant, KHT, was elected on 6 April 2017.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 26 January 2022
KPMG Oy Ab

Toni Aaltonen
Authorised Public Accountant, KHT