

5 May 2023 – Neuss, Germany

Rating Action / Update:

Creditreform Rating has confirmed the unsolicited corporate issuer rating of Elisa Oyj at **BBB+** / **stable**

Creditreform Rating (CRA) has confirmed the unsolicited, public corporate issuer rating of Elisa Oyj (hereinafter also referred to as 'the Company' or 'Elisa') and the unsolicited corporate issue rating of long-term local currency senior unsecured notes issued by Elisa Oyj at **BBB+** with a **stable** outlook.

Analysts

Natallia Berthold
Lead Analyst
N.Berthold@creditreform-rating.de

Holger Becker
Co-Analyst
H.Becker@creditreform-rating.de

Neuss, Germany

ESG factors are factors related to environment, social issues and governance. For more information, please see the section "Regulatory requirements". CRA generally takes ESG relevant factors into account when assessing the rating object and discloses them when they have a significant influence on the creditworthiness of the rating object, leading to a change in the rating result or the outlook.

Current relevant factors for the rating

The following considerations were of specific relevance for the rating assessment:

- Strong market and leading position in Finland
- Growth of operating revenue and net profit in 2022 and in Q1 2023
- Implementation of structural and process improvements, energy and cost efficiency
- Dynamic expansion of 5G networks
- Modest deterioration in the result of the financial ratios analysis due to the increase in short-term debt capital
- Still high pay-out ratio
- Intense competition
- Strictly regulated market for telecommunication operators

ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Elisa Oyj we have not identified any ESG factors with significant influence.

In our view, the telecommunications sector has high exposure to social risks, including data privacy and security. On the other hand, the industry also has multiple opportunities to positively impact society by enabling digital transformation and playing a key role in digital inclusion. The environmental risk of the telecom sector should not be underestimated, especially due to the growing demand for connectivity and digital services, resulting in an exponential rise in data traffic and, consequently, higher energy consumption and CO₂ emissions which, however, will be counterbalanced in the future by efficiency gains from high-speed connectivity and an increase in automated processes, in which Elisa has also made progress. Since 2016, the Company has already improved the energy efficiency of its Finnish mobile network by 78%. Further increases in energy efficiency will be achieved by rolling back 3G technology and further optimizing the 5G network, which is 90% more energy efficient per bit than 4G.

With regard to the Company's ESG goals, Elisa has managed to achieve carbon neutrality in its own operations since 2020 through energy-saving measures and the purchase of carbon emission offset credits. As a result of improved carbon accounting methodology and expanded disclosure boundaries from international Company acquisitions, Elisa updated its climate targets in 2022 and set a new base year of 2021 (previously 2016). Absolute Scope 1, 2 and 3 greenhouse gas emissions are to be reduced by 42% by 2030 and 90% by 2040 compared to the 2021 baseline. Furthermore, 100% of the energy the Company uses for its networks in Finland

and Estonia comes from renewable sources. From April 2023, roughly 40% of the electricity needed for Elisa's entire mobile network in Finland will be covered by its own wind power production.

In the social area, Elisa shows a high level of customer satisfaction and employee engagement. The Company is also socially committed and has taken extensive measures to prevent possible human rights violations along its supply chain. Elisa is characterized by a good governance policy that takes ESG standards into account.

Overall, we see Elisa as being solidly positioned with regard to ESG criteria, which, in view of the increasing sustainability requirements in the market, has a stabilizing effect on the rating.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

Rating result

The current unsolicited rating of **BBB+** attests Elisa Oyj a highly satisfactory level of creditworthiness, representing a low to medium default risk. The rating result is based on the solid profile of the Company's financial ratios, stable earnings capacity and reliable cash flow generation. Elisa is well-established in the telecommunications market in Finland and Estonia, and is a key player in both of these countries, holding the number one and number two positions, respectively. The Company pursues a plausible strategy with a prudent financial policy, and we view it as positive that the Company's strategic goals include clear financial targets aimed at maintaining a solid financial structure. We take a critical view of the fact that both of the Company's key markets are already saturated and have a high penetration rate in both mobile telephony and broadband, thus limiting its growth potential. Intense competition in the Finnish telecommunications market, with its three major players, puts additional pressure on our rating.

Outlook

The one-year outlook for the rating is **stable**. Despite the challenging macroeconomic environment, we expect slightly positive development for Elisa, according to its plan for 2023, with moderately increasing earnings, continued strong EBITDA, and a well-balanced asset and liabilities structure. This outlook is based on the assumption of an overall stable economic situation in Finland and Estonia.

Best-case scenario: **BBB+**

In our best-case scenario for one year, we assume a rating of **BBB+**. Despite Elisa's solid financial profile, we do not expect any significant growth, due to the Company's geographic concentration as well as to competitive pressures. Moreover, the rating is currently influenced by tough and partly uncertain market conditions related to rising energy costs, inflation and geopolitical challenges.

Worst-case scenario: **BBB**

In our worst-case scenario for one year, we assume a rating of **BBB**. This could be the case if the Company's earnings capacity is significantly impaired by deteriorating market conditions or an increased need for investment combined with a substantial increase in debt.

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

Business development and outlook

In 2022, the global economy faced significant challenges due to heightened geopolitical tensions resulting from the outbreak of war in Ukraine and the subsequent imposition of economic sanctions against Russia. These tensions had a widespread impact on commodity and energy markets, leading to increased price volatility. As a result, inflationary pressures increased, particularly in Europe, prompting central banks in many countries to respond with higher interest rates in order to maintain price stability. Despite these challenging market conditions, Elisa was again able to report positive revenue and profit development in the 2022 financial year compared to the previous year. Revenue was up 6.6% from a year earlier to EUR 2,129.5 million (2021: EUR 1,997.9 million), EBITDA up 5.0% to EUR 734.0 million (2021: EUR 698.8 million) and EBIT up 8.9% to EUR 470.6 million (2021: EUR 432.2 million). This positive development was driven by higher revenue in mobile, fixed and digital services, as well as equipment sales, which more than compensated for the decline in revenue from usage and subscriptions of traditional fixed telecom services and interconnection revenue. EBITDA increased mainly as a result of revenue growth and efficiency measures. The consolidated profit for the year 2022 amounted to EUR 372.8 million, an increase of 8.6% compared to the previous year.

Table 1: Financials I Source: Elisa Financial Statements 2022, standardized by CRA

Elisa Oyj Selected key figures of the financial statement analysis Basis: Consolidated Financial Statements of 31.12. (IFRS)	CRA standardized figures ¹	
	2021	2022
Revenue (million EUR)	1,997.9	2,129.5
EBITDA (million EUR)	698.8	734.0
EBIT (million EUR)	432.2	470.6
EAT (million EUR)	343.4	372.8
EAT after transfer (million EUR)	343.6	374.1
Total assets (million EUR)	2,421.7	2,484.1
Equity ratio (%)	25.7	26.6
Capital lock-up period (days)	38.7	34.4
Short-term capital lock-up (%)	10.7	18.7
Net total debt / EBITDA adj. (factor)	2.4	2.4
Ratio of interest expenses to total debt (%)	0.9	0.9
Return on Investment (%)	14.8	15.6

Nevertheless, the Company's positive revenue and profit development in the reporting year 2022 was overcompensated by other factors in the financial analysis, causing a slight deterioration in the overall result of the financial ratio analysis compared to the previous year. This was mainly due to the increase in short-term debt by EUR 185.3 million to EUR 711.3 million (2021: EUR 526.0 million), which resulted in a rise in the short-term capital lock-up from 10.7% to 18.8%. Still, the Group's total debt remained almost unchanged at EUR 1,823.2 million compared to EUR 1,799.0 million in the previous year. The net debt /EBITDA adj. ratio also remained stable at 2.4

¹ For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. For example, when calculating the analytical equity ratio, deferred tax assets, goodwill (entirely or partly), and internally-generated intangible assets are subtracted from the original equity, whilst deferred tax liabilities are added. Net total debt takes all balance sheet liabilities into account. Therefore, the key financial figures shown often deviate from the original values of the company.

(2021: 2.4). A slight increase in the equity ratio from 25.7% to 26.6% had a positive impact in the financial ratio analysis.

Capital expenditure in 2022 (excluding leases, licences and business acquisitions) remained at 12% of revenue, as planned, amounting to EUR 255 million (2021: EUR 247 million). Total investments reached EUR 314 million (2021: EUR 293 million), representing 14.7% of revenue, thus a reasonable level.

In 2022, in line with its strategy to expand digital services internationally and accelerate the development of its telecom software business, Elisa acquired FRINX s.r.o, a Slovak supplier of automation software for telecom networks, and Cardinality Ltd, a UK-based global supplier of cloud-native data management (DataOps), service assurance and customer experience analytics. These acquisitions strengthen Elisa's product portfolio and create network-wide automation solutions. In addition, the Company gained new spectrum for the expansion of its 5G network in Estonia. As of the end of 2022, Elisa's 5G network covered more than 70% of the Estonian population. Meanwhile, 5G network population coverage in Finland reached 88%. In this way, the Company continued its strong momentum in 5G development and sustained its leading position.

Based on amendments to the Electronic Communications Act, the Estonian Consumer Protection and Technical Regulation Authority restricted the use of Huawei hardware and software in 5G mobile networks in Estonia only until 31.12.2025 and in previous generation (2G-4G) networks and fixed networks until 31.12.2029. In response, Elisa appealed this decision to the Estonian Administrative Court on 01.12.2022. In the absence of a compensation system, there is a risk that the additional cost of replacing the Huawei hardware and software already deployed in Elisa's network could have a negative impact on the Company's business.

In the year under review, 2022, the economic impact of rising energy prices and inflation on the Elisa Group remained moderate. This was mainly due to the fact that the Republic of Finland was not as strongly affected by rising energy prices and inflation as other European countries. The inflation rate in Finland was 7.2% in 2022, compared to 9.3% in the European Union². Elisa has also taken various measures (e.g. electricity hedging agreements, energy and cost efficiency) to counteract rising energy costs and inflation.

Table 2: The development of business of Elisa Oyj | Source: Elisa Interim Report Q1 2023

Elisa Oyj				
In million EUR	Q1 2022	Q1 2023	Δ	Δ %
Revenue	511.4	539.7	28.3	5.5
EBITDA	177.1	183.4	6.3	3.6
EBIT	111.4	116.9	5.5	4.9
EBT	108.4	112.4	4.0	3.7
EAT	88.0	91.5	3.5	4.0

Also, in the first quarter of 2023, Elisa managed to continue its positive business development (see Table 2) and maintain its solid financial structure, despite ongoing geopolitical tensions and generally challenging market conditions. Reported net debt at the end of the first quarter of

² World Economic Outlook (April 2023) - Inflation rate, average consumer prices (imf.org)

2023 amounted to EUR 1,217 million (31.12.2022: EUR 1,276 million), with reported net debt/EBITA at 1.6 (31.12.2022: 1.7).

As of 31 March 2023, cash and cash equivalents amounted to EUR 181.6 million (31.12.2022: EUR 85.4 million). In addition, Elisa had the following financing arrangements: EUR 300 million in committed credit lines, as well as EUR 100 million in credit facility, which both remained undrawn as of 31 March 2023; a commercial paper programme with a total volume of EUR 350 million, of which EUR 159 million had been drawn; and an EMTN programme with a total volume of EUR 1,500 million, of which EUR 900 million had been drawn. These sources, together with the expected annual funds from operating activities of roughly EUR 600 million, are available to cover Elisa's liquidity needs and investments of approximately EUR 260 million, as well as dividends of roughly EUR 330 million over the next year. However, the group's generous dividend policy limits financial headroom for extraordinary investments or substantial acquisitions, which dampens our rating assessment.

For the 2023 financial year, Elisa expects stable business development, with annual revenue as well as the comparable EBITDA remaining the same or coming in slightly above the level of the previous year. The Company's strict investment policy (12% of revenue) will be retained. Taking into account Elisa's sufficient current liquidity and liquidity reserves, reliable cash flows, well-coordinated and — in our view — realistic investment plans, we consider Elisa's short-to-medium-term financial risks to be manageable. Moreover, the Group enjoys a well-established market position and strong technological know-how, as well as an adequate capital structure, which should enable Elisa to pursue its strategic plan and facilitate moderate organic growth in the medium-term.

Issue rating

Issue rating details

The rating objects of this issue rating are exclusively the long-term senior unsecured issues, denominated in euros, issued by Elisa Oyj (Issuer), which are included in the list of ECB-eligible marketable assets. The ECB list of eligible marketable assets can be found on the website of the ECB.

The notes have been issued under the EMTN programme with its latest prospectus of 21 July 2022. This EMTN programme amounts to EUR 1.5 billion. The notes and coupons under the EMTN programme constitute direct, unconditional, unsubordinated, unsecured obligations of the Issuer, and rank at least pari passu among themselves and with all other present and future unsecured obligations of the issuer. Additionally, the notes benefit from a negative pledge provision, a change of control clause, and a cross default mechanism.

Corporate issue rating result

We have provided the EUR debt securities issued by Elisa Oyj with a rating of **BBB+/ stable**. The rating is based on the corporate rating of Elisa Oyj. Other types of debt instruments or issues denominated in other currencies of the issuer have not been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Overview

Table 3: Overview of CRA Ratings | Source: CRA

Rating Category	Details	
	Date	Rating
Elisa Oyj (Issuer)	05.05.2023	BBB+ / stable
Long-term Local Currency (LC) Senior Unsecured Issues	05.05.2023	BBB+ / stable
Other	--	n.r.

Table 4: Overview of 2022 Euro Medium Term Note programme | Source: Elisa Oyj, Base Prospectus dated 21 July 2022

Overview of 2022 EMTN programme			
Volume	EUR 1,500,000,000	Maturity	Depending on the respective bond
Issuer / Guarantor	Elisa Oyj	Coupon	Depending on the respective bond
Arranger	Nordea Bank Abp	Currency	Depending on the respective bond
Credit enhancement	none	ISIN	Depending on the respective bond

All future LT LC senior unsecured notes issued by Elisa Oyj with similar conditions to the current EMTN programme, denominated in euros and included in the list of ECB-eligible marketable assets will, until further notice, receive the same ratings as the current LT LC senior unsecured notes issued under the EMTN programme. Notes issued under the programme in any currency other than euro, or other types of debt instruments, have not yet been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG. For the time being, other emission classes or programs (such as commercial paper programs), and issues not denominated in euro, will not be assessed.

Appendix

Rating history

The rating history is available under:

<https://www.creditreform-rating.de/en/ratings/published-ratings.html>

Table 5: Corporate issuer rating of Elisa Oyj

Event	Rating date	Publication date	Monitoring period	Result
Initial Rating	11.06.2019	27.06.2019	08.11.2020	BBB+ / stable

Table 6: LT LC senior unsecured issues by Elisa Oyj

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	11.06.2019	27.06.2019	08.11.2020	BBB+ / stable

Regulatory requirements

The rating³ was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

The present rating is, in the regulatory sense, an unsolicited rating that is public. The analysis was carried out on a voluntary basis by Creditreform Rating AG, which was not commissioned by the Issuer or any other third party to prepare the present rating.

The rating is based on the analysis of published information and on internal evaluation methods for the assessment of companies and issues. The rating object was informed of the intention of creating or updating an unsolicited rating before the rating was determined.

The rating object participated in the creation of the rating as follows:

With Rated Entity or Related Third Party Participation	No
With access to Internal Documents	No
With Access to Management	No

A management meeting did not take place within the framework of the rating process.

The documents submitted and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies.

The rating was conducted based on the following rating methodologies and the basic document.

Rating methodology	Version number	Date
Corporate Ratings	2.4	July 2022
Non-financial Corporate Issue Ratings	1.0	October 2016
Rating Criteria and Definitions	1.3	January 2018

The documents contain a description of the rating categories and a definition of default.

The rating was carried out by the following analysts:

³ In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

Name	Function	Mail-Address
Natallia Berthold	Lead-analyst	N.Berthold@creditreform-rating.de
Holger Becker	Analyst	H.Becker@creditreform-rating.de

The rating was approved by the following person (person approving credit ratings, PAC):

Name	Function	Mail-Address
Philipp Beckmann	PAC	P.Beckmann@creditreform-rating.de

On 5 May 2023, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the Company on 5 May 2023. There has not been a subsequent change to the rating.

The rating will be monitored until Creditreform Rating AG withdraws the rating. The rating can be adjusted as part of the monitoring, if crucial assessment parameters change.

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on this registration, Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

ESG-factors

You can find out whether ESG factors were relevant to the rating in the upper section of this rating report "Relevant rating factors".

A general valid description for Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

Conflicts of interest

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report at this point:

No ancillary services in the regulatory sense were carried out for this rating object.

Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the [ESMA website](#).

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

Disclaimer

Any rating performed by Creditreform Rating AG is subject to the Creditreform Rating AG Code of Conduct, which has been published on the web pages of Creditreform Rating AG. In this Code of Conduct, Creditreform Rating AG commits itself – systematically and with due diligence – to establish its independent and objective opinion as to the sustainability, risks and opportunities concerning the enterprise or the issue under review.

Future events are uncertain, and forecasts are necessarily based on assessments and assumptions. This rating is therefore no statement of fact, but an opinion. For this reason, Creditreform Rating AG cannot be held liable for the consequences of decisions made on the basis of any of their ratings. Nor should these ratings be construed as recommendations for investors, buyers or sellers. They should only be used by market participants (entrepreneurs, bankers, investors etc.) as one factor among others when arriving at corporate or investment decisions. Ratings are not meant to be used as substitutes for one's own research, inquiries and assessments.

We have assumed that the documents and information made available to us by the client are complete and accurate and that the copies provided to us represent the full and unchanged contents of the original documents. Creditreform Rating AG assumes no responsibility for the true and fair representation of the original information.

This report is protected by copyright. Any commercial use is prohibited without prior written permission from Creditreform Rating AG. Only the full report may be published in order to prevent distortion of the report's overall assessment. Excerpts may only be used with the express consent of Creditreform Rating AG. Publication of the report without the consent of Creditreform Rating AG is prohibited. Only ratings published on the Creditreform Rating AG web pages remain valid.

Creditreform Rating AG

Contact information

Creditreform Rating AG

Europadamm 2-6
D-41460 Neuss

Phone: +49 (0) 2131 / 109-626
Telefax: +49 (0) 2131 / 109-627

E-Mail: info@creditreform-rating.de
Web: www.creditreform-rating.de

CEO: Dr. Michael Munsch
Chairman of the Board: Michael Bruns

HR Neuss B 10522