

Rating object	Rating information	
Elisa Oyj Creditreform ID: 400981181 Incorporation: 6 June 1882 (originally) Based in: Helsinki, Finland Main (Industry): Telecommunications CEO: Veli-Matti Mattila <u>Rating objects:</u> Long-term Corporate Issuer Rating: Elisa Oyj Long-term Local Currency (LT LC) Senior Unsecured Issues	Corporate Issuer Rating: BBB+ / stable	Type: Update Unsolicited Public rating
	LT LC Senior Unsecured Issues: BBB+ / stable	Other: n.r.
	Rating date: 04 November 2022 Monitoring until: withdrawal of the rating Rating methodology: CRA "Corporate Ratings" CRA "Non-Financial Corporate Issue Ratings" CRA "Rating Criteria and Definitions" Rating history: www.creditreform-rating.de	

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Analysts

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

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

Neuss, Germany

Summary

Company

Elisa Oyj (hereinafter also referred to as 'the Company' or 'Elisa') is an integrated fixed-line and mobile telecommunications and digital services Company which operates mainly in Finland and Estonia. The Company serves over 2.8 million private, corporate, and public administration customers, and is the market leader in Finland in terms of mobile and fixed network subscriptions; in Estonia it is the second-largest integrated telecommunications operator. Along with wireless, wireline telephony and broadband services, the Group is active in other internet and digital services such as pay TV and videoconferencing, and provides solutions for automation of network management and operation for mobile operators, as well as IoT solutions for industry. In addition to its domestic and Estonian markets, the Company offers digital services internationally.

In 2021, the Company achieved revenues amounting to EUR 1,997.9 million (2020: EUR 1,894.6 million) and EAT of EUR 343.4 million (2019: EUR 328.1 million), with approximately 5,400 employees.

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 strong 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 in 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. We consider it positive that the Company's strategic goals include clear financial targets to maintain a solid financial structure. Elisa has a leading technological position and was among the world's first companies to open a 5G network in 2019, having already achieved a population coverage of over 83% in 2022. We take a critical view of the fact that both of the Company's key markets are already saturated and have high penetration rates in both mobile and broadband, thus limiting its growth potential. Intense competition on the Finnish telecom 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 a slightly positive development for Elisa according to its plan for 2022-2023, with moderately increasing earnings, continuing strong EBITDA, and a well-balanced asset and liabilities structure. Taking into account the Company's strategy and the further expansion of the 5G network and digital services, we do not expect any major capital expenditure that could lead to a deterioration of the Company's key financials.

Relevant rating factors

Table 1: Financials I Source: Elisa Financial Statements 2021, 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	
	2020	2021
Revenue (million EUR)	1,894.6	1,997.9
EBITDA (million EUR)	683.9	698.7
EBIT (million EUR)	407,7	432.1
EAT (million EUR)	328.1	343.4
EAT after transfer (million EUR)	328.0	343.6
Total assets (million EUR)	2,437.2	2,421.7
Equity ratio (%)	24.9	25.7
Capital lock-up period (days)	37.4	38.7
Short-term capital lock-up (%)	19.0	15.1
Net total debt / EBITDA adj. (Factor)	2.4	2.4
Ratio of interest expenses to total debt (%)	1.1	0.9
Return on investment (%)	14.0	14.8

General rating factors

- + Strong market and leading position in Finland
- + High level of 4G coverage and leader in 5G
- + Expansion of digital service businesses
- + Stable earnings capacity and strong balance sheet
- + Capex of max. 12% of revenue is relatively low
- + Good access to financial markets

- Small scale
- Limited growth potential due to focusing on Finland and Estonia, and to limited country risk diversification
- Intense competition
- Highly regulated market for telecom operators
- Dependence on rush technological changes

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 considers all balance sheet liabilities. Therefore, the key financial figures shown often deviate from the original values of the company.

Reference:

The relevant rating factors (key drivers) mentioned in this section are predominantly based on internal analyses, evaluations of the rating process and the derived valuations of the analysts participating in the rating, as well as - where applicable - other rating committee members. The fundamental external sources used are specified in the sections "Regulatory requirements" and "Rules on the presentation of credit ratings and rating outlooks".

Excerpts from the financial key figures analysis 2021:

- + increased revenues
- + improved EBITDA and EAT
- + improved equity ratio

- asset coverage ratio
- cash ratio

General rating factors summarize the key issues that - according to the analysts as per the date of the rating - have a significant or long-term impact on the rating, whether positive (+) or negative (-).

Current rating factors are the key factors that, in addition to the underlying rating factors, have an impact on the current rating.

Current rating factors

- + Business development in line with objectives
- + Growth of operating revenues and net profit in 2021
- + Improved equity ratio
- + Good business development in 2022
- + Long-term hedging policy for electricity purchases

- Decreased cash ratio
- Still high pay-out ratio, which leaves little scope for rapid debt reduction or significantly increased investment needs
- Rising inflation: expected inflation rate for 2022 in Finland of 6.5% (2021: 2.1%) and in Estonia of 21.0% (2021: 4.5%)²

Prospective rating factors are factors and possible events which – according to the analysts as of the date of the rating – would most likely have a stabilizing or positive effect (+) or a weakening or negative effect (-) on future ratings if they occurred. This is not an exhaustive list of possible future events with potential relevance for future ratings. Circumstances can arise that are not included in the list of prospective factors whose effects are impossible to assess at the time of the rating, either because these effects are uncertain or because the underlying events are deemed unlikely to occur.

Prospective rating factors

- + Cost reductions, synergies leading to increased operating cash flow
- + General improvement of financial ratios
- + New market opportunities in connection with the successful 5G business and other new products
- + Successful integration of acquired companies
- + Expansion of the international digital services business

- Risk of deterioration of operating performance due to keen competition
- Increasingly strict regulatory requirements
- Worsening of the economic situation and political instability
- Unexpected increase in capex

ESG-factors

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.

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.

In our view, the telecommunications sector has higher 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. However, this will be mitigated or even overcompensated in the future by efficiency gains from high-speed connectivity and more automated processes. Elisa has also made progress in this regard. 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.

² World Economic Outlook (October 2022) - Inflation rate, average consumer prices (imf.org)

With regard to the Company's ESG goals, Elisa managed to achieve climate neutrality in 2020 through energy saving measures and the acquisition of carbon emission offset credits. Moreover, as part of its climate change strategy, Elisa has set goals of reducing its emissions from its own operations (Scope 1 and Scope 2) by 50% by 2025 as compared to 2016, as well as reducing emissions related to travel and waste and emissions from the supply chain (Scope 3) by 12%. Furthermore, 100% of the energy the Company uses for its networks in Finland and Estonia comes from renewable sources. Starting in 2023, half 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 and employee satisfaction. 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](#).

Best-case scenario: BBB+

In our best-case scenario for one year, we assume a rating of BBB+. Despite its strong financial profile, we do not expect any significant growth, due to Elisa's geographic concentration as well as to competitive pressures. Furthermore, the rating is currently constrained by challenging and partly uncertain market conditions related to rising energy prices and inflation.

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 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 the financial year 2021, the Company achieved an increase in revenue of 5.5% to EUR 1,997.9 million (2020: EUR 1,894.6 million). This was driven by growth in mobile and domestic digital services, equipment sales and acquisitions. In contrast, lower mobile interconnection and roaming revenue as well as the decline in usage and subscriptions of traditional fixed telecom services negatively affected revenues. The adjusted EBITDA increased by 3.0% to EUR 705.7 million (2020: EUR 685.2 million), mainly due to revenue growth and productivity improvement measures. The annual result for 2021 was EUR 343.4 million, up 4.7% on the previous year's figure of EUR 328.1 million.

Table 2: The development of business of Elisa Oyj | Source: Consolidated annual report 2021 and 3Q 2022

Elisa Oyj						
In million EUR	2020	2021	Δ %	1Q-3Q 2021	1Q-3Q 2022	Δ %
Revenue	1,895	1,998	5.5	1,462	1,567	7.1
EBITDA	685	697	1.8	522	548	5.1
EBITDA adj.	685	706	3.0	528	550	4.3
EBIT	409	431	5.3	322	351	8.9
EBT	398	418	5.0	313	341	8.7
EAT	328	344	4.7	258	277	7.7

With slight deviations in Elisa's Corporate Customer business, both segments recorded an overall positive development in 2021. In the Consumer Customers business, revenue increased by 5% to EUR 1,241 million (2020: EUR 1,183 million) and adjusted EBITDA by 4% to EUR 478 million compared to EUR 461 million in the previous year. In The Company's corporate customers business, revenue increased by 6% to EUR 757 million (2020: EUR 711 million) and adjusted EBITDA by 2% to EUR 228 million (2020: EUR 224 million).

Capital expenditure of EUR 265 million in 2021 remained at the same level as in the previous year (EUR 266 million) and was largely related to the capacity and coverage expansion of 5G networks as well as other network and IT investments. Investments in shares were mainly related to the acquisition of TenForce and SedApta. In addition, leased assets accounted for EUR 18 million. With the acquisitions made in 2021, the Company has continued to implement its strategy for international growth in its digital business. The stake in Belgian TenForce NV (50.1%), a software company providing operational risk management (ORM) software for the global process industry, and the strategic alliance with SedApta Group (19%), an Italian-based international software provider for digital supply chain and smart manufacturing, further strengthen the growth of Elisa's industrial software business.

In an increasingly unpredictable and challenging environment, Elisa was able to present a positive business development in the nine months of 2022. Elisa Group's revenue in this period increased by 7.1% year-on-year to EUR 1.567 billion. This growth was driven by higher revenues in mobile, fixed and digital services as well as equipment sales, which more than compensated for the decline in revenue from the usage and subscriptions of traditional fixed telecom services as well as interconnection revenue. As a result of revenue growth and efficiency improvements, the Company was able to increase adjusted EBITDA by 4.3% to EUR 550 million, despite one-off restructuring costs of EUR 2 million related to staff reductions. EAT amounted to EUR 277 million, an increase of 7.7% compared to the same period last year. Both segments developed favorably in the nine months of 2022, contributing to the Group's positive business performance (see Table 3).

Table 3: The development of business segments in 1Q-3Q 2022 | Source: Unaudited interim report Q3 2022 of Elisa Oyj

Elisa Oyj according to individual corporate divisions in 2022						
In million EUR	Consumer Customers			Corporate Customers		
	1Q-3Q 2021	1Q-3Q 2022	Δ %	1Q-3Q 2021	1Q-3Q 2022	Δ %
Revenue	915	962	5.1	547	605	10.6
EBITDA	358	373	4.2	163	176	8.0
EBITDA adj.	361	374	3.6	167	176	5.4
EBIT	228	242	6.1	94	109	16.0

The direct impact of the Russian invasion of Ukraine, which began in February 2022, has remained marginal for the Elisa Group. The Group has suspended its operations in Russia. Nevertheless, the ongoing crisis situation could lead to disruptions in global supply chains, which had already been affected during the COVID-19 pandemic, resulting in dynamically rising prices for intermediate products and raw materials due to the shortage of raw materials and supplies. Increased risks in connection with energy supply could lead to production cutbacks and outages and have a lasting impact on the economic recovery on global markets. In light of this, Elisa has hedged against rising energy prices and continues to work on efficiency measures. For instance, energy saving measures were launched in the autumn 2022 in the Company's network, shops and offices in Finland and Estonia. Moreover, wind energy is expected to cover half of the electricity needs of the entire Elisa mobile network in Finland in the second quarter of 2023. Additionally, the economic impact of rising energy prices and inflation is to be mitigated through cost optimization and price adjustments.

For the financial year 2022, the Company anticipates slightly higher growth in revenue and adjusted EBITDA than in 2021. Until the end of 2023, the Company continues to aim for moderate growth in revenue and EBITDA of 2% and 3% respectively. At the same time, an equity ratio of at least 35% and a net financial debt/EBITDA of 1.5-2.0x are to be maintained, with capital expenditure not exceeding 12% of revenue. The growth should be supported primarily by the increase in the mobile data market, as well as national and international digital services.

Given the Company's focus on the Finnish market, with its clear division of power between the three leading telecom groups, as well as its already high market penetration, we see the Company's strategy of focusing on process optimization, expansion of its product range and quality improvement, while maintaining its solid technological base levels, as plausible and appropriate. We also have a favorable view of the Company's strategic goal of maintaining a balanced financing situation and stable balance sheet structure. Against the background of the targeted efforts and established market positioning, we consider a stable to slightly positive development of Elisa in the coming years to be fundamentally realistic, and the targeted strategic goals to be achievable.

Structural risk

Elisa is a publicly listed company on Nasdaq OMX Helsinki with approximately 180,000 shareholders. Approximately 53% of the shareholders are Finnish households and institutions. The largest shareholders are Solidium Oy with 10.0% (a Finnish state-owned investment company), the State Pension Fund with 2.3% and Varma with 2.2% (a mutual pension insurance company). There is no shareholder who directly or indirectly holds a controlling share of the Group's share capital.

The Group divides its customers into two segments: Consumer Customers and Corporate Customers. Elisa operates mainly in Finland and Estonia, but also provides digital services for international markets. The Group comprises the parent company, Elisa Oyj, and its subsidiaries, which concentrate on specific products and fields of business (telecom operators, IT services companies, videoconferencing, streaming services). Over 80% of the revenue is generated in the parent company. The Group prepares its financial statements according to IFRS, the individual companies use local accounting legislation.

Elisa's corporate structure observes the recommendations of the Finnish Corporate Governance Code. The main governing bodies are the Board of Directors, which currently comprises nine members, and the Executive Board with the CEO at the head. Currently, the Board of Directors is supported by two committees: the People and Compensation Committee (in issues regarding management and incentive schemes) as well as the Audit Committee (in issues related to financial reporting, accounting and risk management).

The Company currently has approx. 5,400 employees in over 21 countries internationally, most of them in Estonia, Sweden, Spain and Germany.

Elisa is obliged to comply with high legislative, regulative and corporate governance standards. Structural risks are associated with market regulation, obtaining licenses and spectrum, as well as with the maintenance of modern infrastructure. According to publicly available information regarding corporate governance and compliance measures, we assume sufficiently developed structures with regard to risk management, accounting and controlling, and other administrative and operational functional areas, and do not see any core risks in connection with the Company's structure. The Company is mainly focused on the Finnish and Estonian markets, which both have well-developed regulatory frameworks and enjoy political and economic stability. However, because Finland and Estonia are smaller countries with regard to population, and considering that these markets have nearly reached market saturation, and as the competition is rather intense, growth opportunities for the Group are limited in these markets.

Business risk

Elisa is a full-service telecom operator, offering a full range of telecommunications services ranging from voice and data services to ICT solutions, international communication solutions, and cable TV services. The Company has its own mobile and fixed networks in Finland and Estonia with 5.0 million mobile subscriptions (of which 4.3 million in Finland and 0.7 million in Estonia), 1.5 million fixed network subscriptions and 0.7 million broadband subscriptions.

The Finnish telecom market is dominated by three network operators offering digital mobile services over 2G, 3G, 4G/LTE and 5G networks. Due to the challenging competitive situation, it is difficult for telecom operators to retain their customer base and keep the termination rates under control. Nevertheless, Elisa has maintained its position as the leading provider for both fixed and mobile internet services in recent years. In 2021, the Company's market share in Finland was 39%, while the market shares of its competitors DNA and Telia stood at 29% and 21% respectively. The telecom market suffers from declining fixed connections and declining revenues from mobile interconnections and roaming. Additionally, regulated tariffs put pressure on the Group's revenues. The market has shifted from traditional fixed network to mobile data and mobile broadband. The usage of mobile services is continuously growing, supported by the growth of the smartphone market. The increased network coverage and capacity of 4G standard have also contributed to the growth of the mobile market.

Finland enjoys one of the highest mobile and broadband penetration rates in the world and is a pioneer in adopting 5G technology. Elisa has been operating a commercial 5G network since

the beginning of 2019, since which time the 5G network has grown, currently including over 200 locations and covering over 83% of the population. The introduction of the 5G standard has enabled a range of new services through new technologies, creating additional competitive opportunities for Elisa. Due to the quality and coverage of its network, the Company was selected in 2020 as the sole provider for the VIRVE, a nationwide public safety network in Finland, covering 4G, 5G and IoT.

Moreover, the Company is committed to deploying future-proof fiber infrastructure to meet the increasing demand for more bandwidth and advanced services. Another strength of Elisa is its offering of unlimited data traffic with a speed-based pricing model, which creates upselling opportunities.

The Company's strategy is based on three global objectives: an increase of mobile and fixed service revenues, enhancing of digital services, and improvement of efficiency and quality. The Company sees growth and efficiency improvement opportunities in the expansion of the mobile data market, as well as digital online and ICT services. The initiated productivity improvement measures of increasing of automation and data analytics in processes such as customer interaction, network operations, and delivery are part of the Company's strategy, along with quality improvement measures aimed at increasing customer satisfaction and efficiency, hence reducing the overall cost.

Telecom services are subject to heavy regulation and monitoring by several public authorities, which may affect prices of some Elisa's products and services as well as the necessary investment levels.

In our view, the Company has a well-established market position and strong technological know-how, making it possible to maintain moderate organic growth in the medium-term perspective. Given the limited growth potential due to Elisa's geographical concentration, we consider the Group's focus on improvements in high-quality content, maintaining and enhancing its high technological know-how - which will enable upselling, such as higher mobile data speeds - and introduction of products based on new technologies supported by 4G and 5G networks, as plausible and prudent.

Financial risk

In recent years, Elisa has consistently demonstrated a stable development of its key figures. Based on the 2021 consolidated financial statements, our analysis of the financial ratios shows a slight improvement overall and thus certifies a highly satisfactory result for the Elisa Group, which forms the foundation for the current rating.

For the purposes of its financial ratio analysis, Creditreform Rating AG (CRA) adjusted the original values in the financial statements. Contrary to our normal practice, we deducted the goodwill shown on the balance sheet from the equity by 50%, suggesting a certain recoverability of the goodwill.

The analytical equity ratio rose from 24.9% to 25.7% in 2021 and in this respect can be considered satisfactory. Along with the increase in adjusted equity by EUR 16.5 million to EUR 612.7 million due to the rise in the annual result, the decrease in the adjusted balance sheet total by EUR 15.5 million also had a positive effect. The decline in the balance sheet total resulted primarily from the reduction in total debt by EUR 32 million. Nevertheless, because of a decrease in cash and cash equivalents to EUR 114.10 million (31 December 2020: EUR 220.1 million), net total debt increased from EUR 1,110.2 million to EUR 1,127.5 million. This was also the reason why the net total debt/EBITDA adj. ratio of 2.42 in 2021 was slightly above the previous year's value of 2.36 despite the improved EBITDA adj.

The inherently high capital intensity of its assets (66.7%) is customary in the industry. Against the backdrop of the Group's high capital intensity and in line with technology standards, ongoing capital expenditures are required in both infrastructure and spectrum. A significant part of the capital expenditure is associated with acquisitions that help the Company maintain and expand its technological strength and broaden its product portfolio. For this reason, the carrying amount of the annual impairment tests goodwill in the reported financial statements is relatively high at EUR 1,139.4 million and represents 38% of the total assets as of 31 December 2021.

The Group's main external financing instruments are the following financing arrangements: EUR 300 million in committed credit lines, which remained undrawn as of 30 September 2022; a commercial paper programme with a total volume of EUR 350 million and credit facilities of EUR 100 million, of which EUR 169 million and EUR 30 million, respectively, have been drawn as of 30 September 2022; and an EMTN Programme with a total volume of EUR 1,500 million, of which EUR 900 million have been used.

As of 30 September 2022, Elisa reported a net cash flow from operating activities of EUR 414.2 million (30 September 2021: EUR 436.2 million). After the net cash outflow from investing and financing activities, cash and cash equivalents amounted to EUR 78.1 million (31 December 2021: EUR 114.1 million). As of 30 September 2022, cash and cash equivalents and undrawn committed credit lines, less commercial paper and credit facilities issued by Elisa, amounted to EUR 378.1 million (31 December 2021: EUR 414.1 million). Therefore, in our view, the Group has sufficient liquidity.

Overall, we do not see any material or minor financial risks for Elisa over the next 12-18 months. The Group has an adequate cash position, undrawn credit lines and a comfortable debt maturity profile, giving the Company financial flexibility together with proven access to the capital market. In addition, Elisa generates a reliable operating cash flow and has diversified sources of financing that should enable the Company to implement its strategic plan and achieve its financial goals, taking into account well-aligned and, in our opinion, realistic investment plans. A high profit distribution of 80 to 100% of the profit for the period, which leaves little space for unplanned and/or increased investment needs in the wake of new product launches or major acquisitions, dampens our rating assessment.

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+**. 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 4: Overview of CRA Ratings | Source: CRA

Rating Category	Details	
	Date	Rating
Elisa Oyj (Issuer)	27.09.2021	BBB+ / stable
Long-term Local Currency (LC) Senior Unsecured Issues	27.09.2021	BBB+ / stable
Other	--	n.r.

Table 5: 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.

Financial ratio analysis

Table 6: Financial key ratios | Source: Elisa Oyj consolidated annual report 2021, structured by CRA

Asset structure	2018	2019	2020	2021
Fixed asset intensity (%)	68.96	70.01	65.48	66.67
Asset turnover	0.88	0.85	0.81	0.82
Asset coverage ratio (%)	69.78	64.16	79.40	60.89
Liquid funds to total assets	3.80	2.33	9.03	4.71
Capital structure				
Equity ratio (%)	28.80	26.48	24.87	25.71
Short-term debt ratio (%)	28.23	22.30	23.36	21.72
Long-term debt ratio (%)	19.32	18.44	27.12	14.89
Capital lock-up period (in days)	37.29	38.19	37.37	38.71
Trade-accounts payable ratio (%)	8.79	8.66	7.96	8.75
Short-term capital lock-up (%)	19.89	15.73	19.00	15.09
Gearing	2.34	2.69	2.66	2.71
Leverage	3.68	3.62	3.90	3.95
Financial stability				
Cash flow margin (%)	29.74	30.90	31.56	30.60
Cash flow ROI (%)	25.58	25.56	24.53	25.25
Total debt / EBITDA adj.	2.39	2.49	2.68	2.58
Net total debt / EBITDA adj.	2.27	2.41	2.36	2.42
ROCE (%)	24.00	23.44	23.72	24.58
Total debt repayment period	2.94	2.56	3.03	3.03
Profitability				
Gross profit margin (%)	61.54	62.40	62.33	61.78
EBIT interest coverage	16.16	13.76	20.59	27.18
EBITDA interest coverage	25.61	23.02	34.54	43.94
Ratio of personnel costs to total costs (%)	17.00	17.37	17.19	18.71
Ratio of material costs to total costs (%)	38.46	37.60	37.67	38.22
Cost income ratio (%)	78.06	78.64	78.53	78.49
Ratio of interest expenses to total debt (%)	1.65	1.75	1.08	0.88
Return on investment (%)	15.90	14.66	13.95	14.75
Return on equity (%)	55.73	50.38	54.85	55.89
Net profit margin (%)	17.25	16.45	17.32	17.19
Operating margin (%)	22.06	21.43	21.52	21.63
Liquidity				
Cash ratio (%)	13.46	10.46	38.66	21.69
Quick ratio (%)	84.88	102.90	119.71	118.67
Current ratio (%)	109.95	134.47	147.78	153.44

Appendix

Rating history

The rating history is available under <https://www.creditreform-rating.de/en/ratings/published-ratings.html>.

Table 7: Corporate Issuer Rating of Elisa Oyj

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	11.06.2019	27.06.2019	Withdrawal of the rating	BBB+ / stable

Table 8: LT LC Senior Unsecured Issues issued by Elisa Oyj

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	11.06.2019	27.06.2019	Withdrawal of the rating	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:

Unsolicited Corporate Issuer / Issue Rating	
With rated entity or related third party participation	No
With access to internal documents	No
With access to management	No

The rating was conducted based on the following information.

List of documents
Accounting and controlling
<ul style="list-style-type: none"> ▪ Elisa annual report 2021 ▪ Elisa half-year financial report 2022 ▪ Elisa interim report Q3 2022 ▪ Analyst presentation material
Finance
<ul style="list-style-type: none"> ▪ Elisa EMTN Base Prospectus dated 21 July 2022 ▪ Final terms of the outstanding notes
Additional documents
<ul style="list-style-type: none"> ▪ Elisa sustainability report 2021 ▪ Press releases

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.

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

The documents 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	01.07.2022
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:

Name	Function	Mail-Address
Natalia 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 4 November 2022, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the Company on 4 November 2022. 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 a 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

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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

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