

13 February 2024 – 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. The initial unsolicited short-term rating was set to **L3** (adequate level of liquidity).

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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 in revenue and EBIT, as well as stable net profit in 2023
- + Solid financial profile and stable credit metrics in 2023
- + Good access to financial markets
- + Stable expectations for Elisa's business development in 2024
- High payout ratio, leaving little room for rapid debt reduction or significantly increased investment needs
- Intense competition
- Strictly regulated market for telecommunication operators
- Ongoing global economic uncertainty and generally increasing (geo-)political risks

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.

ESG-criteria:

CRA generally takes 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 positively impacts society by enabling digital transformation and playing a key role in digital inclusion. Due to the growing demand for connectivity and digital services, which results in an exponential rise in data traffic and, consequently, higher energy consumption and CO₂ emissions, the environmental risk of the telecom sector should not be underestimated. This, 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 an 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 which 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 of 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 corporate issuer 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, its consistent earnings capacity, and reliable cash flow generation. Elisa's unaudited financial report for the year 2023 shows a slightly positive trend in revenues and EBIT, which, despite increased investments and a generous shareholder remuneration policy, points to an overall relatively stable development of key financial indicators.

Elisa is well-established in the Finnish and Estonian telecommunications markets 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 the fact that the Company's strategic goals include clear financial targets aimed at maintaining a solid financial structure as positive. We take a critical view of the fact that both of the Company's two key markets are already saturated and have a high penetration rate in both mobile telephony and broadband, which limits Elisa's growth potential. Additionally, the Finnish telecommunications market is characterized by intense competition among its three major players, adding pressure to 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 2024, 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.

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.

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 challenging global economic conditions, including recessionary pressures, rising interest rates and heightened (geo-)political tensions.

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, weakening liquidity, or increased investment needs combined with a substantial increase in debt.

Business development and outlook

Despite ongoing geopolitical tensions and prevailing market challenges, Elisa demonstrated a modestly positive development in revenue and EBIT according to the preliminary figures for the financial year 2023. Recording revenues of EUR 2,181 million (2022: EUR 2,130 million), Elisa achieved EBITDA of EUR 756 million (2022: EUR 733 million) and EBIT of EUR 482 million (2022: EUR 470 million) in 2023. The EAT remained stable compared to the previous financial year at EUR 374 million (2022: EUR 373 million). The growth in revenue (+2.4%) was largely driven by the uptick in mobile, fixed, domestic and international digital services as well as by equipment sales. Conversely, the decline in roaming and traditional fixed-line telecommunication services exerted a dampening effect. The divestment of Videra and the termination of the video steaming cooperation contributed to an additional negative impact on domestic and other digital services revenues. EBITDA increased by 3.1%, largely attributable to revenue growth and measures to increase productivity. However, this operating improvement was offset by elevated financial expenses stemming from higher interest rates, resulting in the net profit of EUR 374 million, unchanged from the previous year.

Table 1: The development of business of Elisa Oyj | Source: Financial Statements Release 2023 (unaudited), reported information

Elisa Oyj				
In million EUR	2022	2023 (e)	Δ	Δ %
Revenue	2,130	2,181	51	2.4
EBITDA	733	756	23	3.1
EBIT	470	482	12	2.6
EBT	456	458	2	0.4
EAT	373	374	1	0.3
Net debt ¹	1,276	1,304	28	2.2
CapEx	290	321	31	11.7
Cash flow ²	300	347	47	15.7

¹ Including interest-bearing lease liabilities

² Cash flow before financing activities

Investments in 2023 totaled EUR 321 million, an increase of 11.7% year-on-year (2022: EUR 290 million), and were primarily focused on expanding capacity and coverage in 5G networks, fiber, and other network and IT investments.

Despite heightened investments, we see an overall stable development of the financial ratio analysis for 2023 compared to 2022, based on Elisa's published preliminary financial year figures. Net total debt / EBITDA adj., which adjusts EBITDA for non-operating, non-recurring events, is expected to remain broadly in line with the prior year at 2.4 in 2023. This is also due to the relative steadiness of net total debt of EUR 1,742 million (2022: EUR 1,738 million) compared to the previous year. Similarly, the profitability ratios are projected to maintain stability from the prior year. Given the increase in equity to EUR 1,294 million (2022: EUR 1,252 million), we see a marginal enhancement in the analytical equity ratio (2022: 26.6%). Although we expect the EBIT interest coverage and the interest expenses to total debt ratios to deteriorate significantly compared to the previous year (2022: 28.5 and 0.9%, respectively) due to the increase in interest expenses, these metrics should nevertheless remain at solid levels in 2023.

At the end of 2023, cash and cash equivalents amounted to EUR 64 million (2022: EUR 85 million). In addition, Elisa had the following financing agreements: EUR 300 million committed credit lines and a EUR 100 million uncommitted credit facility, which both remained undrawn as of 31 December 2023; a commercial paper programme with a total volume of EUR 350 million, of which EUR 35 million had been issued; and an EMTN programme with a total volume of EUR 1,500 million, of which EUR 1,148 million had been issued. In September 2023, Elisa repaid a loan of EUR 150 million and announced the purchase of its EUR 51.97 million bond maturing in March 2024, of which EUR 248 million remains outstanding. These sources, together with the annual funds from operating cash flow of roughly EUR 600-650 million, provide a solid liquidity base to cover investments (12-13% of sales) as well as dividends (95% of the previous year's net profit) over the next year. However, the Group's generous dividend policy limits the financial headroom for extraordinary investments or substantial acquisitions, which dampens our rating assessment.

For the 2024 financial year, Elisa expects stable business development, with annual revenue and the comparable EBITDA remaining the same or coming in slightly above the level of the previous year. The Company's strict investment policy (12-13% of revenue) will be retained. Taking into account Elisa's sufficient current liquidity position, 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.

Further ratings

Based on the long-term issuer rating and taking into account our liquidity analysis, the short-term rating of Elisa Oyj was initially set at **L3** (standard mapping), which corresponds to an adequate level of liquidity.

The rating objects of the issue rating are exclusively long-term senior unsecured issues, denominated in euro, issued by Elisa Oyj, and which are included in the list of ECB-eligible marketable assets.

The notes have been issued under the EMTN programme with its latest prospectus of 13 July 2023.

We have provided the long-term local currency senior unsecured notes issued by Elisa Oyj with an unsolicited rating of **BBB+ / stable**. The rating is based on the corporate issuer rating.

Long-term local currency senior unsecured notes issued by Elisa Oyj, which have similar conditions to the current EMTN programme, denominated in euro, and included in the list of ECB-eligible marketable assets, generally receive the same ratings as the current LT LC senior unsecured notes issued under the EMTN programme. Notes issued in any currency other than euro, or other types of debt instruments, 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.

Table 2: Overview of CRA Ratings | Source: CRA

Rating Category	Details	
	Date of rating committee	Rating
Elisa Oyj	13.02.2024	BBB+ / stable / L3
Long-term Local Currency (LC) Senior Unsecured Issues issued by Elisa Oyj	13.02.2024	BBB+ / stable
Other	--	n.r.

Appendix

Rating history

The rating history is available under the following [link](#).

Table 3: 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 4: LT LC Senior Unsecured Issues issued by Elisa Oyj

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

Table 5: Short-term issuer rating of Elisa Oyj

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	13.02.2024	www.creditreform-rating.de	Withdrawal of the rating	L3

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
Corporate Short-Term Ratings	1.0	June 2023
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
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 13 February 2024, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 14 February 2024. There has not been a subsequent change to the rating.

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.

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.

Creditreform Rating AG ensures that the provision of ancillary services does not present conflicts of interest with its credit rating activities and discloses in the final ratings reports any ancillary services provided for the rated entity or any related third party. The following ancillary services were provided for the rated entity or for third parties associated with the rated entity:

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

For the complete list of provided ancillary services please refer to the Creditreform Rating AG's website: <https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html#non-core-business-activities>.

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 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.

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