

# RatingsDirect®

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## Elisa Oyj

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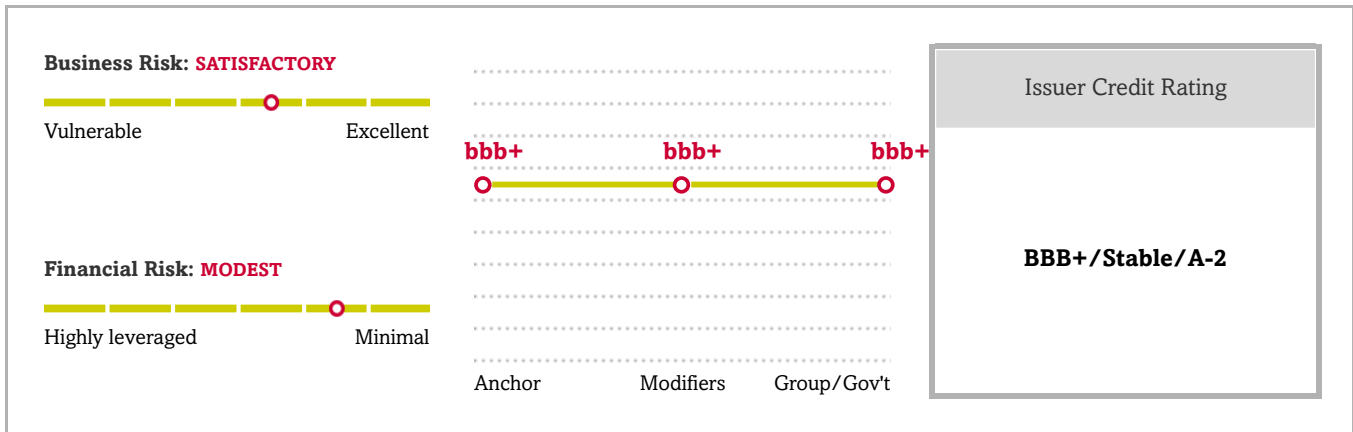
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# Elisa Oyj



## Credit Highlights

### Overview

#### Key strengths

Leading telecommunications operator in Finland, with a 37% subscriber market share in mobile and 33% in fixed broadband as of December 2019.

Investments in mobile 4G and quickly expanding 5G network, support the monetization of rising mobile data consumption.

Overall stable competitive environment in the three-player Finnish telecom market.

Conservative financial policy, targeting net debt to EBITDA of 1.5x–2.0x, translating into S&P Global Ratings-adjusted debt to EBITDA of less than 2.0x.

Relatively low capital expenditure (capex) of about 12% of sales, leading to strong free operating cash flow (FOCF) of more than 30% of debt.

#### Key risks

Limited scale compared with many European peers, with annual EBITDA of about €675 million–€700 million and a comparatively narrow geographic focus.

Intense competition in certain parts of the residential broadband and business-to-business (B2B) segments.

Commercial paper maturing in less than 12 months typically constituting 10%–12% of total debt.

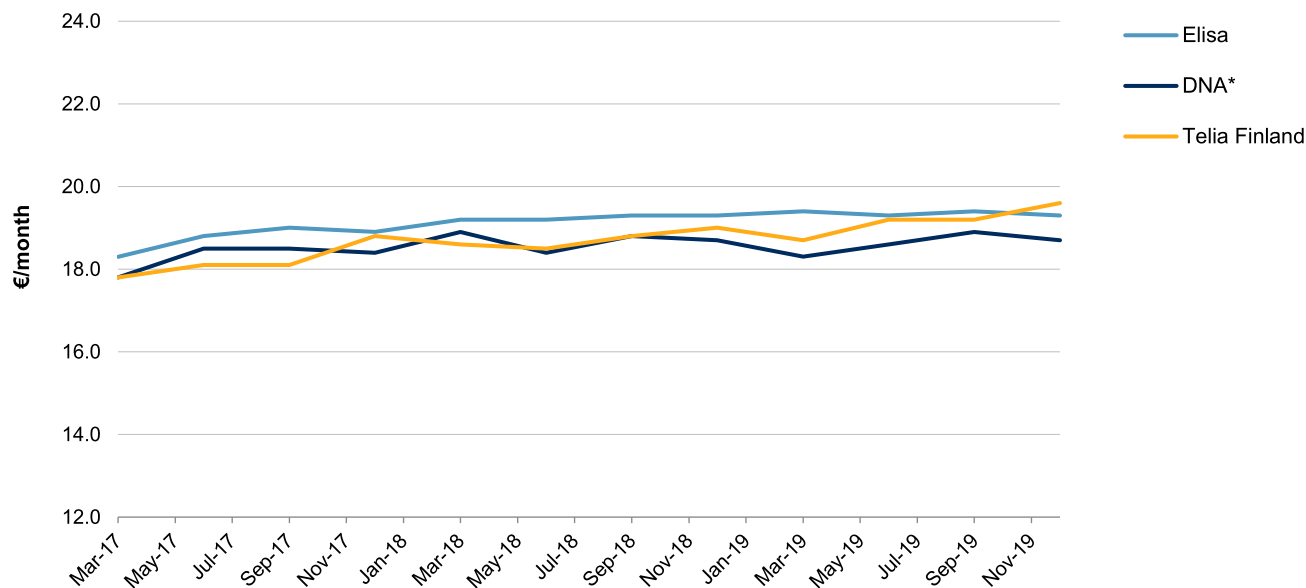
Investment in fixed networks has been modest, which could lead to higher capex if competitors offer higher fixed broadband speeds.

**Elisa is the No.1 player in Finland, but the market remains saturated and competitive.** Elisa holds a leading 37% mobile subscriber market share, ahead of Telia (34%), and DNA (owned by Telenor, 28%). Still, Elisa has shown flat average revenue per user since 2017 (chart 1). S&P Global Ratings expects the Finnish mobile market to remain broadly stable in 2020. We forecast that Elisa's mobile service revenue growth will be about 1.0%–1.5% in 2020–2021 following 0.7% growth in 2019 and 2.5% in 2018. The Finnish mobile market has good quality networks and high saturation for mobile subscriptions. The three operators hold equal or very similar amounts of spectrum in all key bands, and both Elisa and DNA report 4G coverage spanning more than 99% of the population. However, Elisa has the widest spectrum availability among the three peers. Finland's subscription penetration (subscriptions/population) is the highest in the EU at above 150%, therefore the saturated market is leading to periods of intensifying competition and limits growth opportunities.

## Chart 1

## Revenue Per User Has Been Flat In The Finnish Mobile Market For Several Years

Postpaid average revenue per user



Source: Company Reports. Notes: DNA is now Telenor. Numbers are not fully comparable between operators due to disclosure differences

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***We expect COVID-19 impact will be modest.*** We believe companies like Elisa will perform with relative stability through the COVID-19 outbreak because of the telecom sector's low cyclicality and significant utility-like demand characteristics, which limit the correlation of its performance to macroeconomic conditions. However, we will continue to monitor Elisa's exposure to the situation, and cannot rule out revisions to our forecast due to: weaker trading conditions stemming from a deterioration in our macroeconomic and GDP expectations; directly affected revenue streams like roaming fees or equipment sales; and higher working capital from accelerated supplier payables or slower customer receivables collection. For more on our views regarding COVID-19 impacts on the telecom sector, please see our related commentary "COVID-19: EMEA Telecoms Will Prevail, But Not Completely Unscathed," published April 6, 2020.

***Successful rollout of 5G services in 2019 expected to be continued in 2020.*** The 5G readiness built into Elisa's network enabled it to be one of the first companies in the world to launch a commercial 5G network, at the very beginning of the 2019. Elisa has launched its 5G network in 31 cities. In the capital area, Elisa has one of the largest 5G coverages in Europe, with hundreds of base stations and coverage for over 200,000 people. In fourth-quarter 2019, Elisa continued to serve customers as a 5G forerunner by introducing the 5G Fixed Wireless Access (FWA) service.

***Elisa has a conservative financial policy.*** The company has a publicly defined net leverage (net debt to EBITDA) target of 1.5x-2.0x, which we expect it will continue to follow. Furthermore, management has indicated that if the company exceeds this, maybe due to an acquisition, it will not tolerate net leverage above 2.2x and will focus on

reducing leverage to the target. Elisa's reported net leverage target translates into adjusted leverage below 2.0x.

## Outlook

The stable outlook reflects our expectation that the company will report stable adjusted EBITDA margins of 36%-37% and revenue growth of 1.0%-1.5% in the next 12 months, mainly thanks to higher revenue from mobile and new digital services. We further anticipate that adjusted debt to EBITDA will be below 2.0x and FOCF to debt more than 30%.

### Downside scenario

We could lower our ratings if Elisa's EBITDA or FOCF weakened, for example if intense competition caused a pronounced revenue decline or weaker margins, or if unexpected competitive developments forced Elisa to significantly step up its capex. We could also downgrade Elisa if its adjusted debt to EBITDA increased to 2.0x or higher, or adjusted FOCF to debt decreased toward 20% for a prolonged period, for instance due to debt-financed acquisitions or high shareholder returns.

### Upside scenario

Rating upside is remote, given Elisa's limited scale and diversification and its financial policy, under which it targets net debt to EBITDA of 1.5x-2.0x.

## Our Base-Case Scenario

### Assumptions

- A recession in the wake of the COVID-19 pandemic, with eurozone real GDP declining by 7.8% in 2020 after increasing 1.2% in 2019, real GDP declining 6% in Finland in 2020 with rebound of 2.5% expected in 2021, after 1% growth in 2019, offset by demand for digital and information technology services in the B2B market.
- Finland's unemployment rate slightly increasing from 6.7% in 2019, limiting the upselling of better mobile plans and additional services such as internet protocol television (IPTV) in the business-to-consumer (B2C) segment. Some negative impact on the B2B segment due to macroeconomic pressure on small and midsize enterprises.
- Revenue remaining flat in 2020 and growth of about 1% in 2021, with increasing mobile service revenue and new digital services, offset by flat fixed broadband revenue and a continued decline in landline voice and B2B fixed connectivity revenue.
- A stable adjusted EBITDA margin of 36.0% in 2020, following 36.0% in 2019. This could potentially improve to 36.5% in 2021 and beyond enhanced by high-margin mobile service revenue growth and the increasing scale of new digital services.
- Capex to sales of 12% in 2020-2021, down from 12.6% in 2019.
- A dividend payout ratio of about 90% in 2020-2021, after 88.5% in 2019, given Elisa's stated financial policy of distributing 80%-100% of net profit.

### Key Metrics

|                    | 2019A | 2020E     | 2021E     |
|--------------------|-------|-----------|-----------|
| Debt to EBITDA (x) | 1.6   | 1.45-1.55 | 1.35-1.45 |

|                  | 2019A | 2020E     | 2021E     |
|------------------|-------|-----------|-----------|
| FFO to debt (%)  | 54.8  | 56.0-59.0 | 59.0-62.0 |
| FOCF to debt (%) | 31.0  | 32.0-34.0 | 34.0-36.0 |

S&P Global Ratings-adjusted metrics, after captive finance adjustments where applicable. A--Actual. E--Estimate. FFO--Funds from operations. FOCF—Free operating cash flow.

***We expect revenue growth to be supported by higher demand for connectivity.*** The number of fixed broadband and mobile subscriptions (excluding machine-to-machine SIM cards) is expected to remain fairly flat over the next two years. We think that the need for higher data consumption and potentially for higher-speed packages in the context of COVID-19-related social distancing will produce modest growth in mobile service revenue. At the same time, we believe that this could be partially offset by lower roaming revenues. In addition, we expect revenue growth from demand for the internet of things (IoT) and other digital services in the B2B segment. Revenue growth could also be balanced by a secular decline in traditional fixed network subscriptions and flat fixed broadband revenue, with the upselling of higher speeds to be constrained by intense competition in multi-dwelling units.

***Elisa's manageable capex should continue to support FOCF.*** We expect the capex-to-sales ratio to remain at 12%, stemming from continued investments in the fixed broadband network, improvements in coverage and capacity in the mobile network, and continued 5G rollout. This will support strong FOCF, exceeding 25% of adjusted debt. However, we see a risk that increasing competition or shifting demand may lead to higher capex in the medium-to-long term if Elisa needs to ramp up deployment of fiber to the home or business (FTTH or FTTB). In our view, the risk is currently moderate, given current competitive conditions and demand patterns. In addition, Elisa is gradually upgrading its networks to higher speeds, and is able to serve 75% of its coverage area with fiber-to-the-curb or FTTH/FTTB connections.

## Company Description

Elisa provides fixed and mobile telecom services to consumers and corporate customers in Finland. Along with connectivity services, the company offers information and communications technology and digital services in adjacent segments, such as IT security for enterprise clients or IPTV for consumers. At end-2019, Elisa had about 4.74 million mobile subscribers (of which about 91% are postpaid) and approximately 1.5 million fixed-line subscriptions, including 690,000 in broadband and 632,000 in cable-TV. In 2019, Elisa generated about 62.5% of its €1.84 billion revenue and 65% of its €668 million EBITDA from the provision of services to consumers, and the remainder from its corporate customer business.

## Peer Comparison

Table 1

| Elisa Oyj--Peer Comparison           |                 |                 |               |                |
|--------------------------------------|-----------------|-----------------|---------------|----------------|
| Industry sector: Diversified telecom |                 |                 |               |                |
|                                      | Elisa Oyj       | Telia Co. AB    | Telenor ASA   | Tele 2         |
| Ratings as of June 22, 2020          | BBB+/Stable/A-2 | BBB+/Stable/A-2 | A-/Stable/A-2 | BBB/Stable/A-2 |
| --Fiscal year ended Dec. 31, 2019--  |                 |                 |               |                |

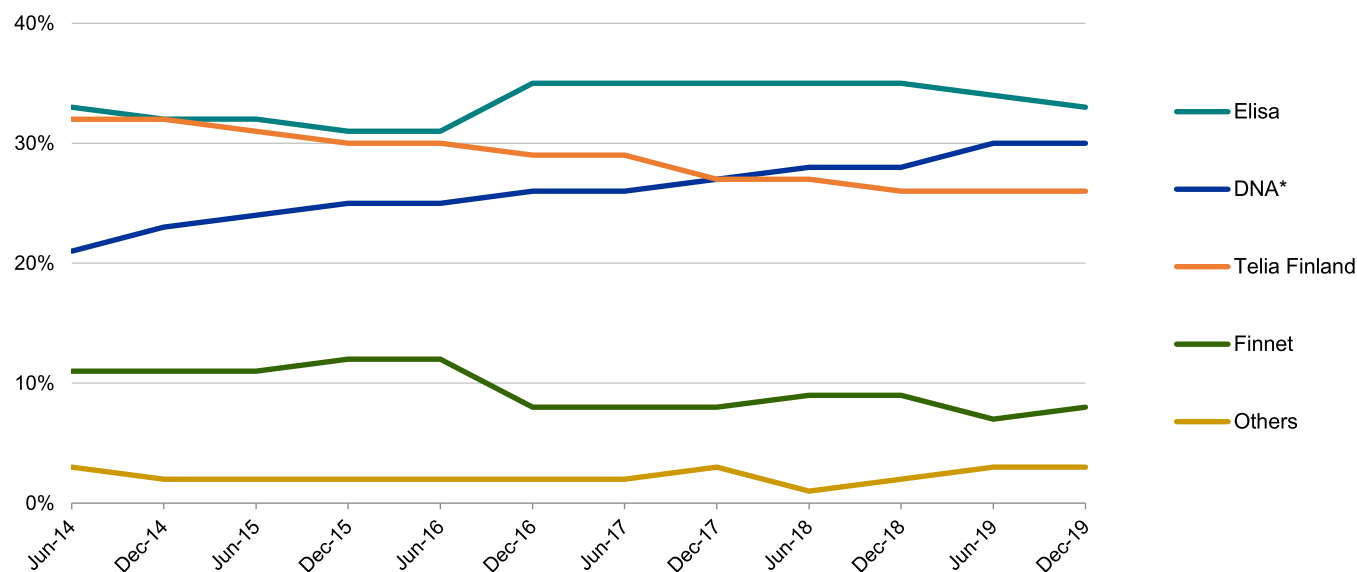
Table 1

| <b>Elisa Oyj--Peer Comparison (cont.)</b>   |                  |                     |                    |               |
|---|------------------|---------------------|--------------------|---------------|
| <b>Industry sector: Diversified telecom</b> |                  |                     |                    |               |
|   | <b>Elisa Oyj</b> | <b>Telia Co. AB</b> | <b>Telenor ASA</b> | <b>Tele 2</b> |
| <b>(mil. €)</b>                             |                  |                     |                    |               |
| Revenue                                     | 1,843.5          | 8,200.1             | 11,522.2           | 2,638.4       |
| EBITDA                                      | 663.0            | 2,913.0             | 5,135.0            | 945.6         |
| Funds from operations (FFO)                 | 569.6            | 2,542.9             | 3,596.7            | 823.0         |
| Interest expense                            | 22.9             | 306.4               | 468.8              | 45.4          |
| Cash interest paid                          | 24.4             | 283.2               | 472.8              | 46.5          |
| Cash flow from operations                   | 547.3            | 2,544.6             | 3,469.0            | 926.8         |
| Capital expenditure                         | 225.0            | 1,440.0             | 2,228.7            | 344.4         |
| Free operating cash flow (FOCF)             | 322.3            | 1,104.6             | 1,240.4            | 582.4         |
| Discretionary cash flow (DCF)               | 42.7             | (330.1)             | (1,046.7)          | (99.9)        |
| Cash and short-term investments             | 52.0             | 583.4               | 1,381.5            | 42.7          |
| Debt  | 1,211.1          | 9,250.6             | 14,053.0           | 2,965.0       |
| Equity                                      | 1,150.3          | 9,577.2             | 4,393.3            | 3,320.1       |
| <b>Adjusted ratios</b>                      |                  |                     |                    |               |
| EBITDA margin (%)                           | 36.0             | 35.5                | 44.6               | 35.8          |
| Return on capital (%)                       | 17.2             | 6.8                 | 16.1               | 6.6           |
| EBITDA interest coverage (x)                | 29.0             | 9.5                 | 11.0               | 20.8          |
| FFO cash interest coverage (x)              | 24.3             | 10.0                | 8.6                | 18.7          |
| Debt/EBITDA (x)                             | 1.8              | 3.2                 | 2.7                | 3.1           |
| FFO/debt (%)                                | 47.0             | 27.5                | 25.6               | 27.8          |
| Cash flow from operations/debt (%)          | 45.2             | 27.5                | 24.7               | 31.3          |
| FOCF/debt (%)                               | 26.6             | 11.9                | 8.8                | 19.6          |
| DCF/debt (%)                                | 3.5              | (3.6)               | (7.4)              | (3.4)         |

Our rating on Elisa is on par with that on Telia and the stand-alone credit quality of Telenor, reflecting Telia's and Telenor's much larger scale and geographic diversity but Elisa's stronger credit metrics.

## Business Risk

Elisa has leading positions in the Finnish mobile and broadband markets, which have relatively stable structures but intermittently intense competition. Despite its small geographic footprint, Elisa is No. 1 in the three-player Finnish mobile market with a 37% market share and 33% in the more fragmented fixed broadband market). Although intense competition exists in certain pockets of the fixed broadband market, such as for multi-dwelling units, overall competitive dynamics remain relatively stable. This is partly because the three main players' broadband networks are regionally concentrated and have limited overlap, and incentives for operators to poach customers from outside their footprint have so far been limited.

**Chart 2****Elisa Has A Leading Position In The Stable Finnish Fixed-Line Market**  
Subscriber market share

Notes: DNA is now Telenor. Source: Traficom.

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In addition to telecom, Elisa provides several other digital services, such as IPTV, cloud—based IT, videoconferencing, and IoT. Elisa is looking to expand its portfolio of adjacent products, since these are an important contributor to growth.

## Financial Risk

Elisa displays a conservative leverage policy and solid FOCF generation, in our view. Furthermore, we regard Elisa's capex pattern as fairly stable and predictable at this stage, with a moderate risk of unexpected and significant medium-term deviations from its targeted capex-to-sales ratio of 12%, which the company has adhered to for many years and forecasts for 2020-2021. This supports good FOCF generation that compares favorably with peers in the European telecom sector.

## Financial summary

Table 2

| <b>Elisa Oyj--Financial Summary</b>         |                                      |             |             |             |             |
|---|--------------------------------------|-------------|-------------|-------------|-------------|
| <b>Industry sector: Diversified telecom</b> |                                      |             |             |             |             |
|   | <b>--Fiscal year ended Dec. 31--</b> |             |             |             |             |
|   | <b>2019</b>                          | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> |
| <b>(Mil. €)</b>                             |                                      |             |             |             |             |
| Revenue                                     | 1,843.5                              | 1,831.5     | 1,787.4     | 1,635.7     | 1,569.5     |
| EBITDA                                      | 663.0                                | 670.2       | 641.5       | 599.5       | 562.3       |
| Funds from operations (FFO)                 | 569.6                                | 576.1       | 551.7       | 507.0       | 481.8       |
| Interest expense                            | 22.9                                 | 30.2        | 29.1        | 28.1        | 29.4        |
| Cash interest paid                          | 24.4                                 | 25.8        | 26.2        | 27.4        | 28.5        |
| Cash flow from operations                   | 547.3                                | 529.1       | 515.0       | 507.6       | 481.4       |
| Capital expenditure                         | 225.0                                | 227.4       | 246.6       | 206.1       | 194.5       |
| Free operating cash flow (FOCF)             | 322.3                                | 301.7       | 268.4       | 301.5       | 286.9       |
| Discretionary cash flow (DCF)               | 42.7                                 | 38.6        | 28.8        | 78.3        | 76.6        |
| Cash and short-term investments             | 52.0                                 | 80.9        | 44.3        | 44.5        | 29.1        |
| Gross available cash                        | 52.0                                 | 80.9        | 44.3        | 44.5        | 29.1        |
| Debt  | 1,211.1                              | 1,159.7     | 1,226.1     | 1,240.7     | 1,069.6     |
| Equity                                      | 1,150.3                              | 1,126.9     | 1,039.8     | 971.3       | 925.9       |
| <b>Adjusted ratios</b>                      |                                      |             |             |             |             |
| EBITDA margin (%)                           | 36.0                                 | 36.6        | 35.9        | 36.7        | 35.8        |
| Return on capital (%)                       | 17.2                                 | 17.6        | 17.1        | 16.6        | 16.5        |
| EBITDA interest coverage (x)                | 29.0                                 | 22.2        | 22.1        | 21.3        | 19.1        |
| FFO cash interest coverage (x)              | 24.3                                 | 23.3        | 22.1        | 19.5        | 17.9        |
| Debt/EBITDA (x)                             | 1.8                                  | 1.7         | 1.9         | 2.1         | 1.9         |
| FFO/debt (%)                                | 47.0                                 | 49.7        | 45.0        | 40.9        | 45.0        |
| Cash flow from operations/debt (%)          | 45.2                                 | 45.6        | 42.0        | 40.9        | 45.0        |
| FOCF/debt (%)                               | 26.6                                 | 26.0        | 21.9        | 24.3        | 26.8        |
| DCF/debt (%)                                | 3.5                                  | 3.3         | 2.3         | 6.3         | 7.2         |

## Reconciliation

Table 3

| <b>Reconciliation Of Elisa Oyj Reported Amounts With S&amp;P Global Ratings' Adjusted Amounts (Mil. €)</b> |             |                             |               |                         |                         |  |                                  |                            |
|--|-------------|-----------------------------|---------------|-------------------------|-------------------------|--|----------------------------------|----------------------------|
| <b>--Fiscal year ended Dec. 31, 2019--</b>   |             |                             |               |                         |                         |  |                                  |                            |
| <b>Elisa Oyj reported amounts</b>  |             |                             |               |                         |                         |  |                                  |                            |
|  | <b>Debt</b> | <b>Shareholders' equity</b> | <b>EBITDA</b> | <b>Operating income</b> | <b>Interest expense</b> | <b>S&amp;P Global Ratings' adjusted EBITDA</b> | <b>Cash flow from operations</b> | <b>Capital expenditure</b> |
| Reported   | 1,140.5     | 1,149.6                     | 660.8         | 395.0                   | 22.7                    | 663.0  | 553.9                            | 231.6                      |
| <b>S&amp;P Global Ratings' adjustments</b>   |             |                             |               |                         |                         |  |                                  |                            |
| Cash taxes paid  | --          | --                          | --            | --                      | --                      | (69.0)   | --                               | --                         |
| Cash taxes paid: Other   | --          | --                          | --            | --                      | --                      | --   | --                               | --                         |
| Cash interest paid   | --          | --                          | --            | --                      | --                      | (24.4)   | --                               | --                         |



**Table 3**

| <b>Reconciliation Of Elisa Oyj Reported Amounts With S&amp;P Global Ratings' Adjusted Amounts (Mil. €) (cont.)</b> |             |               |               |             |                         |                              |                                  |                            |
|--|-------------|---------------|---------------|-------------|-------------------------|------------------------------|----------------------------------|----------------------------|
| Reported lease liabilities   | 95.7        | --            | --            | --          | --                      | --                           | --                               | --                         |
| Postretirement benefit obligations/deferred compensation   | 13.0        | --            | 0.3           | 0.3         | 0.2                     | --                           | --                               | --                         |
| Accessible cash and liquid investments   | (52.0)      | --            | --            | --          | --                      | --                           | --                               | --                         |
| Capitalized development costs  | --          | --            | (6.6)         | (2.0)       | --                      | --                           | (6.6)                            | (6.6)                      |
| Share-based compensation expense   | --          | --            | 9.9           | --          | --                      | --                           | --                               | --                         |
| Nonoperating income (expense)  | --          | --            | --            | 5.5         | --                      | --                           | --                               | --                         |
| Noncontrolling interest/minority interest  | --          | 0.7           | --            | --          | --                      | --                           | --                               | --                         |
| Debt: Guarantees   | 0.1         | --            | --            | --          | --                      | --                           | --                               | --                         |
| Debt: Contingent considerations  | 5.0         | --            | --            | --          | --                      | --                           | --                               | --                         |
| Debt: Other  | 8.8         | --            | --            | --          | --                      | --                           | --                               | --                         |
| EBITDA: Gain/(loss) on disposals of PP&E   | --          | --            | (1.4)         | (1.4)       | --                      | --                           | --                               | --                         |
| Depreciation and amortization: Impairment charges/(reversals)  | --          | --            | --            | 2.2         | --                      | --                           | --                               | --                         |
| Total adjustments  | 70.6        | 0.7           | 2.2           | 4.6         | 0.2                     | (93.4)                       | (6.6)                            | (6.6)                      |
| <b>S&amp;P Global Ratings' adjusted amounts</b>  |             |               |               |             |                         |                              |                                  |                            |
|  | <b>Debt</b> | <b>Equity</b> | <b>EBITDA</b> | <b>EBIT</b> | <b>Interest expense</b> | <b>Funds from operations</b> | <b>Cash flow from operations</b> | <b>Capital expenditure</b> |
| Adjusted   | 1,211.1     | 1,150.3       | 663.0         | 399.6       | 22.9                    | 569.6                        | 547.3                            | 225.0                      |

Elisa offers customers so-called equipment instalment plans to finance the cost of their mobile handsets and certain other devices. These plans qualify as captive finance operations under our criteria (see "Standard & Poor's Analytical Approach To Wireless Equipment Installment Plans," published March 30, 2016, on RatingsDirect). In line with our criteria, "The Impact Of Captive Finance Operations On Nonfinancial Corporate Issuers," published Dec. 14, 2015, we exclude captive finance operations from Elisa's consolidated financials. We do not publish our captive finance adjustments for Elisa in table 3, but we report their effect on selected credit metrics. As of Dec. 31, 2019, our captive finance adjustment resulted in improvements of about 0.2x to adjusted debt to EBITDA, approximately eight percentage points to adjusted funds from operations (FFO) to debt, and four percentage points to FOCF to debt.

## Liquidity

The short-term rating is 'A-2'. We assess Elisa's liquidity as adequate because we expect its sources of liquidity will cover uses by more than 1.2x over the 12 months from Jan. 1, 2020. We note that a significant portion of Elisa's funding frequently consists of commercial paper with terms shorter than 12 months. We think that Elisa has solid relationships with banks and benefits from a generally satisfactory standing in credit markets.

### Principal Liquidity Sources

- €300 million available under undrawn revolving credit facilities (RCFs).
- FFO of about €568 million.
- Cash on balance sheet of about €52 million.

### Principal Liquidity Uses

- Debt maturities of €133 million in 2020 and €174 million in 2021.
- Capex of €224 million-€229 million.
- Dividends of about €273 million.
- Working capital related outflows of €10 million.

### Debt maturities

As of Dec. 31, 2019:

- 2020: €133 million
- 2021: €174 million
- 2023: €150 million
- 2024: €300 million
- Thereafter: €400 million

Figures exclude finance leases, commercial paper, and RCFs.

## Covenant Analysis

Elisa must comply with minimum equity ratio covenants under the terms of its RCFs and bank loans. We forecast comfortable headroom of more than 30% under these covenants in the next 24 months.

## Issue Ratings - Subordination Risk Analysis

At the end of December 2019, with the exception of lease liabilities of about €96 million, Elisa's capital structure of €1,140 million consists entirely of senior unsecured debt, of which €757.4 million is bonds, €250 million loans from financial institutions, and €133 million commercial paper. We assess the subordination risk for group-level creditors as limited and rate Elisa's senior unsecured debt at the same level as the issuer credit rating.

## Ratings Score Snapshot

### Issuer Credit Rating

BBB+/Stable/A-2

**Business risk: Satisfactory**

- **Country risk:** Very low
- **Industry risk:** Intermediate
- **Competitive position:** Satisfactory

**Financial risk: Modest**

- **Cash flow/leverage:** Modest

**Anchor: bbb+**

**Modifiers**

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

**Related Criteria**

- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Standard & Poor's Analytical Approach To Wireless Equipment Installment Plans, March 30, 2016
- The Impact Of Captive Finance Operations On Nonfinancial Corporate Issuers, Dec. 14, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Telecommunications And Cable Industry, June 22, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

## Related Research

- COVID-19: EMEA Telecoms Will Prevail, But Not Completely Unscathed, April 6, 2020

| Business And Financial Risk Matrix |                        |             |              |             |            |                  |
|------------------------------------|------------------------|-------------|--------------|-------------|------------|------------------|
| Business Risk Profile              | Financial Risk Profile |             |              |             |            |                  |
|                                    | Minimal                | Modest      | Intermediate | Significant | Aggressive | Highly leveraged |
| Excellent                          | aaa/aa+                | aa          | a+/a         | a-          | bbb        | bbb-/bb+         |
| Strong                             | aa/aa-                 | a+/a        | a-/bbb+      | bbb         | bb+        | bb               |
| <b>Satisfactory</b>                | a/a-                   | <b>bbb+</b> | bbb/bbb-     | bbb-/bb+    | bb         | b+               |
| Fair                               | bbb/bbb-               | bbb-        | bb+          | bb          | bb-        | b                |
| Weak                               | bb+                    | bb+         | bb           | bb-         | b+         | b/b-             |
| Vulnerable                         | bb-                    | bb-         | bb-/b+       | b+          | b          | b-               |

| Ratings Detail (As Of July 3, 2020)* |                  |
|--------------------------------------|------------------|
| <b>Elisa Oyj</b>                     |                  |
| Issuer Credit Rating                 | BBB+/Stable/A-2  |
| <b>Issuer Credit Ratings History</b> |                  |
| 18-Mar-2015                          | BBB+/Stable/A-2  |
| 17-Mar-2014                          | BBB/Positive/A-2 |
| 26-Oct-2006                          | BBB/Stable/A-2   |

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