Akershus Energi AS

Kingdom of Norway, Utilities

Issuer
A-

Outlook
Stable

Short-term debt
S-1

Senior unsecured debt
A-

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Related methodologies

General Corporate Rating Methodology, Feb 2025

European Utilities Rating Methodology, Jun 2025

Government Related Entity Rating Methodology, Sep 2025

Table of content

Rating composition

Business risk profile		
Industry risk profile	BB	BBB-
Competitive position	BBB	
Financial risk profile		
Credit metrics	A+	A
Cash flow generation	Good	
Liquidity	+/-0 notches	
Standalone credit assessment		**BBB+**
Supplementary rating drivers		
Financial policy	+/-0 notches	+1 notch
Governance & structure	+/-0 notches	
Parent/government support	+1 notch	
Peer context	+/-0 notches	
Issuer rating		**A-**

Key metrics

			Scope estimates	
Scope credit ratios*	**2023**	**2024**	**2025E**	**2026E**
Scope-adjusted EBITDA interest cover	Net interest income	Net interest income	>10x	>10x
Scope-adjusted debt/EBITDA	Net cash position	0.1x	0.0x	0.5x
Scope-adjusted free operating cash flow/debt	Net cash position	43%	649%	-36%
Liquidity	>200%	>200%	>200%	>200%

Rating sensitivities

The upside scenario for the ratings and Outlook:

- Improving business risk profile paired with the maintenance of an unchanged financial risk profile. This is deemed remote as it would require larger scale or more diversified and stable cash flow streams

The downside scenarios for the ratings and Outlook (individually):

- Leverage (debt/EBITDA) exceeding 1.0x on a sustained basis
- Loss of government-related entity status, although this is considered remote

*All credit metrics refer to Scope-adjusted figures.

1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Cost-efficient and environmentally friendly hydropower generation (positive ESG factor) that supports high profitability • Strong financial risk profile with low leverage and very strong interest cover • Government-related entity status and long-term committed municipal owner, which likely has the capacity and willingness to provide financial support if needed	• Exposure to volatile power prices • Less power generation flexibility than multiple domestic peers, as power plants are mainly run-of-river • Low diversification by utility segment and geography • Increasing capex and maintenance of dividend policy expected to result in higher debt

2. Rating Outlook

The **Stable Outlook** reflects sufficient but tightening headroom for the rating amid Akershus Energi's plans for significant investment over the next few years, alongside the maintenance of its dividend policy. If these plans are realised, they could result in increased debt and leverage, as exemplified by the forecasted debt/EBITDA ratio rising to a weaker but still robust level of between 0.5x and 1.0x in 2026–2027, which still remains commensurate with the current rating.

3. Corporate profile

Municipality-owned utility in southeastern Norway

Founded in 1922 and wholly owned by Akershus county municipality, Akershus Energi is a Norwegian regional utility company in southeastern Norway. The company's largest activity is hydropower generation followed by activities in district heating, wind power, solar and green infrastructure.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
12 Dec 2025	Affirmation	A-/Stable
13 Dec 2024	Affirmation	A-/Stable
13 Dec 2023	Affirmation	A-/Stable

5. Financial overview (financial data in NOK m)

				Scope estimates		
Scope credit ratios	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**
EBITDA interest cover	>10x	Net interest income	Net interest income	>10x	>10x	>10x
Debt/EBITDA	Net cash position	Net cash position	0.1x	0.0x	0.5x	0.8x
Free operating cash flow/debt	Net cash position	Net cash position	43%	649%	-36%	-1%
Liquidity	>200%	>200%	>200%	>200%	>200%	126%
EBITDA						
Reported EBITDA	2,605	1,471	1,147	1,353	1,029	1,037
add: recurring dividends from associates[1]	-	74	-	50	50	50
EBITDA	**2,605**	**1,545**	**1,147**	**1,403**	**1,079**	**1,087**
Free operating cash flow						
EBITDA	2,605	1,545	1,147	1,403	1,079	1,087
less: interest	(44)	30	23	(11)	(17)	(29)
less: cash tax paid	(700)	(2,122)	(933)	(673)	(709)	(507)
Change in working capital	199	(409)	23	(35)	47	(1)
less: capital expenditures (net)	(157)	(101)	(219)	(350)	(600)	(550)
less: lease amortisation	(5)	(7)	(7)	(7)	(7)	(7)
Other items	(7)	(65)	4	-	-	-
Free operating cash flow	**1,891**	**(1,129)**	**38**	**327**	**(207)**	**(7)**
Interest						
Net cash interest per cash flow statement	44	(30)	(23)	11	17	29
Interest	**44**	**(30)**	**(23)**	**11**	**17**	**29**
Debt						
Reported financial (senior) debt	2,080	1,566	1,555	1,446	1,737	1,529
less: cash and cash equivalents	(3,562)	(1,693)	(1,469)	(1,399)	(1,159)	(714)
add: non-accessible cash	70	43	3	3	3	3
Debt	**(1,412)**	**(84)**	**89**	**50**	**581**	**818**

[1] Dividends received from the Odal wind farm.

6. Environmental, social and governance (ESG) profile[2]

Environment	Social	Governance
Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency)	Labour management	Management and supervision (supervisory boards and key person risk)
Efficiencies (e.g. in production)	Health and safety (e.g. staff and customers)	Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate)
Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables)	Clients and supply chain (geographical/product diversification)	Corporate structure (complexity)
Physical risks (e.g. business/asset vulnerability, diversification)	Regulatory and reputational risks	Stakeholder management (shareholder payouts and respect for creditor interests)

ESG factors: credit-positive credit-negative credit-neutral

Business model built around sustainable energy generation

Akershus Energi's largest business exposure remains hydropower generation. This is a positive ESG factor considering the low transition and stranded asset risks as it ensures the high utilisation of power plants on the back of a strong merit order position and clean carbon footprint. We expect that most of the company's investments will remain focused on sustainable energy through renewables projects and development of district heating.

In addition, Norwegian law requires at least two-thirds public ownership in Akershus Energi's large hydropower plants, which underpins its government-related entity status as it limits the risk of privatisation.

Governance risks are neutral for the rating as the company applies governance principles based on Norwegian market standards.

[2] These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.

7. Business risk profile: BBB-

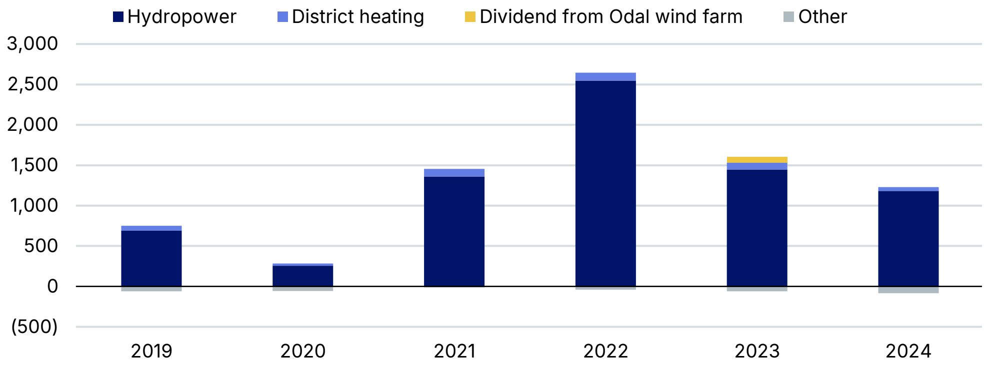
Unchanged business risk profile

The business risk profile is derived from a blended industry risk profile of BB and a stronger competitive positioning of BBB. It continues to reflect the company's main exposure to volatile but environmentally friendly and low-cost hydropower generation, supplemented by a 33.4% ownership in the Odal wind farm as well as district heating through the 66.7% ownership in Akershus Energi Varme.

Blended industry risk profile in line with non-regulated power generation

We expect that around 95% of EBITDA over time will be generated from non-regulated power generation based on hydro and wind, and the remaining largely from district heating. We have therefore assessed blended industry risks at BB, in line with our industry risk profile for non-regulated power generation.

Figure 1: EBITDA[3] by source, NOK m



Source: Akershus Energi, Scope

Small but competitive power generation portfolio

Akershus Energi has full or partial ownership in 21 hydropower plants with a mean annual generation of 2.5 TWh and installed capacity of 0.5 GW. It covers less than 2% of domestic electricity supply, although a greater share in its core regional market in southeastern Norway, the NO1 pricing area. This area has a power deficit and includes densely populated areas like the capital region of Oslo, representing an overall favourable service territory in Norway (AAA/Stable), where the company holds some regional importance.

While the company has low recurring power generation volumes in a European context, its hydropower generation portfolio has a good market position, benefitting from a favourable merit order position and a low carbon footprint. This is expected to ensure their long-term competitiveness to remain fully utilised. However, the company's main exposure to run-of-river power plants provide less generation flexibility than for domestic peers who benefit more from hydro reservoirs.

Exposure to inherently volatile power prices

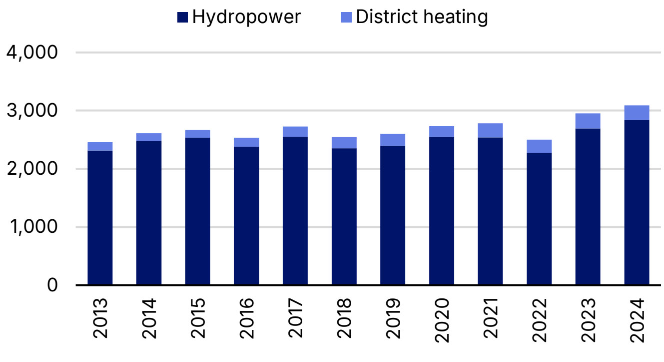
The business risk profile is constrained by the exposure to inherently volatile power prices. The company has some hedging of power generation volumes over the short to medium term, but still has a significant exposure to spot market prices. As most of its power generation costs are fixed, its earnings for a given volume rely largely on achievable power prices, which can fluctuate considerably from year to year.

Regional outreach in district heating

In district heating, the company has a yearly sales volume of 0.2-0.3 TWh with a regional outreach within Akershus county. The revenues from district heating are derived under the principle in the Norwegian regulation that district heating should not be more expensive than heating using electricity, with revenues tied to spot power market prices. Hence, discrepancies between fuel costs and the sales price development can create volatility in performance.

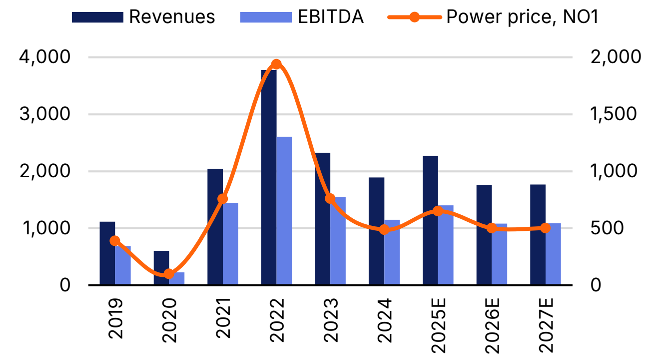
[3] Scope-adjusted.

Figure 2: Energy generation volumes, GWh



Source: Akershus Energi, Scope

Figure 3: Average day-ahead power price in NO1 (NOK/MWh, RHS) versus EBITDA and revenues (NOK m, LHS)



Source: Nordpool, Akershus Energi, Scope

Manageable volume risk

Volume risk is manageable. Akershus Energi's hydropower capacity is mainly located in Norway's large river systems, which have relatively stable water flows, supporting low variability in annual generation. Given the high share of hydropower in Norway of almost 90%, lower volumes, such as in 2022, also tend to coincide with higher achievable prices, as weak hydrology can materially reduce the energy balance.

Moderate diversification

Moderate diversification constrains the business risk profile. While we consider asset concentration to be manageable, the company is geographically concentrated and has limited diversification across utility segments. Overall, this reduces cash flow stability and increases exposure to event risks.

Managable asset concentration

The exposure to the largest hydropower plant, Rånasfoss III, makes up around one-tenth of the portfolio, while the three largest make up around one-third. In addition, the company’s 33.4% interest in the Odal wind farm is expected to provide diversification through dividend income. Hence, the incremental effect on cash flows of a standstill of one large power plant is relevant but likely manageable.

Geographical diversification is largely limited to NO1

Geographical diversification is largely limited to NO1. This exposes the company to regional developments such as weather conditions, supply and demand dynamics and regulatory amendments. In terms of price risk, the exposure to surrounding power markets in the Nordic region and Europe through interconnectors provides some mitigation as achievable prices between the regions tend to correlate.

Strong profitability and efficiency

The business risk profile remains supported by strong profitability and efficiency, driven by cost-efficient hydropower generation, which has an EBITDA margin of above 70%. However, the district heating business dilutes the margin. On group level, we expect the EBITDA margin to stabilise at around 60% and the return on capital employed to be around 20% in the current market environment. This compares with levels of 61% and 21%, respectively, in 2024.

High expected EBITDA in 2025 to moderate in 2026-2027

We expect EBITDA of around 1,400m in 2025 and around NOK 1,100m yearly in 2026-2027. This reflects supportive market conditions so far this year, with the NO1 power price at above NOK 650/MWh, which we expect will moderate to around NOK 500/MWh in 2026-2027. Cash flow generation will continue to be dominated by sales from hydro power generation, with additional expected earnings contributions from district heating (EBITDA of NOK 30m-60m a year) and the Odal wind farm (dividend income at around NOK 50m a year) supporting the group.

Additional operational challenges for Odal wind farm

Since opening in late 2022, the wind farm has, however, seen some operational challenges. In November 2025, a damaged transformer affected 23 of the 34 turbines, which will negatively impact volumes in the rest of 2025. An interim transformer is expected to support a recovery of most volumes in 2026 while the original one is repaired. This incident comes after the wind farm gradually recovered to almost full capacity following a complete shutdown in April 2024, caused by a blade falling off one of the turbines. The lost generation was eventually recovered through an availability guarantee from the turbine supplier. The anticipated dividend income received from Odal wind farm remains a relatively small share of total EBITDA, which limits the impact on the assessment of business risks from this exposure.

The company's ambitions to invest in greenfield wind projects in Norway likely remain a few years away and are not incorporated into our base case for 2025-2027. This stems from the lengthy processes involved and the resistance in local communities where wind farms could be located.

Greenfield wind power investments likely remain a few years away

8. Financial risk profile: A

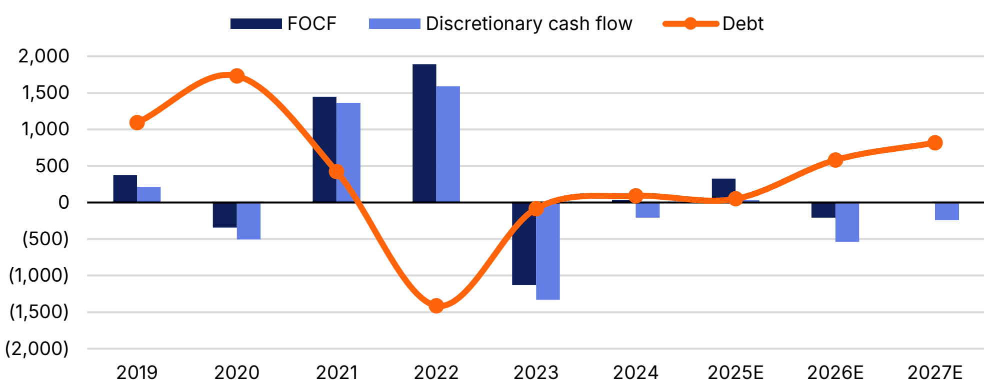
Akershus Energi's strong financial risk profile remains the primary support of its standalone credit assessment. It continues to benefit from low debt, as exemplified by a net cash position in 2022-2023 and debt/EBITDA of 0.1x at end-2024. This makes the company well-positioned to handle market volatility.

Strong financial risk profile

We expect debt will likely increase to around NOK 800m at end-2027, from NOK 89m at end-2024, reflecting the company's plans for high capex and the maintenance of its dividend policy. We anticipate capex of around NOK 350m in 2025 and NOK 550m-600m a year in 2026-2027, mainly for upgrades and refurbishments of district heating infrastructure and hydropower plants. These capex levels are a significant step up from the yearly average of NOK 159m over 2022-2024. While aggregated free operating cash flow is expected to be relatively neutral over the forecast horizon, underpinning an ability to finance capex internally, the company is likely to increase debt to maintain its dividend policy. This is indicated by expected negative discretionary cash flows in 2026-2027.

Debt expected to increase

Figure 4: Cash flow and debt development, NOK m



Source: Akershus Energi, Scope estimates

Based on these expectations, leverage in terms of debt/EBITDA is likely to remain low in 2025 at around 0x before increasing to between 0.5x and 1.0x in 2026-2027. At the same time, we expect EBITDA/interest cover to remain very strong at far above 10x. The latter is supported by favourable financing terms for a high share of existing debt through 2027 and the overall still low albeit increasing debt exposure.

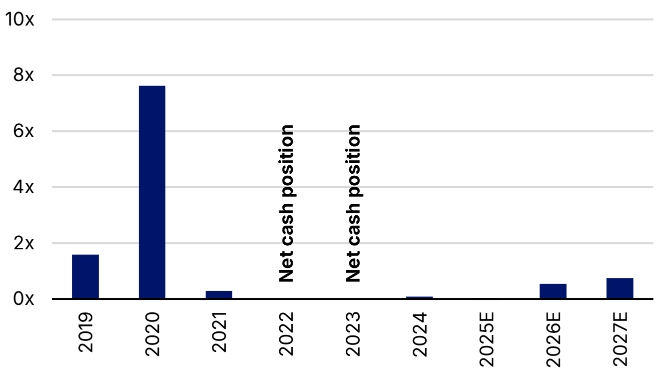
Leverage could increase to between 0.5x and 1.0x in 2026-2027 while EBITDA interest cover far exceeds 10x

Our assessment of credit metrics remains negatively impacted by the high tax burden on hydropower generation due to the resource rent tax, which reduces the conversion of EBITDA to free operating cash flow, and the volatility stemming from power price fluctuations.

High tax burden and power price volatility negatively impacts credit metrics

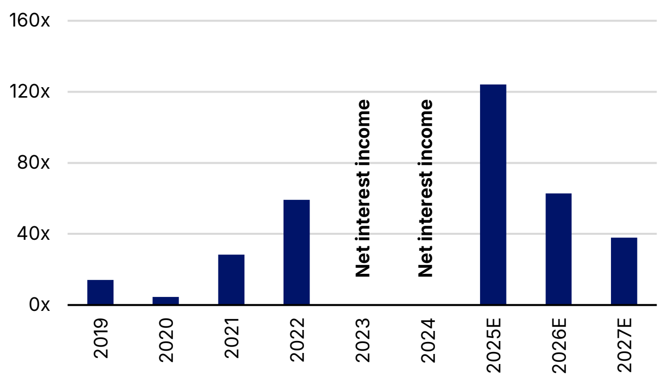
Despite the projected weakening of credit metrics and pressure on cash flow generation, we still expect the financial risk profile to remain strong.

Figure 5: Leverage



Source: Akershus Energi, Scope estimates

Figure 6: EBITDA/interest cover



Source: Akershus Energi, Scope estimates

Adequate liquidity

Liquidity is adequate, with liquidity metrics expected at above 200% in 2025-2026. This is supported by available cash and cash equivalents of NOK 1,466m at end-2024, which compares with no major debt maturities until 2027 and relatively neutral forecasted free operating cash flow. At end-2024, maturing debt in 2025 and 2026 was NOK 109m and NOK 9m, respectively, and no new short-term debt has been obtained so far this year.

In 2027, we expect that the debt maturities of NOK 909m (NOK 500m bond and NOK 409m of bank loans) will require partial refinancing with new debt. We foresee that Akershus Energi can obtain this new debt given its overall credit quality, established access to domestic debt capital markets and adequate banking relationships.

Table 1. Liquidity sources and uses (in NOK m)

	2024	2025E	2026E	2027E
Unrestricted cash (t-1)	1,650	1,466	1,396	1,156
Open committed credit lines (t-1)[4]	375	375	-	-
Free operating cash flow (t)	38	327	(207)	(7)
Short-term debt (t-1)	109	109	9	909
Liquidity	**>200%**	**>200%**	**>200%**	**126%**

Source: Akershus Energi, Scope

9. Supplementary rating drivers: +1 notch

One-notch uplift based on government-related entity status

We assess Akershus Energi as a government-related entity, applying a bottom-up rating approach under the framework outlined in our Government Related Entity Rating Methodology, a status which results in the one-notch uplift.

The company is fully owned by Akershus county municipality (AAA/Stable). The capacity of Akershus county to provide a credit uplift remains 'high' as its credit quality is materially higher than Akershus Energi's standalone credit assessment. At the same time, the requirement of at least two-thirds public ownership in large hydropower plants (above 10 MW) and Akershus county municipality's strategic interest in Akershus Energi as a regional energy utility underpin the 'medium' willingness to provide financial support. The one-notch uplift is in line with other Scope-

[4] Liquidity metrics for 2026-2027 exclude the NOK 375m back-stop facility as it matures in December 2026 as well as the NOK 375m overdraft facility as it is rolled over annually with a tenor not exceeding 12 months. At the same time, we note that the company has a record of maintaining available credit facilities and see this as likely to continue.

rated Norwegian utilities with majority ownership by one or more municipalities but no explicit guarantees on their debt or financial support.

Financial policy is credit-neutral

We have not made an adjustment for financial policy. The company's dividend policy stipulates a payout ratio of 70% of net income adjusted for material and extraordinary non-cash items or at least NOK 80m a year. The policy has remained stable and is reflected in the financial risk profile assessment through our forecast. Additionally, the company is committed to maintaining a credit rating of at least BBB, which provides reassurance against a significant deterioration in its credit quality.

10. Debt ratings

Senior unsecured debt rating: A-

The senior unsecured debt rating is A-, in line with the issuer rating.

Short-term debt rating: S-1

The S-1 short-term debt rating is based on the A-/Stable issuer rating and reflects better-than-adequate short-term debt coverage and adequate access to external financing.

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