Credit Rating Announcement

17 October 2025

Scope affirms A-/Stable issuer rating of Tensio AS

The rating affirmation reflects Tensio's monopoly position as a large, profitable grid distributor in central Norway and the expectation of leverage remaining moderate despite high investment needs causing negative free operating cash flow.

The latest information on the rating, including rating reports and related methodologies, is available on this LINK.

Rating action

Scope Ratings GmbH (Scope) has today affirmed the A-/ Stable issuer rating of Tensio AS.

The full list of rating actions and rated entities is at the end of this rating action release.

Key rating drivers

Business risk profile: A+ (unchanged). Tensio's business risk profile reflects its monopoly position as a distribution system operator (DSO) in central Norway. The company's regulated grid distribution has very low industry risk, but diversification remains the main weakness as revenues depend on electricity distribution in its service territory. However, given Tensio's position as an established regulated local monopoly, the lack of horizontal and geographical diversification is not an acute constraining factor on the company's credit quality.

Tensio's market position is underpinned by its industry's well-established regulatory framework, with a tariff system that allows the timely pass-through of costs and investments. Through its two subsidiaries, Tensio TN and Tensio TS, the company is the sole grid operator in Trøndelag county, an economically and demographically robust region whose largest municipality, Trondheim, is rated (AAA/Stable) by Scope. Tensio covers virtually all residential, commercial and industrial customers where it operates. The company grew its customer base by 1.2% in 2024 to 280,000, mainly through electrification and population growth.

Compared to European peers, Tensio has a modest outreach, which points to greater single-customer concentration by revenue, and highlights risks related to loss of important customers. This can be mitigated by the possibility of compensation through higher tariffs charged to the remaining customers. In a domestic comparison, Tensio is the third largest DSO in Norway, and the national industry shows that size and scale correlate with high regulatory cost efficiency. This supports the likelihood of a consistent and above-average return on invested capital over time, given the incentives in Norway's regulation.

Tensio's profitability as measured by the Scope-adjusted EBITDA margin* remains stable at 40%-45%, supported by the company's high efficiency. So far in 2025, the grid infrastructure nationwide has been harried by storms and extreme weather, leading to high maintenance and repair costs for grid operators as well as momentary electricity outages for customers, reducing Tensio's regulatory revenue for loss of power supply.

For 2025, Scope expects a strong EBITDA margin of 46%, mainly attributed to an expected surplus revenue from timing differences in tariffs in relation to allowed revenue, which is assumed to be adjusted downwards. The regulatory benchmark return or WACC, is a calculation metric the regulator uses to assess costs in relation to a reasonable rate of return on invested capital. In the medium term, Scope forecasts the WACC to decrease slightly caused by lower inflation and lower interest rate projections. This, coupled with increased transmission costs and an expected revenue deficit to offset the surplus generated in 2025, puts light pressure on profitability, forecast at 41% for 2026 and 2027.

Financial risk profile: BB+ (unchanged). The financial risk profile is supported by good interest cover but constrained by moderate leverage and high capex that is exerting pressure on free operating cash flow (FOCF).

Capex increased in recent years to NOK 1.0bn and Scope expects a further increase to NOK 1.3bn from 2026 into 2027 as the company expands power grid capacity in line with national targets. These capex aspirations exceed internal funds from operations, which will drive the company to increase external funding through debt, putting pressure on financial metrics.

Debt was NOK 4.9bn as at Q2 2025, and Scope expects debt to increase by NOK 0.2bn–0.4bn a year into the medium term. Tensio's allowed regulatory income is assumed to grow 5%-10% a year and, despite an expected slightly weaker margin from increased transmission and maintenance costs, the EBITDA is developing in line with the debt uptake. This would translate into leverage, as measured by debt/EBITDA at around 4.5x in 2025-2027, which Scope believes is commensurate with Tensio's long-term average leverage.

In 2025, Scope anticipates the interest cover as measured by EBITDA/interest cover to fall to 5.4x from 6.2x in 2024, mainly attributed to increased interest costs from the additional debt. While Tensio's debt is expected to rise further, the downward trajectory of central bank interest rates suggests borrowing rates will fall, which would help mitigate the associated increase in Tensio's interest burden. With an assumed normalisation of actual revenues in line with the regulatory income cap, Scope expects a stable interest cover of around 5.0x for 2026-2027.

The adjusted investment levels together with an increased interest burden is resulting in FOCF remaining negative and a FOCF/debt of -1% to -5% from 2025 to 2027. The company's annual dividends are assumed to remain at NOK 0.25bn, resulting in discretionary cash flow of negative NOK 0.3bn-0.5bn, highlighting the need to finance the investments and dividends through debt.

Liquidity: adequate (unchanged). Tensio's liquidity is adequate given its good access to external financing. The company's liquidity strategy is to avoid excess liquidity and use capacity with a 12-month rolling overdraft covering operational needs, leading to a low cash balance of NOK 1m at year-end throughout 2022-2024. The overdraft facility totals NOK 400m and was undrawn as of Q2 2025.

The company has good access to external financing through different channels, including both bank and capital market funding, as displayed by the recent issuance of a senior unsecured five-year bond in May 2025. Because of the company's strong investment grade credit quality with the sole exposure to regulated activities and its government-related ownership, Tensio is unlikely to run into liquidity issues.

The next debt maturity is a NOK 250m bond maturing in November 2025, which the company is looking to refinance, followed by a NOK 750m bond maturing in September 2026.

Supplementary rating drivers: +1 notch (unchanged). The issuer rating incorporates a one-notch uplift to the standalone credit assessment of BBB+, resulting in an issuer rating of A-. Scope applies a bottom-up approach using the framework outlined in its Government Related Entities Rating Methodology. The one-notch uplift reflects the public sponsor's 'high' capacity and 'medium' willingness to provide support. The government-related entity status is based on a majority indirect public ownership through its owners of TrønderEnergi AS and Nord-Trøndelag Elektrisitetsverk Holding AS, which in turn are owned by a series of municipalities in central Norway, and the essential public services provided by the company through its grid distribution.

Financial policy and peer considerations have no impact on the rating case. The financial risk profile is supported by Tensio's shareholder remuneration policy, which is not based on a fixed amount but measured against a maximum leverage threshold (5.0x net debt/EBITDA based on Norwegian GAAP). This emphasises the company's financial flexibility and underpins the stability of the credit ratios.

Outlook and rating sensitivities

The **Stable Outlook** is based on Scope's view that Tensio's operating cash flow will likely cover most planned capex, while debt is expected to increase, so is EBITDA, resulting in debt/EBITDA around 4.5x in 2025-2027. The Outlook further assumes continued indirect majority municipal ownership and no material increase in Tensio's risk appetite through a less restrictive financial policy.

The **upside scenario** for the rating and Outlook is:

1. Leverage improving to around 4x or below on a sustained basis.

The **downside scenarios** for the rating and Outlook are (individually):

1. Leverage weakening to around 6x or above on a sustained basis.

2. Change in the company's government-related entity status due to a reduction in indirect municipal-ownership to below 50% (remote).

Environmental, social and governance (ESG) factors

Scope does not consider any ESG factors to be drivers of Tensio's rating.

To align with EU climate change taxonomy, Tensio aims to ensure that its grid capacity and efficiency can support domestic and European climate goals. This involves receiving new intermittent power generation capacity and experiencing growth in electricity consumption (e.g. due to increased electrification), both of which directly impact the strain on Tensio's grid. Scope acknowledges the company's efforts and major role in the green transition in Norway and how the company supports these goals by striving for appropriate capex allocation and developing new technology to utilise its own grid and the wider power system more effectively.

Regulatory risks are limited. Norway's regulatory framework for grid operators has long been fairly stable and is transparent with regards to future cash flow visibility.

The strategic importance of power distribution to Tensio's power-producing direct owners (TrønderEnergi and

Nord-Trøndelag Elektrisitetsverk Holding AS) and indirect municipal owners underpins its status as a government-related entity and supports its governance.

All rating actions and rated entities

Tensio AS

Issuer rating: A-/Stable, affirmation

**All credit metrics refer to Scope-adjusted figures.*

Stress testing & cash flow analysis

No stress testing was performed. Scope Ratings performed its standard cash flow forecasting for the company.

Methodology

The methodologies used for this Credit Rating and/or Outlook, (General Corporate Rating Methodology, 14 February 2025; European Utilities Rating Methodology, 17 June 2025; Government Related Entity Rating Methodology, 3 September 2025), are available on scoperatings.com/governance-and-policies/rating-governance/methodologies.

Information on the meaning of each Credit Rating category, including definitions of default, recoveries, Outlooks and Under Review, can be viewed in 'Rating Definitions – Credit Ratings, Ancillary and Other Services', published on scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales. Historical default rates of the entities rated by Scope Ratings can be viewed in the Credit Rating performance report at scoperatings.com/governance-and-policies/regulatory/eu-regulation. Also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA): registers.esma.europa.eu/cerep-publication/. A comprehensive clarification of Scope Ratings' definitions of default and Credit Rating notations can be found at scoperatings.com/governance-and-policies/rating-governance/definitions-and-scales. Guidance and information on how environmental, social or governance factors (ESG factors) are incorporated into the Credit Rating can be found in the respective sections of the methodologies or guidance documents provided on scoperatings.com/governance-and-policies/rating-governance/methodologies.

The Outlook indicates the most likely direction of the Credit Ratings if the Credit Ratings were to change within the next 12 to 18 months.

Solicitation, key sources and quality of information

The Rated Entity and/or its Related Third Parties participated in the Credit Rating process.

The following substantially material sources of information were used to prepare the Credit Rating: public domain, the Rated Entity and Scope Ratings' internal sources.

Scope Ratings considers the quality of information available to Scope Ratings on the Rated Entity or instrument to be satisfactory. The information and data supporting the Credit Rating originate from sources Scope Ratings considers to be reliable and accurate. Scope Ratings does not, however, independently verify the reliability and accuracy of the information and data.

Prior to the issuance of the Credit Rating action, the Rated Entity was given the opportunity to review the Credit Rating and/or Outlook and the principal grounds on which the Credit Rating and/or Outlook are based. Following that review, the Credit Rating and/or Outlook was not amended before being issued.

Regulatory disclosures

The Credit Rating and/or Outlook is issued by Scope Ratings GmbH, Lennéstraße 5, D-10785 Berlin, Tel +49 30 27891-0. The Credit Rating and/or Outlook is UK-endorsed.

Lead analyst: Eirik Loevdal Tollefsen, Associate Director

Person responsible for approval of the Credit Rating: Karl Yuan Pettersen, Managing Director

The Credit Rating/Outlook was first released by Scope Ratings on 25 November 2020. The Credit Rating/Outlook was last updated on 17 October 2024.

Potential conflicts

See scoperatings.com under Governance & Policies/Regulatory for a list of potential conflicts of interest disclosures related to the issuance of Credit Ratings, as well as a list of Ancillary Services and certain non-Credit Rating Agency services provided to Rated Entities and/or Related Third Parties.

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With more than 300 employees operating from offices in Berlin, Frankfurt, London, Madrid, Milan, Oslo and Paris, Scope Group is the leading European provider of independent credit ratings, ESG analysis and fund research. Based on forward-looking and innovative methodologies, Scope offers a European perspective that contributes to greater diversity of opinion for institutional investors worldwide. Scope Ratings is registered in accordance with the EU rating regulation and operating in the European Union with ECAI status. Scope Ratings is the only European rating agency accepted by the ECB for the Eurosystem Credit Assessment Framework (ECAF). The shareholders of Scope Group include CEO and founder Florian Schoeller and anchor shareholder Stefan Quandt, numerous senior personalities in European finance and industry as well as institutional investors from several European countries. More on www.scopegroup.com

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