

# Helgeland Kraft AS

Kingdom of Norway, Utilities

## Rating composition

| Business risk profile        |              |          |
|------------------------------|--------------|----------|
| Industry risk profile        | BBB+         | BBB      |
| Competitive position         | BBB-         |          |
| Financial risk profile       |              |          |
| Credit metrics               | BB           | BB       |
| Cash flow generation         | Moderate     |          |
| 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                |              | BBB      |

## Key metrics

| Scope credit ratios*                         | Scope estimates |       |       |       |
|----------------------------------------------|-----------------|-------|-------|-------|
|                                              | 2023            | 2024P | 2025E | 2026E |
| Scope-adjusted EBITDA interest cover         | 7.9x            | 4.5x  | 2.0x  | 3.5x  |
| Scope-adjusted debt/EBITDA                   | 3.3x            | 4.9x  | 10.5x | 6.0x  |
| Scope-adjusted free operating cash flow/debt | -4%             | -5%   | -11%  | -5%   |
| Liquidity                                    | 92%             | 118%  | 81%   | 109%  |

## Rating sensitivities

### The upside scenario for the ratings and Outlook is:

- Debt/EBITDA remaining below 5.0x over the medium term, which can result in an Outlook revision to Stable

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

- Further weakening financial risk profile, with debt/EBITDA not remaining below 5.0x over the medium term
- Loss of government-related entity status (remote scenario)

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

Issuer

BBB

Outlook

Negative

Short-term debt

S-2

Senior unsecured debt

BBB

## Lead Analyst

Per Haakestad

+47 92 29 78 11

[p.haakestad@scoperatings.com](mailto:p.haakestad@scoperatings.com)

## Related methodologies

[General Corporate Rating](#)

Methodology, February 2025

[European Utilities Rating](#)

Methodology, June 2025

[Government Related Entities](#)

Methodology, December 2024

## Table of content

- [Key rating drivers](#)
- [Rating Outlook](#)
- [Corporate profile](#)
- [Rating history](#)
- [Financial overview \(financial data in NOK m\)](#)
- [Environmental, social and governance \(ESG\) profile](#)
- [Business risk profile: BBB](#)
- [Financial risk profile: BB](#)
- [Supplementary rating drivers: +/- 0 notches](#)
- [Debt ratings](#)

1. Key rating drivers

| Positive rating drivers                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Negative rating drivers                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Diversified mix of non-correlated utility operations, with substantial share of regulated electricity grids</li><li>• Competitive power generation portfolio solely based on hydropower, which is cost-efficient and environmentally friendly (positive ESG factor)</li><li>• Good profitability and efficiency</li><li>• Government-related entity status, with long-term municipal owners with capacity and willingness to provide financial support if needed</li></ul> | <ul style="list-style-type: none"><li>• Weak credit metrics and negative free operating cash flow expected in the next couple of years</li><li>• Merchant risk in power generation that can adversely affect cash flow and credit metrics when power prices are low</li><li>• High grid investments likely to put pressure on cash generation and reduce deleveraging flexibility</li><li>• Concentration in terms of assets and geography in a limited service territory</li></ul> |

2. Rating Outlook

The **Negative Outlook** reflects the risk that leverage could remain above 5.0x due to adversely low power prices in northern Norway amid exceptionally strong hydrological conditions, the uncertainty about the timeliness and extent of recovery, and the continued high investment expected in the grid business. These factors are expected to result in increasing debt in the next few years, which can lead to a sustainedly weaker leverage even if operating results recover to historical levels. However, moderating power prices can quickly impact credit metrics, which could result in the rating being stabilised at its current level.

3. Corporate profile

Helgeland Kraft AS is a Norwegian utility company owned by 14 municipalities. Headquartered in Mosjøen, it operates in the Helgeland area in northern Norway, with core activities in energy generation from hydropower plants; the ownership, maintenance and operation of electricity grids; and the sale of electricity.

Regional utility company in northern Norway

The company has a portfolio of investments in associates engaged in utility-related activities, which supplements its core activities.

Portfolio of investments in associates

4. Rating history

| Date        | Rating action/monitoring review | Issuer rating & Outlook |
|-------------|---------------------------------|-------------------------|
| 26 Jun 2025 | Outlook change                  | BBB/Negative            |
| 25 Jun 2024 | Affirmation                     | BBB/Stable              |
| 30 Jun 2023 | Affirmation                     | BBB/Stable              |

## 5. Financial overview (financial data in NOK m)

|                                                        | Scope estimates |              |                    |              |              |              |
|--------------------------------------------------------|-----------------|--------------|--------------------|--------------|--------------|--------------|
| Scope credit ratios                                    | 2022            | 2023         | 2024P <sup>1</sup> | 2025E        | 2026E        | 2027E        |
| EBITDA interest cover                                  | 6.6x            | 7.9x         | 4.5x               | 2.0x         | 3.5x         | 3.9x         |
| Debt/EBITDA                                            | 4.4x            | 3.3x         | 4.9x               | 10.5x        | 6.0x         | 5.4x         |
| Free operating cash flow/debt                          | 17%             | -4%          | -5%                | -11%         | -5%          | -5%          |
| Liquidity                                              | 113%            | 92%          | 118%               | 81%          | 109%         | 108%         |
| <b>EBITDA</b>                                          |                 |              |                    |              |              |              |
| Reported EBITDA                                        | 476             | 626          | 483                | 249          | 460          | 547          |
| add: operating lease payments                          | -               | -            | -                  | -            | -            | -            |
| add: recurring dividends from associates               | -               | -            | -                  | -            | -            | -            |
| less: capitalised expenses                             | -               | -            | -                  | -            | -            | -            |
| Other items (incl. one-offs)                           | -               | -            | (26)               | -            | -            | -            |
| <b>EBITDA</b>                                          | <b>476</b>      | <b>626</b>   | <b>457</b>         | <b>249</b>   | <b>460</b>   | <b>547</b>   |
| <b>Funds from operations (FFO)</b>                     |                 |              |                    |              |              |              |
| EBITDA                                                 | 476             | 626          | 457                | 249          | 460          | 547          |
| less: interest                                         | (72)            | (79)         | (102)              | (126)        | (131)        | (140)        |
| less: cash tax paid                                    | (103)           | (17)         | (109)              | (32)         | (5)          | (58)         |
| Other non-operating charges before FFO                 | (54)            | (36)         | (86)               | -            | -            | -            |
| <b>Funds from operations</b>                           | <b>247</b>      | <b>495</b>   | <b>160</b>         | <b>91</b>    | <b>324</b>   | <b>349</b>   |
| <b>Free operating cash flow (FOCF)</b>                 |                 |              |                    |              |              |              |
| Funds from operations                                  | 247             | 495          | 160                | 91           | 324          | 349          |
| Change in working capital                              | 138             | (133)        | 15                 | 15           | (15)         | (6)          |
| Non-operating cash flow                                | 263             | (207)        | 17                 | -            | -            | -            |
| less: capital expenditures (net)                       | (293)           | (229)        | (293)              | (400)        | (450)        | (500)        |
| less: lease amortisation                               | -               | -            | -                  | -            | -            | -            |
| Other items                                            | -               | -            | -                  | -            | -            | -            |
| <b>Free operating cash flow</b>                        | <b>354</b>      | <b>(74)</b>  | <b>(101)</b>       | <b>(294)</b> | <b>(141)</b> | <b>(157)</b> |
| <b>Interest</b>                                        |                 |              |                    |              |              |              |
| Net cash interest per cash flow statement              | 72              | 79           | 102                | 126          | 131          | 140          |
| add: interest component, operating leases              | -               | -            | -                  | -            | -            | -            |
| add: 50% of interest paid on hybrid debt               | -               | -            | -                  | -            | -            | -            |
| add: other items                                       | -               | -            | -                  | -            | -            | -            |
| <b>Interest</b>                                        | <b>72</b>       | <b>79</b>    | <b>102</b>         | <b>126</b>   | <b>131</b>   | <b>140</b>   |
| <b>Debt</b>                                            |                 |              |                    |              |              |              |
| Reported financial (senior) debt                       | 2,380           | 2,559        | 2,737              | 3,142        | 3,297        | 3,503        |
| add: subordinated (hybrid) debt (net of equity credit) | -               | -            | -                  | -            | -            | -            |
| add: shareholder loans (net of equity credit)          | 90              | 68           | 16                 | 16           | -            | -            |
| less: cash and cash equivalents                        | (578)           | (651)        | (625)              | (656)        | (654)        | (664)        |
| add: non-accessible cash                               | 171             | 97           | 110                | 110          | 110          | 110          |
| add: pension adjustment                                | 13              | -            | -                  | -            | -            | -            |
| add: operating lease obligations                       | -               | -            | -                  | -            | -            | -            |
| add: asset retirement obligations                      | -               | -            | -                  | -            | -            | -            |
| add: other debt-like items                             | -               | -            | -                  | -            | -            | -            |
| <b>Debt</b>                                            | <b>2,076</b>    | <b>2,073</b> | <b>2,237</b>       | <b>2,612</b> | <b>2,753</b> | <b>2,948</b> |

<sup>1</sup> Based on preliminary results and not audited accounts.

## 6. Environmental, social and governance (ESG) profile<sup>2</sup>

| 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

Helgeland Kraft's business model is centred on sustainable energy, mainly hydropower generation, and power distribution that supports the energy transition.

The company's hydropower generation is a credit-positive ESG factor due to its low operating costs and clean carbon footprint, which results in low transition risks. Additionally, the company's large-scale hydropower generation must be at least two-thirds publicly owned, underpinning its continued government-related entity status.

We have not identified other company-specific ESG factors that are likely to have a substantial impact on credit risk. The company applies governance principles reflective of Norwegian market standards.

Cost-efficient and clean hydropower generation is a credit-positive ESG factor

<sup>2</sup> 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

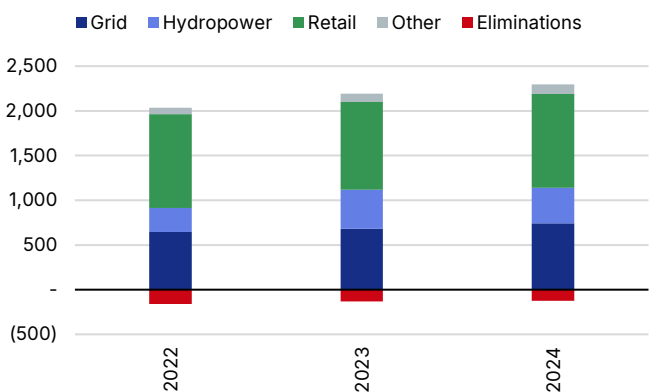
Helgeland Kraft’s business risk profile is unchanged since the last rating review, reflecting a blended industry risk of BBB+ and a weaker competitive positioning of BBB-. It is characterised by the company’s regional nature in northern Norway and diversified business mix.

Unchanged business risk profile

We assess the blended industry risk profile at BBB+ based on normalised EBITDA contributions, which we estimate to be 45% from regulated electricity distribution, 40% from non-regulated power generation and 15% from electricity retail.

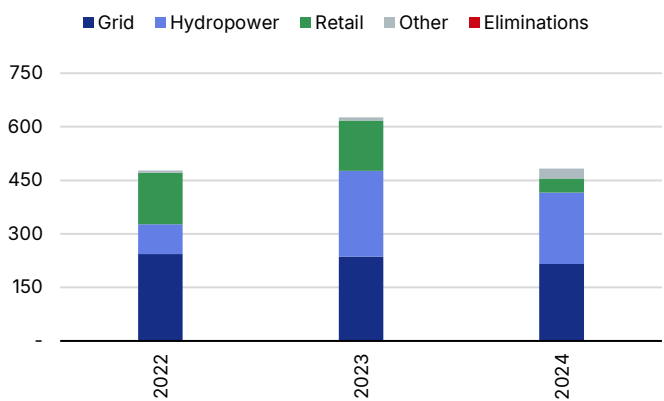
Blended industry risk profile

Figure 1: Revenue by business area, NOK m



Source: Helgeland Kraft, Scope

Figure 2: EBITDA by business area, NOK m



Source: Helgeland Kraft, Scope

The business risk profile benefits from the issuer’s large exposure to regulated electricity distribution, which generates predictable earnings within the framework set by Norwegian regulation. Through its grid subsidiary, Linea, the company serves around 47,000 private, commercial and industrial customers in the Helgeland area (population of around 77,000).

Electricity distribution in the Helgeland area

Linea is a small grid operator in a national and European context, which can pose challenges compared to larger peers in terms of operational efficiency and cash flow profile, for example, related to lower economies of scale and a higher vulnerability to event risks. These risks constrain our assessment, but are partly mitigated by the monopolistic and regulated environment, which supports sustainable cost recovery and an adequate return on invested capital.

The company’s electricity retail operations benefit from its high regional market share in Helgeland. Still, its position in this segment is weak as the market is highly competitive with low barriers to changing providers.

Electricity retail subject to high competition

In 2024, Helgeland Kraft generated 1.2 TWh of electricity, in line with its 10-year average (Figure 4), through its 17 wholly owned hydropower plants and one partially owned. The three largest plants generate over 60% of total volume, which constitutes some asset concentration risk.

Hydropower generation

The power generation portfolio covers a relatively low share of electricity supply both regionally and in Norway. Nevertheless, this weakness is balanced out by the sole exposure to cost-efficient and environmentally friendly hydropower, with reservoirs that can store around one-third of annual generation volumes. These characteristics reduces the importance of sheer size and should support the continued high utilisation of power plants.

Helgeland Kraft’s power generation is subject to price volatility driven by supply and demand dynamics. Growth of wind power in northern Norway and northern Sweden has increased electricity supply in these regions. This has contributed to lower achievable power prices in northern Norway, amplified by transmission bottlenecks to the south.

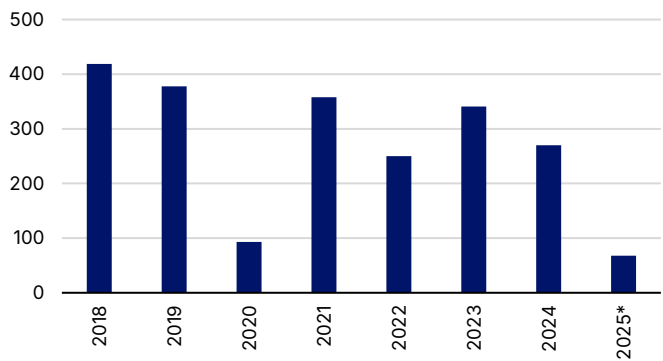
Power generation subject to price volatility...

Low power prices in northern Norway in the second half of 2024 and so far in 2025 have negatively impacted the company’s hydropower results. This is attributed to its low geographical diversification and illustrates its reliance on regional developments. The sudden deterioration of

...as illustrated by current market conditions

achievable power prices is driven by the high share of hydropower in the energy mix in the regional market (NO4 price zone) combined with unusually strong hydrological conditions and mild weather, amplified by the aforementioned transmission bottlenecks. These factors have led to excess electricity supply. The average year-to-date NO4 power price stands at around NOK 70/MWh, as compared to NOK 270/MWh in 2024 and NOK 342/MWh in 2023 (**Figure 3**).

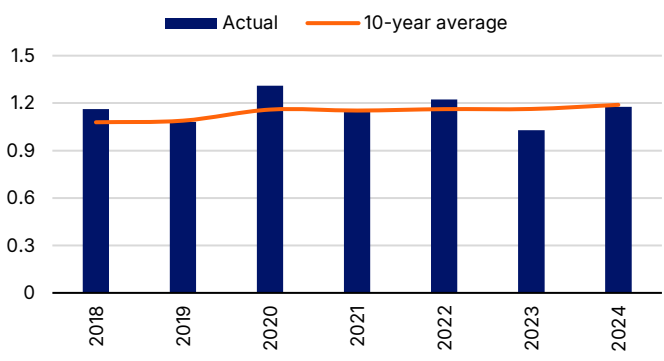
**Figure 3: NO4 power price (spot), NOK/MWh**



\* Year to date as of 20 June

Source: Helgeland Kraft, NVE, Scope

**Figure 4: Power generation volumes, TWh**



Source: Helgeland Kraft, Scope

As a result, we expect profitability to weaken in 2025 but then to recover through a normalisation of the hydropower generation market with more normal hydrological conditions.

In response to the market challenges, the company has updated its hedging strategy to increase earnings visibility for parts of power generation volumes to 1-2 years ahead, and the benefits could be evident in 2026–2027. Even so, industry-inherent merchant risks remain a key credit constraint as the hedging strategy does not protect against extended periods of low prices.

Overall diversification is moderate, mainly due to geographical and asset concentration risks, but supported by the diversified business mix. The latter has supported earnings stability in both 2020 and so far in 2025 when power prices have been low.

## 8. Financial risk profile: BB

The downward revision of Helgeland Kraft's financial risk profile to BB from BB+ is driven by the weakening of cash flow generation and credit metrics, potentially for an extended period.

Our financial projections are mainly based on market normalisation, with power prices in the NO4 price zone gradually reverting to around NOK 300/MWh, as well as high grid capex that reduces deleveraging flexibility.

Leverage as measured by debt/EBITDA weakened to 4.9x at YE 2024 (based on preliminary figures), a substantial increase from 3.3x at YE 2023, mainly due to lower EBITDA as a result of exceptionally low power prices in the second half of the year. Similarly, interest cover dropped to 4.5x in 2024 from 7.9x in 2023.

We forecast EBITDA to decline to around NOK 250m in 2025 due to the challenging market conditions in northern Norway and then increase to around NOK 450m in 2026 and around NOK 550m in 2027, supported by a recovery of hydropower generation results. We expect gross capex to increase to NOK 400m-500m yearly in 2025-2027, from NOK 349m in 2024, which is likely to result in negative free operating cash flow and increasing debt levels (**Figures 5 and 6**).

Profitability to weaken in 2025 but subsequently recover

Adoption of updated hedging strategy

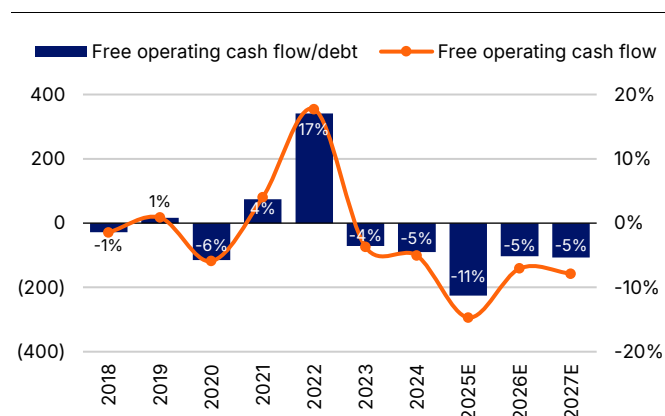
Overall moderate diversification

Downward revision of the financial risk profile

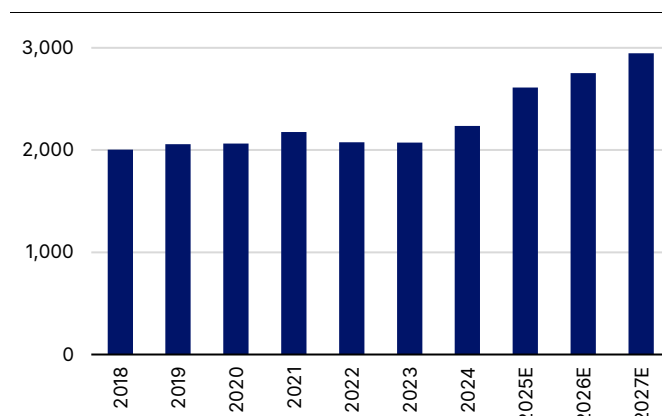
Financial projections

Weaker credit metrics

EBITDA to normalise, but high capex in the next few years

**Figure 5: Free operating cash flow (NOK m, LHS) and cash flow cover (RHS)**


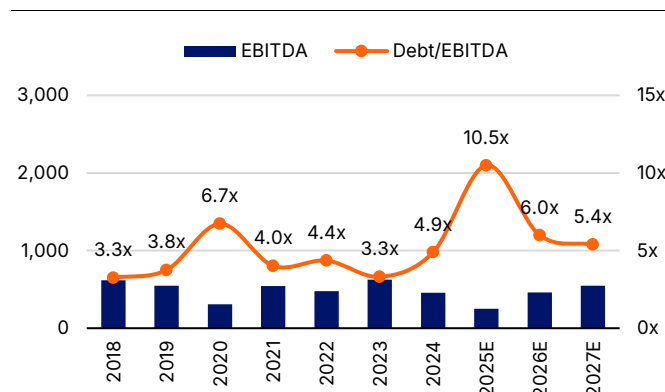
Source: Helgeland Kraft, Scope estimates

**Figure 6: Debt, NOK m**


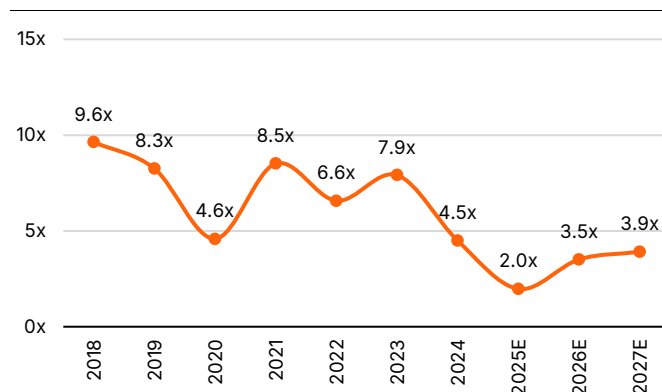
Source: Helgeland Kraft, Scope estimates

While we project leverage and interest cover to improve in 2026-2027, we are not fully confident that the expected EBITDA recovery will sufficiently offset the anticipated increase in debt. We therefore see a risk that credit metrics could weaken for an extended period given the current capex plan. Our forecasts also show this risk, with leverage exceeding 5x in 2026-2027 and interest cover of below 4x (Figures 7 and 8).

Anticipated debt increase could challenge credit metrics

**Figure 7: EBITDA (NOK m, LHS) and leverage (RHS)**


Source: Helgeland Kraft, Scope estimates

**Figure 8: EBITDA/interest cover**


Source: Helgeland Kraft, Scope estimates

Liquidity is adequate. This reflects available cash and cash equivalents of NOK 515m at YE 2024 and our view that Helgeland Kraft has adequate financing access to cover expected negative free operating cash flow and refinancing. This is underpinned by recent financing activities, with a NOK 500m bond issued in January 2025 at a six-year maturity.

Adequate liquidity

Debt maturities are relatively balanced, ranging between NOK 345m and NOK 360m per annum in 2025-2027. The company recently repaid a NOK 300m bond maturing in February 2025, and remaining debt maturities in 2025 are limited.

Balanced debt maturities

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

|                                   | 2024        | 2025E      | 2026E       | 2027E       |
|-----------------------------------|-------------|------------|-------------|-------------|
| Unrestricted cash (t-1)           | 554         | 515        | 546         | 545         |
| Open committed credit lines (t-1) | -           | -          | -           | -           |
| Free operating cash flow (t)      | (101)       | (294)      | (141)       | (157)       |
| Short-term debt (t-1)             | 367         | 345        | 360         | 345         |
| <b>Liquidity</b>                  | <b>118%</b> | <b>81%</b> | <b>109%</b> | <b>108%</b> |

Source: Helgeland Kraft, Scope estimates

At YE 2024, the company's debt comprised NOK 2,300m of bonds, NOK 347m of loans from the Nordic Investment Bank and a shareholder loan of NOK 16m.

The debt has two financial covenants: i) consolidated equity ratio of at least 30%; and ii) net-interest-bearing debt to the three-year average EBITDA of up to 5.5x (only for Nordic Investment Bank loans). The second covenant could come under pressure in the next years. While this creates a financing risk, we think the company is likely to find a solution with Nordic Investment Bank if needed.

Financial covenants with tight headroom

## 9. Supplementary rating drivers: +/- 0 notches

Helgeland Kraft's financial policy is neutral for its issuer rating. The company aims to maintain an investment grade credit rating and has specific financial targets. These include keeping net interest-bearing debt/EBITDA at around 4x or below on a three-year average basis. While we expect this ratio to be challenged in the next few years, we still perceive the company as having a long-term commitment to its financial targets.

Financial policy is neutral

Under the financial policy, dividends should be at least 90% of the average payout ratio of the 13 largest utilities in Norway, both integrated and power generators, but excluding the incumbent, Statkraft. Typically, the company has paid ordinary dividends at up to 50% of earnings, resulting in a dividend of NOK 81m to be paid in 2025 based on 2024 results.

Helgeland Kraft is fully owned by the 14 municipalities in the Helgeland area where it operates.

The rating continues to incorporate a one-notch uplift to the standalone credit assessment of BBB-based on Helgeland Kraft's status as a government-related entity. We have applied a bottom-up approach in accordance with our Government Related Entities Methodology.

One-notch uplift based on government-related entity status

We have assessed the municipalities' capacity to provide support as 'high' as we believe their credit quality is materially higher than Helgeland Kraft's standalone credit assessment. Their willingness to support the issuer is 'medium', reflecting Helgeland Kraft's role to ensure reliable electricity distribution for the owners as well as the requirement that its large-scale hydropower generation is at least two-thirds publicly owned. The one-notch uplift is in line with other Scope-rated Norwegian utilities with majority or full municipal ownership but no explicit guarantees on their debt or financial support.

## 10. Debt ratings

The senior unsecured debt rating has been affirmed at BBB, in line with the issuer rating.

Senior unsecured debt rating: BBB

We have also affirmed the S-2 short-term debt rating, based on the BBB/Negative issuer rating, and reflecting adequate short-term debt coverage and adequate access to bank and capital markets financing.

Short-term debt rating: S-2

## Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin  
 Phone: +49 30 27891-0  
 Fax: +49 30 27891-100  
[info@scoperatings.com](mailto:info@scoperatings.com)

## Scope Ratings UK Limited

52 Grosvenor Gardens  
 London SW1W 0AU  
 Phone: +44 20 7824 5180  
[info@scoperatings.com](mailto:info@scoperatings.com)



Bloomberg: RESP SCOP  
[Scope contacts](#)  
[scoperatings.com](https://scoperatings.com)

## Disclaimer

© 2025 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, Scope Innovation Lab GmbH and Scope ESG Analysis GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5, D-10785 Berlin. Public Ratings are generally accessible to the public. Subscription Ratings and Private Ratings are confidential and may not be shared with any unauthorised third party.