

RATING ACTION COMMENTARY

Fitch Rates Elenia Verkko 'BBB-/Stable; Secured Debt at 'BBB'

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Fitch Ratings - London - 03 Mar 2026: Fitch Ratings has assigned Elenia Verkko Oyj a Long-Term Issuer Default Rating (IDR) of 'BBB-' with a Stable Outlook, and a senior secured debt rating of 'BBB.'

The rating reflects Elenia's solid business profile as Finland's second-largest distribution system operator (DSO) operating under a mature, transparent and predictable regulatory framework. The profile is underpinned by stable, cash-generative operations, favourable Finnish tax rules and moderate capex supporting positive pre-dividend free cash flow (FCF).

The rating is constrained by high leverage, with funds from operations (FFO) net leverage at 8.7x over 2025-2028, implying limited headroom at the 'BBB-' level. The Stable Outlook factors in shareholders' flexibility to adjust dividends. The senior secured debt benefits from a whole-business securitisation structure, which we reflect in a one-notch uplift from the IDR, while we do not apply the generic sector uplift granted for regulated businesses, due to the very high net debt/regulator asset base (RAB) ratio.

KEY RATING DRIVERS

Solid Business Profile: Elenia is Finland's second-largest DSO with a market share of about 12% by customers and 18% by network length and EBITDA of EUR233 million in 2024. It operates as a regional monopoly over a large area across central Finland, with 99% of revenue generated by distribution. Elenia benefits from a high-quality asset base and has consistently reported operational outperformance, which has enabled it to earn monetary incentives in the past. Elenia is small compared with peers in our rated portfolio and lacks geographic or regulatory diversification.

Counterparty risk is higher than peers' due to direct customer billing, but this is largely mitigated by Elenia's highly fragmented customer base, its ability to discontinue

electricity supply in case of collection delays, and a supportive regulatory framework that removes volume and price risks.

Strong Regulatory Framework: Finland's regulatory framework for electricity DSOs is transparent and predictable, based on a revenue building-block model with flexibility to set tariffs within an 8% annual cap increase per year. It is also supported by a surplus/deficit carry-over mechanism between actual and allowed revenue.

Incentives can be related to efficiency, quality, investment, innovation/flexibility and provide additional earnings potential. Elenia's much larger scale than the average Finnish DSO means it tends to benchmark favourably against peers and capture more incentive income. Annual incentives provide additional earnings potential, but we expect them to be lower than in 2020-2023, based on more conservative assumptions.

Leverage Constrains Rating: We forecast FFO net leverage to average 8.7x over 2025-2028, consistent with the 'BBB-' level although with limited headroom. Management targets a maximum 8.75x reported net debt/EBITDA, equivalent to 8.8x-9.0x FFO net leverage, in line with our negative sensitivity. This leaves no margin at the current rating for a more aggressive financial policy.

Cash Flow-Generative Profile: Regulated activities with margins above 60% and incentive opportunities underpin Elenia's stable cash generation. Finnish tax rules also allow favourable depreciation deductions on capital investment, reducing the taxable base and supporting cash generation. Pre-dividend free cash flow (FCF) is positive and averages EUR27 million over 2025-2028 in our forecasts, supporting Elenia's deleveraging capacity. However, given a dividend payout above 150% in our forecasts, we expect negative FCF and a gradual rise of net debt to EUR2.2 billion in 2028 from EUR1.9 billion in 2024.

Increasing, but Moderate, Capex Needs: Investments are moderate relative to peers' (39.7% of revenue in 2025-2028), with a ramp-up expected from 2028 to meet security-of-supply targets by 2036. Elenia plans EUR2.4 billion capex between 2024 and 2036 under its network development plan. The company is primarily focused on undergrounding cables to improve resilience against severe weather, targeting 90% of the network underground by 2036, up from 65.1% at end-2024, and complementary reliability investments (eg battery packs commissioned in 2025, smart meters and capacity investments driven by the expected increase in electricity consumption).

Recent Regulatory Challenges: Recent regulatory changes - including freezing the regulatory asset base (RAB) at 2022 construction costs and other adjustments - have been appealed by Elenia and its peers. An unfavourable Market Court ruling in

November 2025 was made on the main appeal, which has been appealed to the Supreme Administrative Court, and a separate case remains pending about mid-period methods (decision expected in mid-2026). We continue to view the regulatory framework as robust but have reassessed the mid-point for this factor to 'a-' from 'a' in 2024. Our forecasts do not include material regulatory changes.

Secured Debt Structure: Elenia's financing is supported by a whole business securitisation structure with comprehensive security package including pledge on shares, bank accounts and business mortgages. It also includes a back-up facility, limitation on additional indebtedness and restricted payments framework with lock-up and a two-tier covenant structure. We grant the senior secured rating a one-notch uplift from the IDR under our Corporates Recovery Ratings and Instrument Ratings Criteria based on the securitisation enhancements.

No Sector-Uplift on Instrument rating: Elenia's reported net debt/ RAB is materially higher than the average of European DSOs and more similar to some Finnish peers' at more than 100%. We therefore do not apply the typical one-notch sector uplift for above average recovery prospects for regulated networks operating in robust regulatory frameworks. We have not included the RAB ratio in the rating sensitivities because we do not regard it as fully comparable with other jurisdictions.

PEER ANALYSIS

Fingrid Oyj (A/Stable) is Finland's national transmission system operator (TSO). The TSO and DSO frameworks share key features. However, Fingrid's sector position is stronger given its national mandate, larger asset base and EBITDA, and lower counterparty risk. The rating differential versus Elenia is driven by Fingrid's stronger business risk profile and, above all, its more conservative financial policy.

Enexis Holding N.V. (AA-/Stable; Standalone Credit Profile (SCP) 'bbb+') is one of the largest DSOs in the Netherlands, operating both electricity and, to a lesser extent, gas networks. The Dutch framework is supportive albeit slightly weaker than Finland's. Enexis has a larger scale than Elenia. We view debt capacity for both as broadly similar, but Enexis maintains a stronger financial profile. Enexis' IDR benefits from a four-notch uplift above its SCP under Fitch's Government-Related Entities Rating Criteria.

Italgas S.p.A. (BBB+/Stable) is Italy's leading gas DSO, significantly larger than Elenia. Both Italy and Finland have mature regulatory regimes with strong transparency records. Italgas benefits from greater scale, but gas distribution carries a higher business risk than electricity distribution, in our view, due to long-term energy transition trends. Debt capacity is similar for Italgas and Elenia, with the former's higher rating primarily reflecting its lower leverage.

E.ON SE (BBB+/Stable) has materially larger scale than Elenia and broader geographic and business diversification. Germany's regulatory framework is robust, though less mature than Finland's. E.ON's debt capacity is constrained by exposure to energy retail and energy infrastructure solutions. E.ON's higher rating reflects a stronger financial profile.

FITCH'S KEY RATING-CASE ASSUMPTIONS

- Pre-tax weighted average cost of capital at 6.9%-7.8% over 2025-2028
- Achievement of maximum regulatory allowed profits on a cumulative basis over 2025-2028
- Average yearly capex of EUR145 million
- Average dividend distributions of EUR107 million for 2025-2028 (which includes a special dividend in 2025), while maintaining a flexible dividend policy
- Cost of new debt at 4.5%

CORPORATE RATING TOOL INPUTS AND SCORES

Fitch scored the issuer as follows, using our Corporate Rating Tool (CRT) to produce the SCP:

- Business and financial profile factors (assessment, relative importance): Management (bbb-, Lower), Sector Characteristics (a-, Higher), Market and Competitive Positioning (bbb+, Moderate), Diversification and Asset Quality (bbb, Moderate), Company Operational Characteristics (bbb+, Moderate), Profitability (bbb, Moderate), Financial Structure (b-, Moderate), and Financial Flexibility (bbb+, Moderate).
- The quantitative financial subfactors are based on standard CRT financial period parameters: 20% weight for the latest historical year 2024, 40% for the forecast year 2025 and 40% for the forecast year 2026.
- The Governance assessment of 'Good' results in no adjustment.
- The Operating Environment assessment of 'aa-' results in no adjustment.
- The SCP is 'bbb-'.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating

Action/Downgrade

-FFO net leverage above 9.0x on a sustained basis

-FFO interest coverage below 3.5x

Factors that Could, Individually or Collectively, Lead to Positive Rating

Action/Upgrade

-FFO net leverage below 8.0x on a sustained basis

-FFO interest coverage above 4.5x

LIQUIDITY AND DEBT STRUCTURE

As of June-2025, Elenia had EUR129 million available cash. It also had access to committed credit lines totalling about EUR370 million. This includes EUR250 million of capex facility, EUR50 million for working capital and a EUR70 million liquidity facility. In October 2025, the company issued a EUR500 million bond and used half of the proceeds to partly repay a bond of similar amount due in February 2027. Available liquidity is enough to cover negative FCF and debt maturities until end-2027.

ISSUER PROFILE

Elenia has operations in more than 100 cities and municipalities across central Finland, from Southern Häme to Northern Ostrobothnia.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

[Click here](#) to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

CLIMATE VULNERABILITY SIGNALS

The results of our Climate.VS screener did not indicate an elevated risk for Elenia Verkko Oyj.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕		
Elenia Verkko Oyj	LT IDR	BBB- Rating Outlook Stable	New Rating
senior secured	LT	BBB	New Rating

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[Corporates Recovery Ratings and Instrument Ratings Criteria \(pub. 02 Aug 2024\)](#)
(including rating assumption sensitivity)

[Corporate Rating Criteria \(pub. 09 Jan 2026\)](#) (including rating assumption sensitivity)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub. 09 Jan 2026\)](#)

[Country-Specific Treatment of Recovery Ratings Criteria \(pub. 20 Feb 2026\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

[Corporate Monitoring & Forecasting Model \(COMFORT Model\), v8.2.0 \(09 Jan 2026, 09 Jan 2026\)](#)

ADDITIONAL DISCLOSURES

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ENDORSEMENT STATUS

Elenia Verkko Oyj

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