AB Transitio

Full Rating Report

LONG-TERM RATING
AA-

OUTLOOK
Stable

SHORT-TERM RATING
N1

PRIMARY ANALYST
Anine Gulbrandsen
+4797501657
anine.gulbrandsen@nordiccreditrating.com

SECONDARY CONTACTS
Elisabeth Adebäck
+46700442775
elisabeth.adeback@nordiccreditrating.com

Sean Cotten
+46735600337
sean.cotten@nordiccreditrating.com

RATING RATIONALE

Our 'AA-' long-term issuer rating on Sweden-based passenger railway rolling stock provider and manager AB Transitio reflects the company's heavily regulated financial and commercial relationship with its owners, which are also its sole customers. The company is jointly owned by 20 Swedish counties with significant financial capacity to honour their commitments. Under a shareholder agreement, all debt maturities, costs and loss exposures are guaranteed by the county or counties using the company's services. We view these guarantees as irrevocable, unconditional and timely, broadly aligning the company's financial strength with that of its owners. The rating also reflects the company's insulated competitive position, high barriers to entry in the Swedish passenger rolling stock leasing market, long average debt maturity and low refinancing risk.

The rating is constrained by Transitio's limited size and diversity. The company owns about one-fourth of Sweden's regional railway rolling stock, limiting geographic diversity, and is notably smaller than its European peers. As a not-for-profit entity, Transitio has minimal book equity, resulting in high leverage. Conversely, it passes all interest and operating costs through to its owners. Owner guarantees provide further stability and support the company's overall financial risk profile.

The rating reflects our expectation that issued debt will carry guarantees similar to those on Transitio's existing loans, given the structure of its shareholder and leasing agreements. We would likely rate such instruments at least two notches above the issuer rating (see Issue ratings section). We expect the Swedish government to provide support to Transitio if an owner county faces financial difficulty.

STABLE OUTLOOK

The outlook is stable, reflecting our expectations that Transitio's risk profile will remain strong thanks to the extensive shareholder guarantees and the company's increasing importance for fulfilling the political targets of its owners. The long-term planning structure of Swedish railways contributes to stability and predictability of operations. The outlook incorporates our view that the owners' credit quality will remain unchanged and that they will remain the company's sole customers.

POTENTIAL POSITIVE RATING DRIVERS

- Restoring cross-county guarantees; and
- Higher owner utilisation, significantly increasing the scale of operations.

POTENTIAL NEGATIVE RATING DRIVERS

- Reduced owner pool credit quality or changes in the ownership profile.
- Removal of financial or operational guarantees.

Figure 1. Key credit metrics, 2022–2028e

SEKm	2022	2023	2024	2025	2026e	2027e	2028e
Revenues	786	966	1,020	1,042	1,094	1,160	1,261
EBITDA	514	687	720	738	767	810	839
EBITDA margin (%)	65.4	71.1	70.5	70.9	70.1	69.8	66.5
FFO	389	504	527	556	563	601	621
Net debt	8,665	8,913	8,881	8,859	8,598	9,297	9,640
Total assets	10,047	10,407	10,613	10,461	10,522	11,014	11,441
Net debt/EBITDA (x)	16.9	13.0	12.3	12.0	11.2	11.5	11.5
EBITDA/net interest (x)	4.1	3.8	3.7	4.1	3.8	3.9	3.8
FFO/net debt (%)	4.5	5.7	5.9	6.3	6.5	6.5	6.4
FOCF/net debt (%)	-11.4	-6.8	-3.9	-8.2	3.3	-7.3	-3.4

Source: company and NCR. e–estimate. FFO–funds from operations. FOCF–free operating cash flow. All metrics adjusted in line with NCR methodology.

ISSUER PROFILE

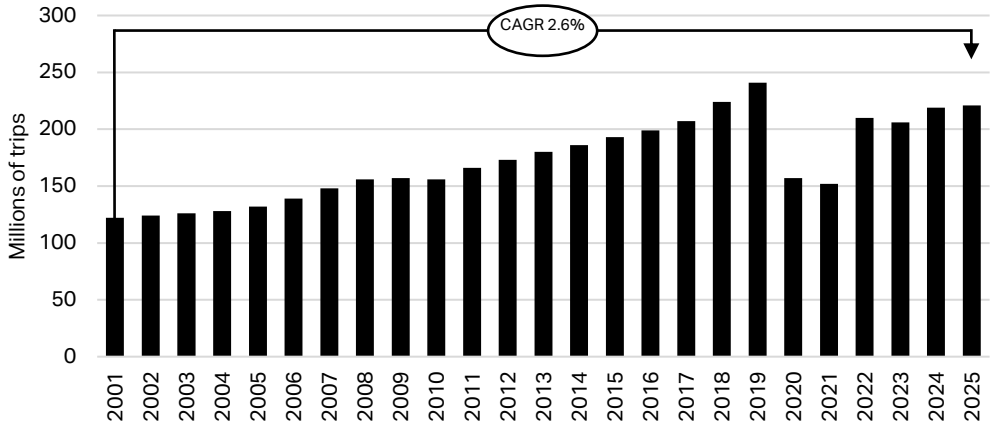
Transitio was founded in 1999 by six of Sweden's 21 counties, when county-level traffic authorities were charged with running the country's regional railways, to centralise the acquisition and financing of rolling stock on behalf of the respective counties' regional public transport companies. The company also provides rolling stock support services and carries out heavy maintenance. Since restructuring in 2012, Transitio has been owned directly and indirectly by 20 Swedish counties, excluding the island county of Gotland, with each owner holding a 5% stake. The owners' commitment to the company is regulated through a shareholder agreement, and rolling stock financing is guaranteed by the county or counties that lease individual units of rolling stock. Because of its public ownership, the company must issue public tenders when purchasing rolling stock and related equipment. The owners provide financial guarantees for all leased rolling stock.

BUSINESS RISK ASSESSMENT

Contractually fixed revenues and low cyclicality ensure a stable operating environment

Transitio operates in the Swedish passenger rolling stock leasing market, with all its revenue guaranteed by or derived from its owners. Demand is supported by public transport needs and long-term growth in rail travel, with passenger volumes having more than doubled since 2000. Volumes declined sharply during the COVID-19 pandemic and have since recovered, although they remain below 2019 levels. We expect continued growth in rail travel and urbanisation to support demand for rolling stock over time. Demand is also supported by regional public transport authorities' long-term fleet requirements, which provide visibility into future rolling stock needs.

Figure 2. Passenger volumes regional Swedish rail routes, 2025



Source: Transport Analysis.CAGR-Compound annual growth rate

We assess the leasing market for passenger rolling stock as less cyclical than the leasing markets for freight wagons, capital goods and passenger cars, reflecting its limited correlation with economic activity, predictable cash flows, and longer contracts with strong counterparties. Barriers to entry are high because of the industry's capital intensity, long lead times for new rolling stock, and the competitive financing available to counties and Transitio. Regional traffic operators typically rely on counties to provide rolling stock, while potential new leasing providers would have to compete with counties and Transitio in public tenders. Their competitive financing and established market role further limit the attractiveness of entry. We therefore view the risk of contract non-renewal and substitution by alternative rolling stock providers as limited.

However, capacity constraints and underinvestment in Swedish railway infrastructure increase vulnerability to disruptions and have contributed to weaker punctuality. Unless infrastructure capacity and reliability improve, we see some risk of substitution to other modes of transport, particularly in regions where viable alternatives are available. In addition, increasing project complexity, supplier capacity constraints and cost pressures could lead to longer delivery times and higher rolling stock procurement costs.

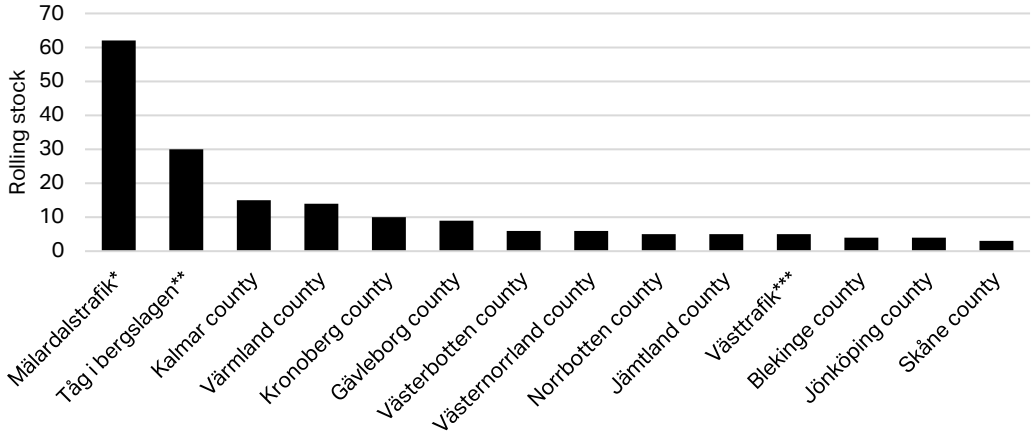
Strong position as a centralised provider, but exposed to substitution risk

In our view, Transitio has a strong market position because of its commercial relationship with its owners. The company's main objective is to supply its owners with rolling stock, along with related materials and services. Transitio specialises in acquiring and maintaining rolling stock on behalf of its owners, using its scale and financing advantages to improve cost efficiency for them.

Transitio owns about one-fourth of Sweden's regional rolling stock. Its market share is constrained by direct county ownership, particularly among larger counties with direct access to capital markets, including Stockholm, Skåne and Västra Götaland. Some counties have also assumed direct ownership of rolling stock following the expiry of leases with Transitio. We understand that this primarily reflects ownership preferences rather than the quality of Transitio's services. Where Transitio is the preferred leasing partner, we expect its share of rolling stock financing to increase as its fleet expands and the benefits of pooled procurement become more pronounced. The agreement with Uppsala county to acquire trams for delivery by end-2029 also modestly broadens its activities beyond regional rail, although we currently see limited growth opportunities in other rolling stock segments.

Substitution risk from private leasing providers is low, in our view, reflecting Transitio's financing advantages, established owner relationships, and cost coverage through owner guarantees. These features support competitive pricing and limit re-leasing and repricing risk.

Figure 3. Counterparty diversity of leased rolling stock by county, 30 Jun. 2026



Source: company. *Owned by Stockholm county (35%), Sörmland county (13%), Uppsala county (13%), Västmanland county (13%), Örebro county (13%) and Östergötland county (13%). **Owned by Dalarna county (25%), Örebro county (25%), Västmanland county (25%) and Gävleborg county (25%). ***Owned by Västra Götaland county (100%).

Transitio's customers are exclusively Swedish counties, which have strong financial capacity and carry minimal risk, creating indirect counterparty exposure to Sweden's central government. Transitio has relatively broad exposure across its owners, while financing for rolling stock acquisitions is supported by guarantees from the respective owners. Nevertheless, the company has a narrow product offering and focuses almost exclusively on passenger rolling stock.

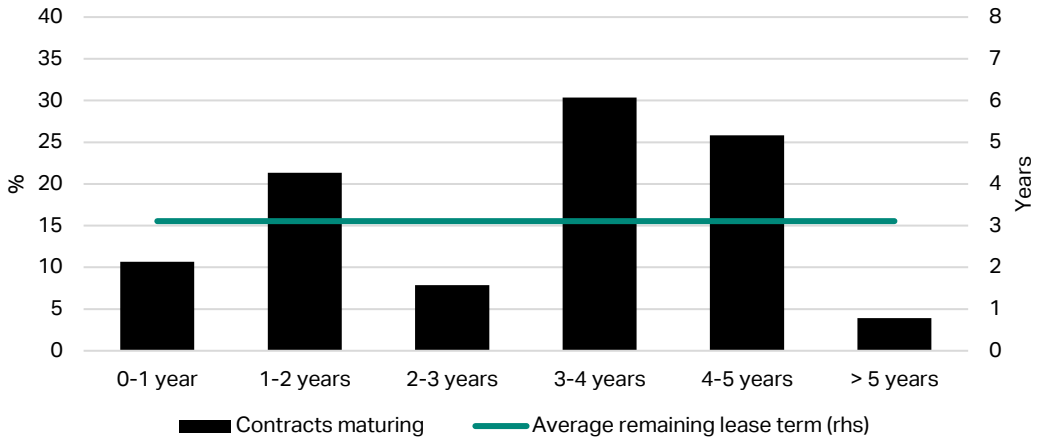
Transitio is small relative to European rolling stock leasing companies, but we do not view its size as a major constraint given its specific mandate and established position among its owners. Greater scale should support purchasing power and operating efficiency over time. Transitio's cash operating costs relative to average rolling stock are higher than those of Norwegian peer Norske tog AS, although differences in fleet composition, service scope and cost structures reduce comparability between the companies.

Supplier concentration is a more significant constraint on diversification. Alstom and Stadler account for most of Transitio's rolling stock models, creating exposure to component shortages, maintenance delays and competing demand from larger customers. Fleet additions from CAF will broaden the supplier base, and Transitio also maintains its own stock of high-value components to mitigate supply-chain risks.

Flexible leasing structure ensures cost coverage, supporting strong operating efficiency

Transitio's strong operating efficiency is driven by the limited downside risk and low cyclicality of the company's long-term contracts with its owners. Contractual payments are adjusted annually to cover all expected input costs, including financing, enabling the company to operate continuously on a not-for-profit basis. The average remaining lease term for outstanding contracts was 3.1 years as of 30 Jun. 2026. New contracts are typically signed for 10 years and automatically renewed for five-year periods unless an owner provides one year's notice of cancellation. If a contract is cancelled, the commissioning owner generally bears the associated costs, limiting Transitio's exposure to re-leasing and residual value risk. This is particularly important given the specialised nature and long economic life of rolling stock, and the limited secondary market for certain train types.

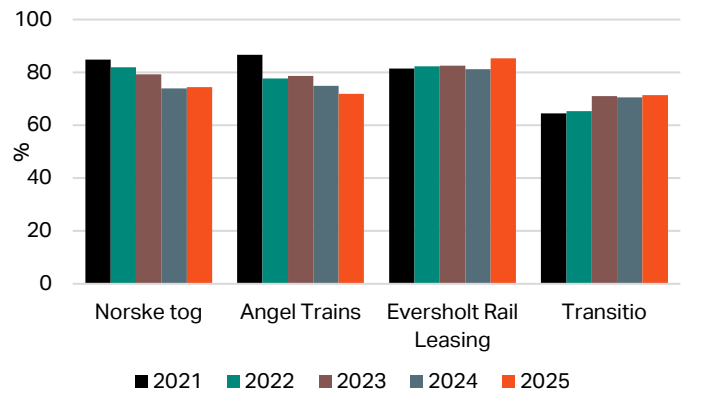
Figure 4. Lease maturity profile, 30 Jun. 2026



Source: company.

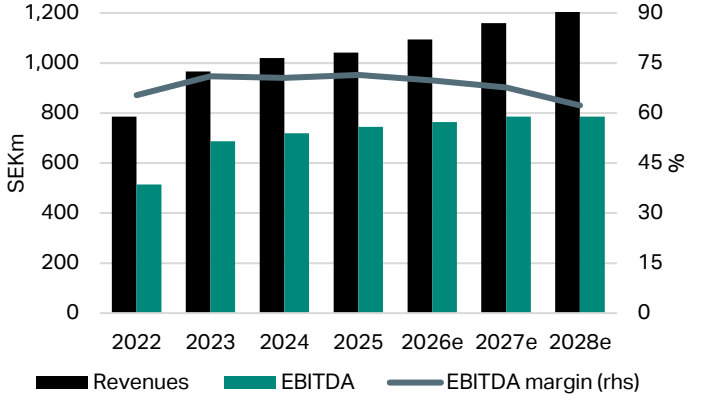
Rolling stock typically has a lifecycle of 30–40 years. As of 30 Jun. 2026, the average age of Transitio's rolling stock was 11.7 years, providing a balanced replacement profile and limiting the risk of concentrated fleet renewal in unfavourable market conditions. On-train equipment has shorter lifespans of 10–15 years and is replaced according to maintenance schedules, limiting the risk of disruptions. Transitio maintains a strategic inventory of high-value components with long lead times to increase rolling stock utilisation and reduce exposure to supply chain disruptions, while operators maintain inventories of more common spare parts. However, the growing size and complexity of its project portfolio increase execution risk and place greater demands on organisational capacity and project management.

Figure 5. NCR-adjusted peer group EBITDA margin, 2021-2025



Source: company.

Figure 6. NCR-adjusted revenues, EBITDA and EBITDA margin, 2022–2028e



Source: company and NCR. e-estimate.

FINANCIAL RISK ASSESSMENT

Operational and financial guarantees from owners significantly reduce financial risk

Transitio operates on a not-for-profit basis and is under no obligation to meet its owners' return requirements. The company has historically had high financial leverage and an equity ratio below 1%. However, because the owners cover financing costs, overheads, repairs, maintenance and debt maturities, we consider the key credit metrics less reflective of Transitio's financial risk. Accordingly, we attach limited weight to these ratios in our assessment.

We expect financial gearing to earnings to remain stable, supported by the structure of the company's leasing contracts, with lessees providing sufficient funds to offset the impact of higher market rates and cost inflation. We expect significant capital spending from 2027, reflecting planned rolling stock acquisitions and the deferral of some investments previously expected in 2026 because of project and delivery delays. We expect maintenance to account for a small proportion of the company's overall capital spending.

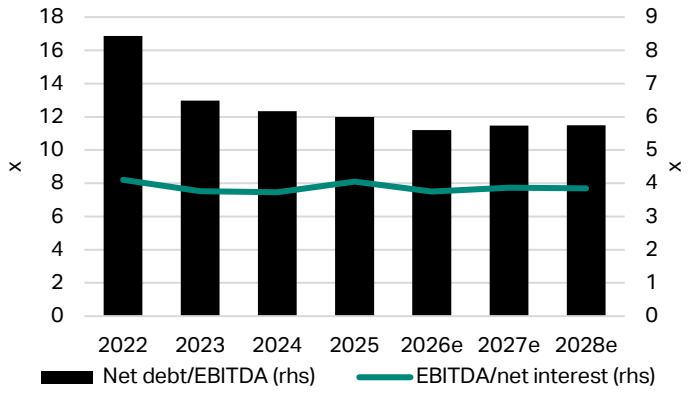
Transitio reports under Swedish GAAP. We adjust the company's remaining financial leases by capitalising lease payments and treating them as a combination of interest and depreciation. However, the significance of these adjustments has declined because Transitio now owns the vast majority of its rolling stock.

Figure 7. Key base-case forecast assumptions and credit metrics, 2026–2028e

	2026e	2027e	2028e
Revenue growth (%)	5.0	6.0	8.7
EBITDA margin (%)	70.1	69.8	66.5
Capital expenditure (SEKm)	-300	-1,300	-1,000
Net debt/EBITDA (x)	11.2	11.5	11.5
EBITDA/net interest (x)	3.8	3.9	3.8
FFO/net debt (%)	6.5	6.5	6.4
FOCF/net debt (%)	3.3	-7.3	-3.4

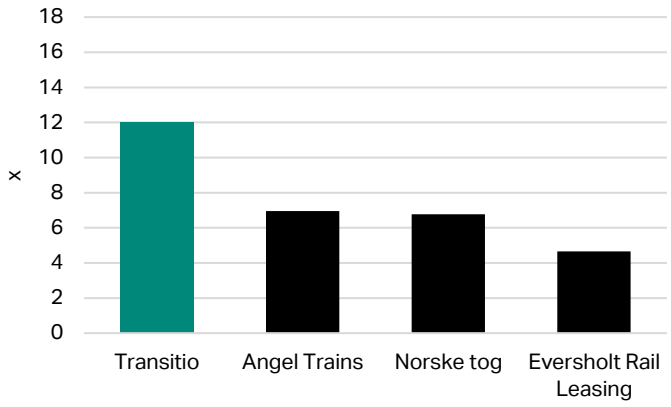
Source: NCR. e–estimate. All metrics adjusted in line with NCR methodology.

Figure 8. NCR-adjusted net debt/EBITDA and EBITDA/net interest, 2022–2028e



Source: company and NCR. e–estimate.

Figure 9. Peer group net debt/EBITDA, 2025



Source: company and NCR.

We assess Transitio's risk appetite as significantly more prudent than its financial ratios indicate. This is largely attributable to the owners' commercial and financial guarantees supporting the company's funding, which provide stability by leveraging the owners' financial strength.

Transitio finances its operations through a mix of loans from the European Investment Bank (EIB), the Nordic Investment Bank (NIB), Kommuninvest, the Swedish Export Credit Corporation (SEK), and bank debt, with only a small proportion of rolling stock remaining externally leased. This is consistent with the change in its funding structure: Transitio owned 97% of its rolling stock at end-2025, while the reported leasing liability, including residual values, declined to SEK 38m from SEK 761m a year earlier. Common equity constitutes a negligible proportion of funding, as the company aims to achieve full

cost coverage and no profit rather than pay dividends to its owners. Lease contracts with the owners allow Transitio to adjust lease payments based on projected costs, mitigating its exposure to higher interest rates and inflation. This allows Transitio to operate with comparatively high leverage relative to its peers, but with lower financial risk.

We take a positive view of Transitio's long average debt maturity profile (5.5 years, including leasing). The company typically repays a large proportion of its loans before maturity, reducing refinancing risk. We expect the company to continue using long-term financing to match its lease commitments to its owners. We view refinancing and liquidity risk as limited, supported by owner guarantees, long-term financing and a diversified maturity profile. In addition, because of Transitio's relationship with its owners, the company has no debt covenants.

Transitio measures interest rate risk as the ratio of interest costs to projected revenue from a 1pp increase in interbank borrowing rates. The resulting interest rate risk measure stood at 2.9% as of 31 Dec. 2025.

Transitio has some exposure to foreign exchange risk, mainly through the Swiss franc and the euro, because of the international profile of rolling stock and related equipment suppliers. We view this risk as limited because the company uses financial instruments to hedge exchange rates when purchasing rolling stock and spare parts.

Figure 10. Financial policies and reported figures

Metric	Financial policy	Reported 31 Dec. 2025
Debt maturity	≥ 2 years	5.5
Avg. fixed-interest period	2 ≤ years ≤ 5	2.4
Interest-rate risk	≤ 10%	2.9%

Source: company.

ADJUSTMENT FACTORS

Adjustment factors are assessed as neutral and have no effect on the rating.

Liquidity

Our 12-month liquidity analysis is based on a stressed scenario in which the company cannot access the capital markets or extend bank loans and therefore must rely on internal or committed external funding sources to cover its liquidity needs. We typically expect a company with an investment grade rating ('BBB-' or above) to cover its liquidity needs with limited need for external funding over the coming 12 months.

Figure 11. Liquidity analysis (stressed scenario) 30 Jun. 2026–30 Jun. 2027

Liquidity, next 12 months	Amount SEKm
Cash and cash equivalents (100%)	285
Adjusted FFO (75%)	436
Unutilised credit facilities	60
Owner guarantees	2,085
Total sources	**2,866**
Repayment of borrowings and leasing	-800
Committed capital spending	-1,285
Total uses	**-2,085**
Sources/uses (x)	**1.4**
Sources-uses (SEKm)	**781**

Source: company and NCR.

We assess Transitio's liquidity position as adequate. This is supported by net sources over uses of SEK 781m for the 12 months to 30 Jun. 2027. In stressed conditions, we expect the owners to honour their

contractual commitments and provide the company with sufficient funds to meet all committed capital spending, debt maturities and operating costs.

OWNERSHIP ANALYSIS

We raise the long-term issuer rating by two notches to reflect Transitio's active management by its owners and its replaceable policy role. The company is owned directly and indirectly, through county-owned operators, by 20 Swedish counties, each with a 5% stake. Only the island county of Gotland is not an owner.

We see Transitio's policy role as replaceable, reflected in part by the high volume of county-owned rolling stock, and would expect counties to issue public tenders independently in the absence of a centralised procurement entity. The shareholder agreement stipulates that owners should extend guarantees to provide full coverage for leasing-related costs and loss exposure when undertaking a leasing contract through Transitio. However, each county, or group of counties, guarantees only individual loan contracts, and since 2012 there has been no mutual cross-region guarantee for all loans. We view the counties' loan guarantees as timely and legally binding. Owners play an active role in the company's management through board participation.

We believe that any extraordinary support, if necessary, is more likely to come directly from the Swedish central government than from other counties, given the potential political consequences for counties providing support to other counties outside their cross-guaranteed commitments. In our view, there is a high likelihood of ownership support, given Transitio's policy role in the provision and maintenance of rolling stock for public transport infrastructure.

ISSUE RATINGS

Figure 12. Instrument rating

Seniority	Issue rating and rationale
Senior unsecured issue rating	Not rated; As of 30 Jun. 2026, Transitio had no outstanding capital market debt instruments.

Issue ratings are assigned in accordance with our Corporate Rating Methodology. In cases where two alternatives for issue ratings are possible, the rating is assigned based on our forward-looking view of an issuer's capital structure, typically over the next 12-18 months.

We expect any capital market instruments issued by the company to have recourse to the owners, as well as irrevocable, unconditional and timely guarantees similar to those the owners provide on Transitio's existing loans. We therefore expect to align the issue ratings on any guaranteed bonds with our assessment of the relevant guarantors' creditworthiness when those guarantors have a higher rating or NCR credit assessment than the company's current issuer rating.

Given the current ownership and NCR's current credit assessments of Swedish counties, we would expect to rate guaranteed issues at 'AAA' or 'AA+', depending on our credit assessment of the relevant guarantor or guarantors.

SHORT-TERM RATING

Figure 13. Short-term issuer rating

Short-term issuer rating	Rationale
N1	Adequate for the long-term rating, given committed sources-to-uses liquidity of 1.4x. The company's owners are committed to covering debt maturities, capital spending and other operating costs, indicating strong access to liquidity should the need arise.

Short-term ratings are mapped to the long-term issuer rating, in accordance with our Rating Principles. In cases where two alternatives for short-term ratings are possible, the short-term rating is assigned based on liquidity being strong, adequate, or weak, as applicable.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

We consider ESG factors throughout the analysis, when they are material to our credit assessment of Transitio.

Figure 14. Priority ESG factors

Issue/area	Risk/opportunity	Impacted subsections (impact on credit assessment*)
Passenger safety and fleet reliability	Technical failures can disrupt services and endanger passengers. Effective maintenance supports safe, reliable operations.	Operating efficiency (0)
Fleet sustainability and lifecycle management	Fleet renewal, refurbishment and efficient technologies reduce lifecycle emissions and resource use, but require continued investment.	Market position (0) Operating efficiency (0)
Supply-chain and environmental standards	Rolling-stock supply chains create labour, environmental and pollution risks. Strong supplier requirements and monitoring mitigate exposure.	Size and diversification (-) Operating efficiency (-)
Responsible procurement and business ethics	Large procurement contracts can create corruption and conflict-of-interest risks. Transparent processes and controls support stakeholder trust.	Risk appetite (0)

Source: company and NCR. See ESG factors in corporate ratings. *Defined on a 5-step scale ranging from double minus (--) to double plus (++), with (--) representing the most negative impact and (++) the most positive.

APPENDIX

Figure 15. NCR's adjustments to financials, 2022–2028e

SEKm	2022	2023	2024	2025	2026e	2027e	2028e
EBITDA	390	554	622	713	744	789	820
Leasing costs	124	133	98	25	23	21	19
NCR-adj. EBITDA	514	687	720	738	767	810	839
Net interest	-89	-142	-165	-179	-202	-207	-216
Financial costs from leasing	-36	-40	-26	-3	-2	-2	-2
Interest on retirement benefit obligations	-0	-1	-2	-1	-1	-1	-1
NCR-adj. net interest	-125	-183	-193	-182	-204	-210	-218
NCR-adj. EBITDA	514	687	720	738	767	810	839
NCR-adj. net interest	-125	-183	-193	-182	-204	-210	-218
Current tax	0	0	0	0	0	0	0
NCR-adj. FFO	389	504	527	556	563	601	621
Changes in working capital	59	6	51	28	17	16	51
Capital spending	-1,436	-1,117	-926	-1,313	-300	-1,300	-1,000
NCR-adj. FOCF	-988	-607	-348	-728	280	-683	-328
Cash and cash equivalents	446	427	535	343	631	384	388
NCR-adj. cash and equivalents	446	427	535	343	631	384	388
Gross interest-bearing debt	7,524	8,161	8,640	9,148	9,178	9,633	9,983
Leasing liabilities	1,573	1,163	761	38	35	32	29
Retirement benefit obligations	14	15	15	16	16	16	16
NCR-adj. cash and equivalents	-446	-427	-535	-343	-631	-384	-388
NCR-adj. net debt	8,665	8,913	8,881	8,859	8,598	9,297	9,640

Source: company and NCR. e–estimate.

METHODOLOGIES USED

(i) Corporate Rating Methodology, 8 May 2023.
(ii) Rating Principles, 14 Feb. 2024.
(iii) Group and Government Support Rating Methodology, 14 Feb. 2024.
(iv) Local and Regional Government Rating Methodology, 14 Feb. 2024.
(v) Sovereign Credit Assessment Methodology, 26 Mar. 2024.

Figure 16. Transitio key financial data, 2022–2025

SEKm	FY	FY	FY	FY
Period-end	31 Dec. 2022	31 Dec. 2023	31 Dec. 2024	31 Dec. 2025
INCOME STATEMENT				
Revenue	786	966	1,020	1,042
EBITDA	390	554	622	713
EBIT	65	139	163	175
Net interest expense	-89	-142	-165	-179
Pre-tax profit	-20	0	0	–
Net profit	**-0**	**0**	**-0**	**-0**
BALANCE SHEET				
Property, plant and equipment	7,720	8,423	8,869	9,626
Intangible assets and goodwill	–	–	–	–
Other non-current assets	64	75	126	126
Total non-current assets	**7,784**	**8,498**	**8,995**	**9,752**
Cash and equivalents	446	427	535	343
Other current assets	243	319	322	329
Total assets	**8,474**	**9,244**	**9,852**	**10,423**
Total equity	19	19	19	19
Gross debt	7,524	8,161	8,640	9,148
Other liabilities	930	1,064	1,193	1,257
Total equity and other liabilities	**8,474**	**9,244**	**9,852**	**10,423**
CASH FLOW STATEMENT				
Pre-tax profit	-20	0	0	–
Cash flow before changes in working capital	395	475	541	527
Changes in working capital	59	6	51	28
Operating cash flow	**454**	**481**	**592**	**555**
Capital expenditure	-1,436	-1,117	-926	-1,313
Other investing activities	17	1	6	86
Cash from investing activities	**-1,419**	**-1,116**	**-921**	**-1,226**
Dividends	–	–	–	–
Share repurchases	–	–	–	–
Other financing activities	635	615	438	479
Cash from financing activities	**635**	**615**	**438**	**479**
Cash and equivalents beginning of year	776	446	427	535
Cash flow for year	**-330**	**-19**	**109**	**-193**
Cash and equivalents at end of year	446	427	535	343

Source: company. FY–full year.

Figure 17. Transitio rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	a
Market position	10.0%	a
Size and diversification	10.0%	bb
Operating efficiency	10.0%	a
Business risk assessment	50.0%	a-
Ratio analysis		b
Risk appetite		aa-
Financial risk assessment	50.0%	a+
Indicative credit assessment		**a**
Liquidity		Adequate
ESG		Adequate
Peer calibration		Neutral
Stand-alone credit assessment		**a**
Support analysis		+2 notches
Issuer rating		**AA-**
Outlook		Stable
Short-term rating		**N1**

DISCLAIMER

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Figure 18. Transitio rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	a
Market position	10.0%	a
Size and diversification	10.0%	bb
Operating efficiency	10.0%	a
Business risk assessment	50.0%	a-
Ratio analysis		b
Risk appetite		aa-
Financial risk assessment	50.0%	a+
Indicative credit assessment		**a**
Liquidity		Adequate
ESG		Adequate
Peer calibration		Neutral
Stand-alone credit assessment		**a**
Support analysis		+2 notches
Issuer rating		**AA-**
Outlook		Stable
Short-term rating		**N1**

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