

CREDIT OPINION

16 August 2021

Update

✓ Rate this Research

RATINGS

Elering AS

Domicile	Tallinn, Estonia
Long Term Rating	A2
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Elering AS

Update to credit analysis

Summary

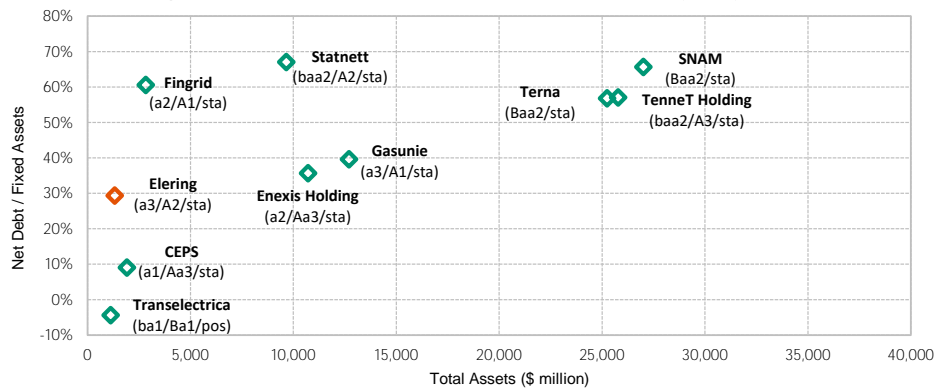
Elering AS' (Elering) credit profile is underpinned by the low business risk profile of its regulated transmission network operations; the flexible and generally supportive regulatory framework, although the visibility into cash flow is lower than that of other European regulatory regimes, because tariff changes may be requested year on year; and a solid financial profile.

At the same time, Elering's credit quality is constrained by its small size, with total reported assets of €1,108 million as of 30 June 2021; and some execution risks related to sizeable investments that serve to integrate Estonia into the continental European electricity transmission system. Although the capital spending programme is large, we expect leverage, measured as funds from operations (FFO)/net debt, to remain relatively stable over the next two to three years because the investments will be predominantly funded with non-debt sources, namely the European Union (EU) grants and congestion revenue.

Elering's credit profile benefits from our assumption of a high probability of support from its 100% owner, the Government of Estonia (A1 stable).

Exhibit 1

Elering is small compared with its European peers, but benefits from relatively low leverage
Total assets (last reported, versus net debt/ fixed assets (forward), both Moody's-adjusted



Net debt/fixed assets used represents the midpoint of Moody's forward-view estimates, as published in latest Credit Opinions, and the ratings are expressed as the Baseline Credit Assessment (BCA), if applicable, and assigned final ratings.
Source: Moody's Investors Service

Credit strengths

- » The low-risk nature of monopoly electricity and gas transmission network operations, which are regulated under a fairly well-developed and transparent regime, although cash flow visibility is limited by potential annual tariff changes
- » Our expectation of a high likelihood of government support because of Elering's strategic importance to Estonia's economy

Credit challenges

- » Execution risks related to a substantial investment programme, mitigated by risk sharing with partners, construction guarantees and EU funding support
- » Returns on the regulatory asset base (RAB) over the next few years expected to decline, resulting from the reduction in weighted average costs of capital (WACC)

Rating outlook

The outlook on Elering's rating is stable, reflecting our expectations that Elering will exhibit a financial profile commensurate with the guidelines for the current rating of FFO/net debt at least in the high teens in percentage terms and continue to manage its liquidity prudently.

Factors that could lead to an upgrade

For a rating upgrade, we would expect Elering to consistently maintain FFO/net debt of at least 25%, underpinned by the absence of any significant adverse changes in the regulatory framework.

Factors that could lead to a downgrade

The rating could come under downward pressure if Elering's FFO/net debt were to decline below the high teens in percentage terms for a sustained period. Pressure could also be exerted on the rating as a result of a deterioration in the credit quality of the Government of Estonia; a reduction in the government support assumptions currently incorporated into our credit assessment; or a significantly unfavourable change in the regulatory framework, leading to a significant increase in the company's business risk.

Key indicators

Exhibit 2

Elering AS

Elering's adjusted key indicators; stable leverage underpinned by investment funding coming mainly from non-debt sources

	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	12 - 18 month Forward View
(FFO + Interest Expense) / Interest Expense	5.7x	5.4x	7.8x	25.1x	25.3x	28x - 30x
Net Debt / Fixed Assets	42.0%	32.4%	35.1%	32.7%	29.4%	26% - 28%
FFO / Net Debt	17.6%	20.8%	17.8%	19.2%	22.0%	22% - 24%
RCF / Net Debt	7.8%	12.6%	11.0%	9.4%	12.9%	14% - 16%

All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. For definitions of Moody's common ratio terms, please see the accompanying [User's Guide](#).

Source: Moody's Financial Metrics™

Profile

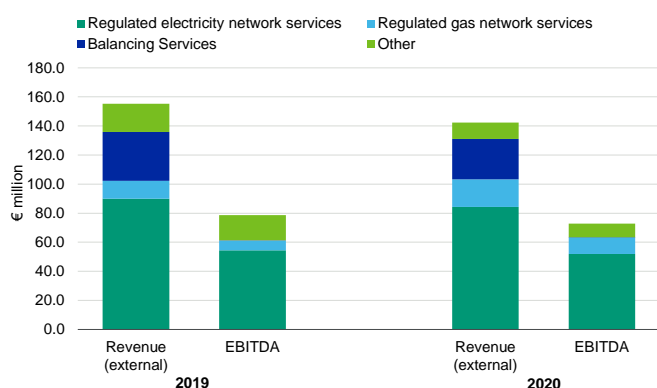
Estonia-based Elering AS (Elering) is the owner and operator of Estonia's electricity and gas transmission networks and provides balancing services for both grids. The company also acts as a clearing agent for the Estonian support scheme for renewable power and cogeneration of heat and electricity. The 5,585-kilometre (km)-long domestic power transmission system is connected to Latvia and Russia, as well as to Finland, through two submarine cables, Estlink 1 (350 megawatts [MW]) and Estlink 2 (650 MW). The gas transmission network comprises 977 km of pipelines and is connected to the same three countries. The company is 100% owned by the Government of Estonia.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

The electricity transmission segment is the main contributor to revenue and EBITDA, whereas the low share of gas transmission revenue and EBITDA reflects the minor role of this fuel in the Estonian economy. The company's balancing and clearing services are both zero-profit activities. The transmission activities are regulated by the Estonian Competition Authority (ECA).

Exhibit 3

Electricity transmission accounts for the bulk of Elering's earnings Revenue and EBITDA breakdown

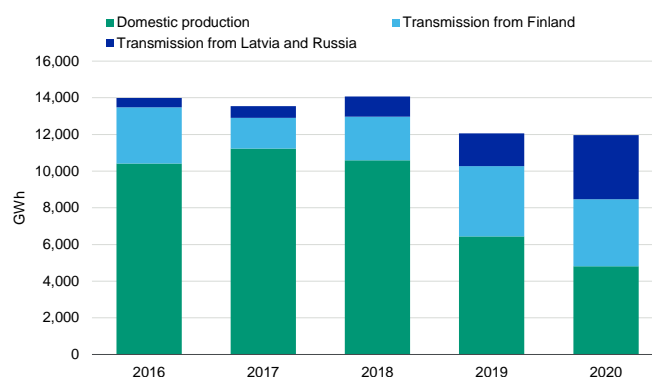


Source: Elering's 2020 annual report

Exhibit 4

Loss of competitiveness of domestically generated power leads to the increasing share of imports/transit within transported electricity

Electricity transmission volume



Source: Elering's annual reports

Detailed credit considerations

Low business risk profile, underpinned by a supportive regulatory framework, although a flexible approach to tariff setting reduces visibility into cash flow

Elering's credit profile is underpinned by the regulated income earned from its electricity and gas transmission assets. Although electricity transmission operations are the principal source of earnings, gas transmission operations have gained importance after the completion of the Balticconnector assets on 1 January 2020.

Electricity and gas network operations are generally characterised by low business risk because of their regulated nature and cash flow visibility. In Estonia, electricity and gas transmission network activities are subject to the same regulatory principles and oversight by the ECA. The framework is fairly well developed, based on generally used principles of a return on the RAB and governed by a light-touch approach since 2013. This means that either Elering or the ECA can request a review of tariffs on an ad hoc basis when either of them thinks it is appropriate to do so.

Although this approach provides Elering flexibility and discretion to seek tariff changes, the company is exposed to potentially adverse tariff adjustments sought by the ECA. The track record of electricity and gas tariff decisions reflects the ECA's willingness to allow tariff levels that help Elering cover its costs over time and realise a reasonable return based on the WACC applied to the company's RAB. Because the tariffs in both electricity and gas currently lack capacity components, the company is fully exposed to volume risk. This risk is mitigated by the option to request for a new tariff, if the actual transmission volumes evolve adversely to the assumptions embedded in the tariff calculations.

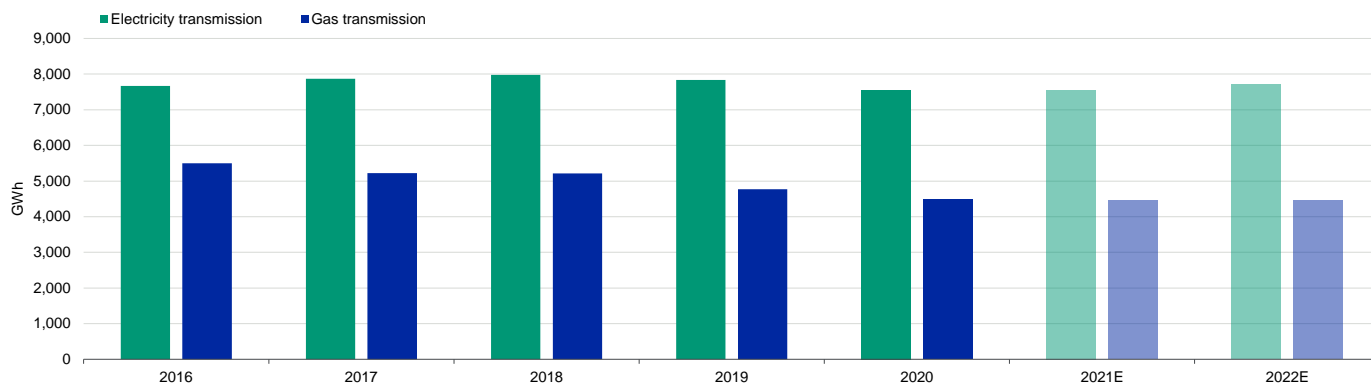
Overall, we regard the regulatory framework in Estonia as supportive of Elering's credit quality, despite lower transparency of the rate-setting process and less cash flow visibility compared with other European regulatory frameworks that abide by multiyear regulatory periods.

In the electricity segment, we expect volume to grow at a low-single-digit rate in percentage terms over the next few years, driven by real GDP growth in Estonia that we estimate at 2.7% for 2021 and 3.8% for 2022; and by gradually increasing electrification, for example, e-mobility. Our GDP growth expectations incorporate our view of Estonia's return to growth after the shock caused by the coronavirus pandemic in 2020 (see our [Credit Opinion on the Government of Estonia](#), 9 March 2021), when the transmitted volume

fell by 3.5%. Transmission volume growth remains tempered by increased distributed generation, notably from solar sources, which is exclusively shipped through the low- to medium-voltage distribution grid; and by more efficient energy use.

Gas volume transmitted through Elering's grid for domestic consumption declined in 2020 because of mild temperatures; the pandemic was not a significant factor. Because of the cold spell in early 2021, volumes could pick up again this year; however, in general, growth prospects for gas in Estonia are low. This is because demand for gas is driven by cogeneration (40%-45%), followed by industrial uses (20%-25%), and the Estonian subsidy regime for highly efficient cogeneration plants provides incentives to substitute gas as fuel with biomass.

Exhibit 5
Power transmission volumes are likely to recover after 2020, but gas demand is likely to stagnate
 Domestic consumption in GWh

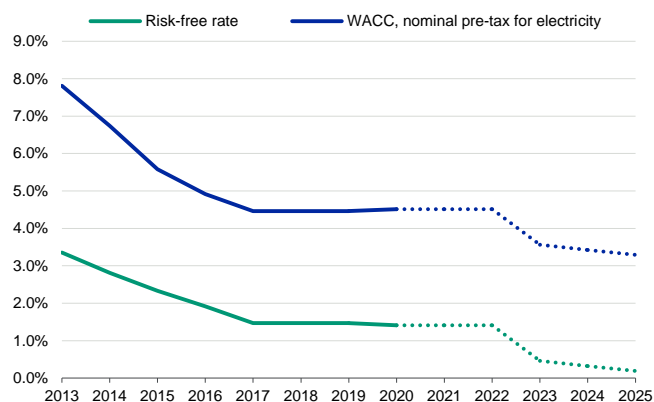


Sources: Elering and Moody's Investors Service

The regulatory approach to operating costs is generally supportive because they are adjusted for inflation, but not subject to efficiency requirements. Network losses are permitted to be passed through to customers on the basis of average costs over the 12 months preceding a tariff decision.

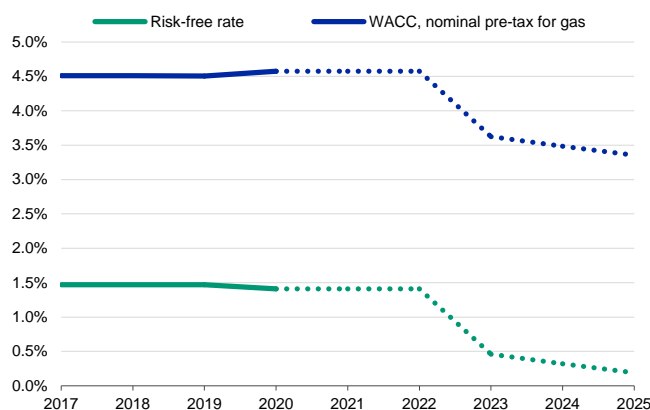
Elering's allowed revenue in the regulated business depends, in part, on the evolution of the electricity and gas RAB and WACC. WACC has been declining as a result of the steady decrease in the risk-free reference rate for the 10-year German government bond yield. The decision by the ECA to start calculating the risk-free rate based on a rolling 10-year average from 2020, compared with a rolling five-year average until 2019, temporarily halts, but does not alter, the downward trend of the WACC.

Exhibit 6
Evolution of the WACC and the risk-free rate for electricity transmission activities



Sources: Elering and Moody's Investors Service

Exhibit 7
Evolution of the WACC and the risk-free rate for gas transmission activities



Sources: Elering and Moody's Investors Service

The RAB development is determined by additions of eligible grid investments, divestments and depreciation. Assets financed with investment grants or income from cross-border capacity auctions (congestion fees) do not accrue to the RAB. From 2022, depreciation applied to the electricity RAB ceases to be based on regulatory values, and in line with the gas RAB, accounting depreciation is applied. Because the regulatory depreciation applied through 2020 assumed 40-year asset lives, which for most assets is longer than under accounting standards, we expect the ECA to accept an increase in the depreciation component under electricity tariffs effective after 2022.

Electricity earnings likely to decrease in 2021, but approval of a new tariff from 2022 would support EBITDA growth

The current electricity transmission tariffs have been in force since 1 July 2017 and incorporate the revised calculations of the WACC and depreciation, which is positive for Elering. The company applied for a new tariff in March 2021, effective from 1 January 2022, which in terms of volume assumptions would be based on the three-year average for 2018-20. Because this period includes the lower volumes of the pandemic year 2020, Elering stands to benefit from volume recovery as income from volumes above the regulatory forecast accrues to the company's earnings.

The evolution of Elering's capital returns is supported by the planned shift to accounting-based depreciation and the higher WACC of 4.51%; however, the overall effect will depend on the volume of investments that accrue to the RAB, which we expect to match depreciation on an accumulated basis over the next few years, because of the increased spending on assets in the context of the synchronisation with the continental European grid.

As part of a potential new tariff determination, we also expect the ECA to concede a moderate increase in the operating expense component of the tariff related to staff and others, although we assume a significant upward adjustment for grid losses. This is because the regulatory formula incorporates grid losses that are based on volumes and prices in the last 12 months before the tariff decision, and the relevant prices in the Nordics have increased by more than 40% since the end of July 2020.

If a new tariff is approved, the above changes should be moderately accretive to electricity EBITDA earnings from 2022. Elering's electricity EBITDA is likely to decrease in 2021 from that in 2020 because higher electricity prices will be reflected in the increased expenses for grid losses and because the currently applied tariff in euro/megawatt hour (MWh) is based on volume assumptions that are higher than the expected amount for 2021.

New gas tariff is a positive driver for cash flow

Earnings from gas transmission have been increasing since 2018 as a result of three tariff increases, with the most recent one taking effect on 1 January 2020. The main reason for the frequent tariff requests is the decreasing transmitted volume (compared with the previous regulatory assumptions) for domestic consumption.

Since the beginning of 2020, the segment's earnings have benefited from completed cross-border assets that have led to an increase of the RAB. With the inception of the trilateral common gas market among Estonia, Finland and Latvia, entry and exit points only exist in relation to other countries. Revenue is shared among the gas transmission grid operators of the three countries, generating additional income for Elering, which is favourably located between its partners and, thus, benefits from augmented transit flows.

We expect Elering's gas earnings to grow moderately over the coming years, assuming the continued willingness of the ECA to accommodate any further decrease in domestic gas transmission in new tariffs and additional earnings from the new trilateral gas market.

Investments likely to remain high over 2021-25, but funding by EU grants and congestion fees contain leverage

Elering's investments over the next five years amount to around €450 million, of which around €290 million will be spent on cross-border projects (see Exhibit 8). Having largely completed investments related to the trilateral gas market involving Estonia, Finland and Latvia, which included Balticconnector, a bidirectional 77-km gas subsea pipeline between Estonia and Finland that started operations in December 2019, the major investment undertaking over the period to 2025 will be the so-called Baltic Synchronisation project.

This project will promote Estonia's electricity integration with its neighbours and Western Europe. To this end, the Baltic countries are in the process of synchronising their electricity systems with the continental European frequency area by year-end 2025. The aim of the project is the desynchronisation with Russia¹. The first phase of the project, whose total costs are projected to be around €1.65 billion, started in 2018. Elering's share in the project includes the replacement of large parts of the electricity transmission network that was

built as part of the northwestern common power system of the former Soviet Union. Therefore, the average age of the transmission assets is around 30 years.

Thematically linked to the synchronisation project, but financially separate, is the company's construction of a third interconnection with Latvia (capacity of up to 600 MW), which was completed in 2020 and will allow for a subsequent renovation of the existing two connections. Following the commissioning of the new interconnector, maximum available capacity from Latvia to Estonia is about 1.26 GW and 1.45 GW in the opposite direction. These projects will be completed in conjunction with partners, and construction will be contracted out with technical guarantees in place to limit exposure to project execution risks.

Exhibit 8

Elering's investment plans are sizeable and focused on the multicountry Baltic Synchronisation project

€ million	2020	2021 - 2025	Total
Estonian-Latvian third electricity interconnector	80	2	82
Baltic Synchronisation - share Estonia	5	263	268
Estonian-Finnish gas interconnector	125	11	136
Estonian-Latvian gas interconnector	36	9	45
GIPL (Gas Interconnection Poland–Lithuania)	0	2	2
Total gross Cross Border investments	246	287	533
Total EU grants	140	201	341
Total net Cross Border investments (1)	106	86	192
Ordinary Investments (2)	37	161	-
Total net investments	143	247	-

(1) In addition to EU grants, Elering benefits from congestion fees, which, in accordance with EU legislation, must be used primarily to increase cross-border transmission capacity. As of year-end 2020, Elering accrued more than €112 million of congestion fees.

(2) According to Elering, ordinary investments should amount to around €30 million per year.

Sources: Elering's 2020 annual report and Moody's Investors Service

Funding for these cross-border investments in 2021-25 comes from Elering's own cash flow and, to a significant degree, from EU grants under the Connecting Europe Facility (CEF) for energy. The CEF's grant approvals received by Elering for the first and for the second project phase cover 75% of the eligible project costs of the Baltic Synchronisation project. In addition, for electricity interconnectors, the financing shortfall should be partially recovered by way of congestion revenue. Any amount of cross-border project spending not covered by EU funding or congestion revenue will be added to the respective RAB.

Leverage metrics likely to remain comfortably within the guidance

Elering's leverage, expressed as FFO/net debt, is likely to improve slightly in 2021 over 2020 as inflows from grants allow some debt reduction, while FFO is likely to remain about stable. The debt to be reduced, which we estimate at around €10 million, has been incurred to pre-finance the grant proceeds.

Assuming a new electricity tariff from 2022 and some growth in earnings contributions from gas transmission, while the outstanding bank loans are continuously being amortised (see Liquidity analysis), we expect leverage, expressed as FFO/net debt, to remain above 20% in 2021 and 2022 and, therefore, comfortably within our guidance.

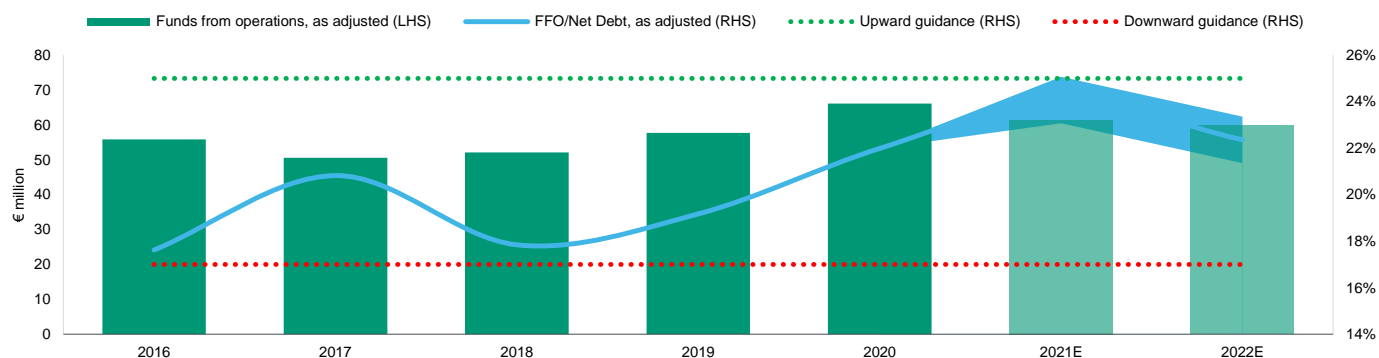
However, leverage is bound to fluctuate through 2025, when the Baltic Synchronisation project is planned to be completed, because of some uncertainty regarding the progress of the project and the timing of payouts of the grants. Because the approvals of the EU grants are now in place and assuming a gradual recovery in the economy from 2021, which should lead to concurrent earnings growth, we expect leverage to stabilise at around 20%, which is moderate compared with that of its other EU peers (see Exhibit 1).

Net debt/fixed assets should stabilise in the high 20s in percentage terms through 2025, driven by a gradual decline in debt, combined with the growth in fixed assets resulting from the investment projects. Elering's net debt/RAB (not published) is likely to be weaker than net debt/fixed assets because the share of interconnector projects, funded by grants and congestion fees, will not form part of the RAB.

Exhibit 9

We expect FFO/net debt to remain within the rating guidance

FFO/net debt versus the guidance



All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.

Sources: Moody's Financial Metrics™ and Moody's Investors Service forward view

Government support assumption results in rating uplift

Elering's A2 rating incorporates a one-notch uplift from its standalone credit quality, which we express as a Baseline Credit Assessment (BCA) of a3. The uplift to the BCA reflects the credit quality of its 100% owner, the Government of Estonia, and our assessment of a high probability of government support for the company in the event of financial distress, as well as our view of very high default dependence between Estonia and Elering.

As a fully state-owned company, Elering is subject to special governance rules stipulated in the State Assets Act, based on which shareholder rights are conferred to the Ministry of Economic Affairs and Communications. Although the Government of Estonia does not provide any explicit guarantees, Elering's operations are considered of vital importance for the Estonian economy, and the Baltic Synchronisation project is viewed as a matter of national security by the Estonian government.

The government also has a strong track record of providing support to the company, including a total of €80 million of equity injections between 2015 and 2018 to support the acquisition of gas transmission assets and other large investments. Furthermore, there are currently no privatisation plans, and the Government of Estonia will remain the sole shareholder of Elering.

Liquidity analysis

Elering's cash balance amounted to around €75 million as of 30 June 2021, and the company could resort to various committed, undrawn bilateral bank facilities in an aggregate amount of €70 million, which fall due in early 2023.

Together with the company's strong cash flow from regulated earnings, income from committed CEF grants and congestion fees, Elering is able to fund its upcoming investments and scheduled repayments of around €11 million per year under various long-term loans granted by the [European Investment Bank](#) (Aaa stable) and the [Nordic Investment Bank](#) (Aaa stable), with maturity dates between 2025 and 2032. Although some share of CEF grants will have to be pre-funded with the bank facilities because grants are only paid out in arrears, we do not expect any significant funding needs over the next couple of years.

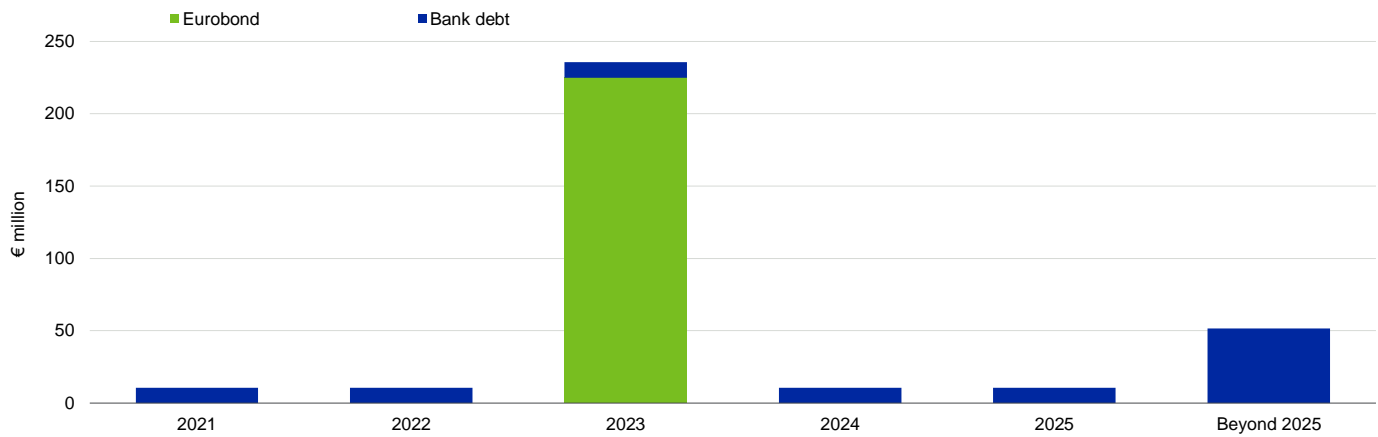
The company's next major debt maturity is its five-year €225 million bond in May 2023, with a coupon of 0.875%.

The loans extended by the European Investment Bank and by the Nordic Investment Bank include the following financial covenants: equity/assets of at least 30% and net debt/EBITDA of a maximum 7.0x. We expect the buffer under the covenants to remain adequate over the next few years.

Exhibit 10

Debt profile reflects the €225 million eurobond maturing in May 2023

Debt maturities



Source: Elering

Methodology and scorecard

Elering is rated in accordance with the [Regulated Electric and Gas Networks](#) rating methodology, published in March 2017, and the [Government-Related Issuers](#) rating methodology, published in February 2020.

The scorecard-indicated outcome is A2 (current view)/A1 (forward view), which is above the assigned BCA of a3. Elering's BCA also reflects its relatively small size compared with that of its continental European peers, the concentration of its operations in a small economy and the execution risks related to its substantial investment programme.

Exhibit 11

Rating factors

Elering AS

Regulated Electric and Gas Networks Industry [1][2]	Current FY 12/31/2020		Moody's 12-18 Month Forward View As of 6/30/2021 [3]	
	Measure	Score	Measure	Score
Factor 1 : Regulatory Environment and Asset Ownership Model (40%)				
a) Stability and Predictability of Regulatory Regime	A	A	A	A
b) Asset Ownership Model	Aa	Aa	Aa	Aa
c) Cost and Investment Recovery (Ability and Timeliness)	A	A	A	A
d) Revenue Risk	A	A	A	A
Factor 2 : Scale and Complexity of Capital Program (10%)				
a) Scale and Complexity of Capital Program	Baa	Baa	Baa	Baa
Factor 3 : Financial Policy (10%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Factor 4 : Leverage and Coverage (40%)				
a) FFO Interest Coverage (3 Year Avg)	14.7x	Aaa	28x - 30x	Aaa
b) Net Debt / Fixed Assets (3 Year Avg)	32.3%	Aa	26% - 28%	Aaa
c) FFO / Net Debt (3 Year Avg)	19.6%	A	22% - 24%	A
d) RCF / Net Debt (3 Year Avg)	11.1%	Baa	14% - 16%	A
Rating:				
a) Scorecard-Indicated Outcome		A2		A1
b) Actual Rating Assigned				A2
Government-Related Issuer	Factor			
a) Baseline Credit Assessment	a3			
b) Government Local Currency Rating	A1			
c) Default Dependence	Very High			
d) Support	High			
e) Actual Rating Assigned	A2			

[1] All ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 12/31/2020. [3] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.

Source: Moody's Investors Service

Ratings

Exhibit 12

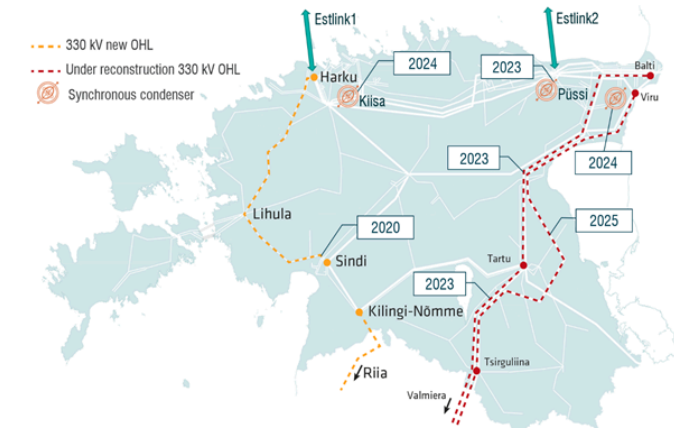
Category	Moody's Rating
ELERING AS	
Outlook	Stable
Issuer Rating - Dom Curr	A2
Senior Unsecured -Dom Curr	A2

Source: Moody's Investors Service

Appendix

Exhibit 13

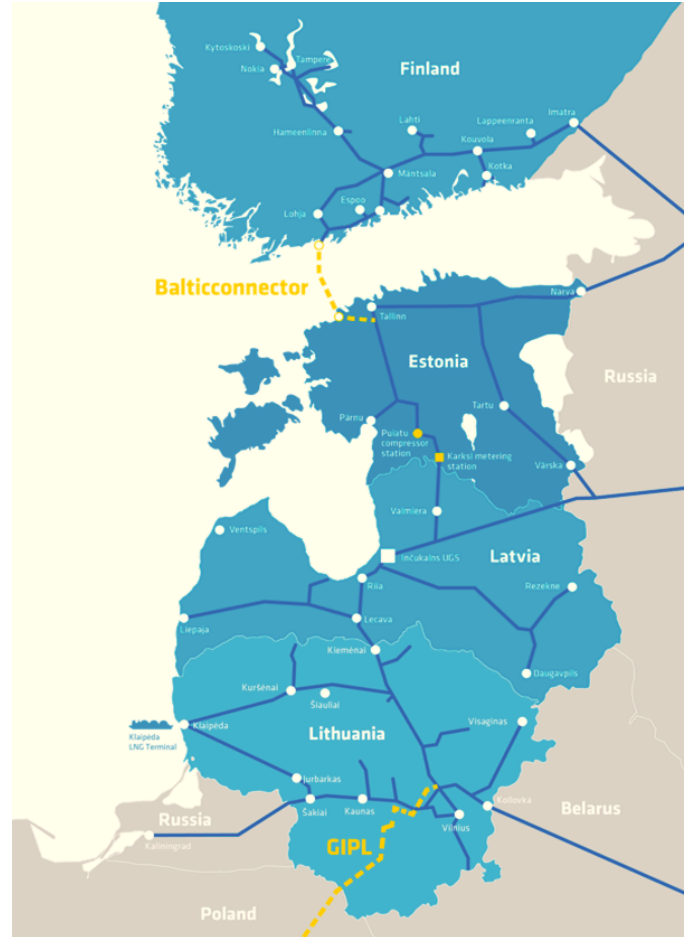
Estonia's electricity transmission system and location of the third Estonia-Latvia interconnection project



Sources: ENTSO-E and Elering

Exhibit 14

Gas transmission system in the Baltics and location of the Balticconnector project



Source: Baltic Connector Oy

Exhibit 15

Elering AS

Select historical Moody's financial data

(in EUR million)	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20
INCOME STATEMENT					
Revenue	134	130	143	142	137
% Change in Sales (YoY)	5.5%	-2.7%	9.7%	-0.6%	-3.6%
EBITDA	77	68	66	68	73
EBITDA margin %	57.1%	52.4%	46.1%	48.0%	53.0%
EBIT	38	33	31	31	33
EBIT margin %	28.3%	25.5%	21.7%	22.0%	23.8%
Interest Expense	12	12	8	2	3
Net income	18	17	18	24	25
BALANCE SHEET					
Cash & Cash Equivalents	53	122	63	42	51
Current Assets	105	153	102	87	94
Net Property Plant and Equipment	754	749	832	920	961
Non-Current Assets	801	758	847	937	982
Total Assets	906	912	949	1,024	1,075
Current Liabilities	34	269	40	57	39
Long-term Debt - Gross	370	365	355	343	333
Non-Current Liabilities	523	297	525	579	650
Total Liabilities	557	566	565	636	689
Total Equity	349	346	385	388	387
Total Liabilities and Equity	906	912	949	1,024	1,075
CASH FLOW					
Funds from Operations (FFO)	56	51	52	58	62
Cash Flow From Operations (CFO)	57	59	34	62	61
Capital Expenditures	(14)	(5)	(105)	(53)	(17)
Dividends	31	20	20	29	26
Retained Cash Flow (RCF)	25	31	32	28	36
Free Cash Flow (FCF)	12	34	(90)	(20)	19
FFO / Net Debt	17.6%	20.8%	17.8%	19.2%	22.0%
RCF / Net Debt	7.8%	12.6%	11.0%	9.4%	12.9%
FCF / Net Debt	3.9%	14.2%	-30.9%	-6.8%	6.6%
INTEREST COVERAGE					
EBITDA / Interest Expense	6.5x	5.9x	8.6x	28.5x	28.5x
(FFO + Interest Expense) / Interest Expense	5.7x	5.4x	7.8x	25.1x	25.3x
LEVERAGE					
Debt / EBITDA	4.8x	5.3x	5.4x	5.0x	4.6x
Net Debt / EBITDA	4.1x	3.6x	4.4x	4.4x	3.9x
Net Debt / Fixed Assets	42.0%	32.4%	35.1%	32.7%	29.4%

All metrics are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

(*) Capital spending is net of EU grants and cross-border congestion fees.

Source: Moody's Financial Metrics™

Exhibit 16
Elering AS
Peer comparison

(in EUR million)	Elering AS A2 Stable			CEPS, a.s. Aa3 Stable			Fingrid Oyj A1 Stable			Statnett SF A2 Stable			Eurogrid GmbH Baa1 Stable		
	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-18	FYE Dec-19	FYE Dec-20
	Revenue	143	142	137	538	560	587	853	789	682	901	930	982	10,311	10,734
EBITDA	66	68	73	209	198	246	300	241	223	554	568	659	659	583	574
EBITDA Margin %	46.1%	48.0%	53.0%	38.9%	35.3%	41.9%	35.2%	30.5%	32.7%	61.4%	61.0%	67.2%	6.4%	5.4%	5.2%
Total Debt	355	343	333	217	302	269	1,085	1,120	1,175	4,282	4,638	4,708	2,871	2,906	4,053
Net Debt	292	301	282	177	155	137	1,000	1,037	1,049	3,932	4,416	4,478	1,296	2,113	3,757
(FFO + Interest Expense) / Interest Expense	7.8x	25.1x	25.3x	108.4x	80.8x	60.9x	15.0x	14.1x	14.1x	6.5x	5.5x	7.7x	6.0x	7.5x	8.0x
FFO / Net Debt	17.8%	19.2%	22.0%	107.0%	116.2%	162.3%	24.2%	18.6%	16.6%	11.3%	10.0%	12.9%	24.0%	19.0%	11.8%
RCF / Net Debt	11.0%	9.4%	12.9%	95.9%	91.1%	130.6%	6.9%	2.0%	2.5%	10.5%	8.9%	10.2%	15.7%	13.4%	8.6%
Net Debt / Fixed Assets	35.1%	32.7%	29.4%	12.7%	11.0%	9.1%	60.5%	61.9%	60.6%	66.6%	66.2%	67.1%	26.9%	40.9%	66.6%
Net Debt / EBITDA	4.4x	4.4x	3.9x	0.8x	0.8x	0.6x	3.3x	4.3x	4.7x	7.3x	7.8x	6.7x	2.0x	3.6x	6.6x

All metrics are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. FYE = Financial year end.

Source: Moody's Financial Metrics™

Exhibit 17
Elering AS
Adjusted net debt calculation

(in EUR million)	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20
As Reported Total Debt	367	362	354	343	333
Leases	2	3	1	0	0
Moody's Adjusted Total Debt	370	365	355	343	333
Cash & Cash Equivalents	(53)	(122)	(63)	(42)	(51)
Moody's Adjusted Net Debt	317	243	292	301	282

All metrics are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

Source: Moody's Financial Metrics™

Exhibit 18
Elering AS
Adjusted EBITDA calculation

(in EUR million)	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20
As Reported EBITDA	76	68	66	79	73
Unusual Items - Income Statement	(0)	(0)	(0)	(11)	0
Leases	1	1	0	0	0
Moody's Adjusted EBITDA	77	68	66	68	73

All metrics are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.

Source: Moody's Financial Metrics™

Endnotes

- 1 Estonia's projects are part of a broader agreement signed in 2018 among Poland, Estonia, Lithuania and Latvia through which the Baltics will be connected to continental Europe through Poland by 2025. As part of the project, the capacity on the LitPol interconnector between Lithuania and Poland will expand from the current 500 MW to 2 GW by 2025. These countries also plan to build a subsea cable to improve integration because a single connection to the European grid could threaten the security of supply in the Baltic region if there is an outage.

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