MOODY'S
INVESTORS SERVICE

CREDIT OPINION
7 September 2017

Update

Rate this Research

RATINGS

Elering AS

Domicile	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.

Analyst Contacts

Helen Francis 44-20-7772-5422
VP-Sr Credit Officer
helen.francis@moodys.com

Andrew Blease 44-20-7772-5541
Associate Managing Director
andrew.blease@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Elering AS

Update to credit analysis - Limited leverage and supportive regulatory regime benefit Elering's credit profile

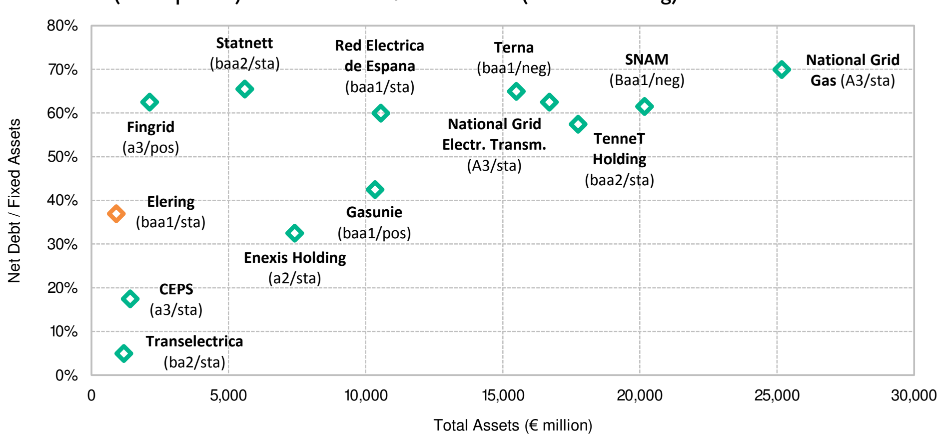
Summary

Elering's credit profile is underpinned by (1) the low business risk profile of its regulated transmission network operations; (2) the supportive regulatory framework, which provides for visibility of cash flows, albeit under a less prescriptive system of tariff calculation and application than seen elsewhere in Europe (leaving year-on-year tariff application decision at Elering's sole discretion); and (3) a conservative financial risk profile.

At the same time, Elering's credit quality is constrained by (1) the company's small scale with total reported assets of €904 million as of 31 December 2016; (2) the continued challenges of integrating Estonia into the wider European energy transmission system; and (3) an expected moderate deterioration in cash flows reflecting a decreasing electricity regulated asset base (RAB) as certain assets reach the end of their regulatory life, and lower returns due to the low interest rate environment, partially mitigated by lower future funding costs.

Elering's profile benefits from the potential support from its 100% owner, the Government of Estonia (A1 stable). The final rating incorporates two notches of uplift from Elering's Baseline Credit Assessment (BCA) of baa1 under Moody's Government-Related Issuers methodology.

Exhibit 1
Elering's credit profile is constrained by the company's small size compared to European peers, but benefits from a relatively low leverage
Total Assets (last reported) versus Net Debt / Fixed Assets (forward-looking)



Note: [1] Financial metrics are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations; [2] The ratio of net debt to fixed assets used represents the mid point of Moody's forward view estimates as published in latest credit opinions and ratings are the stand-alone credit quality (expressed as assigned final rating or BCA).
Source: Moody's Investors Service

Credit Strengths

» Low-risk nature of monopoly electricity and gas transmission network operations regulated under a fairly well developed and transparent regime

» Expectation of high likelihood of government support given Elering's strategic importance to Estonia's economy

Credit Challenges

» Execution risks related to substantial investment programme mitigated by risk sharing with partners, construction guarantees and EU funding support

» Falling regulatory returns given the low interest-rate environment reduce financial flexibility, partially offset by expected lower future funding costs

Rating Outlook

The outlook on Elering's ratings is stable, reflecting our expectation that Elering will exhibit a financial profile commensurate with the guidelines for the current rating of funds from operations (FFO)/net debt in the mid to high teens in percentage terms and FFO interest cover of 3.5x to 4.5x, and that the company will continue to prudently manage its liquidity position.

Factors that Could Lead to an Upgrade

Before we would consider any positive movement in the rating, we would expect to see Elering consistently maintain FFO interest cover above 4.5x and FFO/net debt at least in the twenties in percentage terms.

Factors that Could Lead to a Downgrade

The rating could come under downward pressure if Elering's FFO interest cover were to fall below 3.5x, or FFO/net debt were to decline to the low teens (in percentage terms) for a sustained period. Downward pressure could also be exerted on the rating as a result of (1) a deterioration in the credit quality of the government of Estonia; (2) a reduction in the government support assumptions currently incorporated into our assessment; or (3) a materially unfavourable change in the regulatory framework leading to a significant increase in the company's business risk.

Key Indicators

Exhibit 2

Cash-flow based metrics in 2015-16 were negatively impacted by dividend payments and a change in accounting treatment of congestion revenues[1]

Elering's key adjusted indicators

	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012
FFO Interest Coverage	5.7x	5.9x	6.7x	6.9x	5.9x
Net Debt / Fixed Assets	42.0%	41.8%	44.6%	49.1%	44.5%
FFO / Net Debt	17.6%	18.4%	21.8%	21.1%	26.2%
RCF / Net Debt	7.8%	12.1%	21.8%	21.1%	26.2%

Note: 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

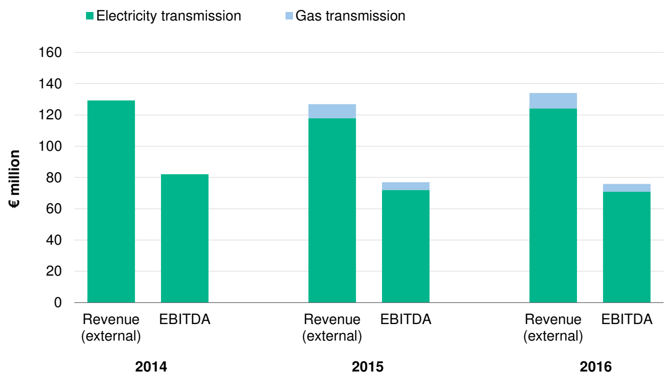
Elering AS is the owner and operator of Estonia's 5,348 km high-voltage electricity transmission network. In addition, Elering is present in the gas segment, following the acquisition of a 100% stake in the Estonian gas transmission operator from Fortum and Gazprom. Elering is 100% owned by the Government of Estonia (A1 stable).

The Estonian electricity transmission network was built as part of the north-western common power system of the former Soviet Union and the average age of the transmission assets is around 30 years. The transmission system is connected to Latvia and Russia, as well as to Finland through two submarine cables, Estlink 1 (350 MW) and Estlink 2 (650 MW). The gas transmission network comprises 885 km of pipelines and is connected to Latvia and Russia. Both electricity and gas transmission activities are regulated by the Estonian Competition Authority.

Exhibit 3

Electricity transmission accounts for the bulk of Elering's earnings

Revenue and EBITDA breakdown

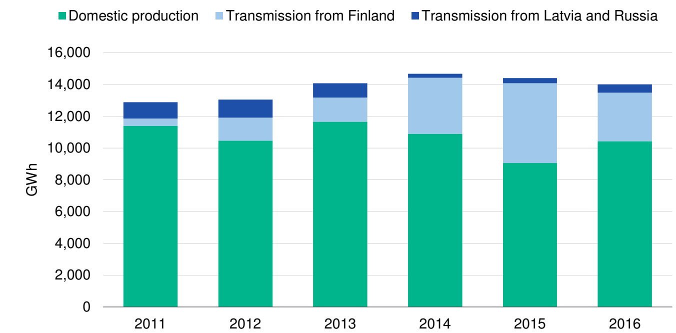


Source: Company

Exhibit 4

A third of transported electricity come from imports/transit

Electricity transmission volumes



Source: Company

Detailed Credit Considerations

Low business risk profile underpinned by good visibility of cash flows and supportive regulatory framework

We consider electricity and gas network operations to be generally characterised by low business risk due to their regulated nature and cash flow visibility. Elering's rating is underpinned by the regulated income earned from its electricity and gas transmission assets. Whilst electricity transmission operations are the principal source of earnings, gas transmission operations, acquired in 2015, are expected to grow from a small base of around 7% of EBITDA in 2016.

We view the regulatory framework in Estonia as supportive of Elering's credit quality. Gas and electricity transmission network activities are subject to the same regulatory principles and oversight by the Estonian Competition Authority (ECA). Whilst the regulatory framework is fairly well developed and based on generally used principles of a return on a RAB, we note that ECA introduced a lighter-touch approach to regulation in 2013. As a result, the previous three-year regulatory periods no longer apply and tariffs are not subject to automatic annual adjustments. Instead, Elering approaches the regulator for a review of tariffs on an ad hoc basis when it thinks it is appropriate to do so. Such form of regulation gives Elering more discretion in its approach to tariff changes, but it also somewhat reduces the overall transparency of the rate setting process.

With respect to both electricity and gas transmission activities, Elering is allowed to cover its costs over time and realise a reasonable return based on the weighted average cost of capital (WACC) applied to the company's RAB. The WACC allowance is reset by ECA every year and is 4.46% for 2017 (2016: 4.92%). The corresponding rate for the gas segment has historically been slightly higher and stood at 4.51% in 2017 (2016: 4.93%).

In spite of the gradual decrease in WACC levels, the actual return incorporated into electricity transmission tariffs over 2014 - H1 2017 was based on the rate of 6.74% as the last tariff application was submitted by Elering with respect to the 2014 calendar year.

The decrease in the electricity WACC, reflecting lower interest rates, is now reflected in Elering's new tariffs, applied from 1 July 2017, which are lower by 7.6% compared to previous tariffs. The company's decision to apply for new tariffs was driven by the agreement reached with the ECA to extend the remaining life of certain older assets (transmission assets as determined by the regulator in 2002; prior to Elering's separation from Eesti Energia AS in 2010) from less than two years (until March 2019) to three years and a half (until end-2020). As a result, the drop in depreciation component of the allowed revenues on the “old” assets (amounting to €15 million) will be spread more evenly over the period, thus allowing the company to avoid a sharp decline in earnings from 2019. This in turn should allow for more headroom under bank covenants towards the end of the decade.

Exhibit 5

In spite of decreasing WACC, Elering has maintained higher profitability by not applying for new tariffs each year

Regulatory versus actual WACC levels (electricity)

Tariff year	2012	2013	2014	2015	2016	2017
Risk-free rate	3.58	3.35	2.81	2.33	1.92	1.47
Country risk premium	1.90	2.04	1.51	0.99	0.70	0.78
Debt premium	0.90	1.03	1.03	0.92	1.08	1.08
Cost of debt	**6.38**	**6.43**	**5.35**	**4.24**	**3.70**	**3.33**
Risk-free rate	3.58	3.35	2.81	2.33	1.92	1.47
Country risk premium	1.90	2.04	1.51	0.99	0.70	0.78
Market risk premium	5.00	5.00	5.00	5.00	5.00	5.00
Beta	0.74	0.76	0.76	0.72	0.70	0.67
Cost of equity	**9.18**	**9.20**	**8.12**	**6.92**	**6.13**	**5.60**
Gearing	0.50	0.50	0.50	0.50	0.50	0.50
WACC, nominal pre-tax	**7.78**	**7.81**	**6.74**	**5.58**	**4.92**	**4.46**
WACC, current tariffs	**7.78**	**7.81**	**6.74**	**6.74**	**6.74**	**6.74 / 4.46**

Note: In 2017, the WACC of 4.46% is applied only from 1 July 2017.
Source: Company, Moody's Investors Service

We expect the company to refinance its €225 million bond due 2018 (currently bearing a coupon rate of 4.625%) at a lower rate of interest, partially offsetting the lower return on assets. Earnings will be partially supported by the addition of new electricity assets to RAB from 2014, but overall we expect EBITDA from electricity transmission, which also includes some non-cash revenues related mainly to amortisation of EU grants, to fall by €10-15 million by 2019 from 2016 levels of €71 million.

The contribution from gas transmission assets to consolidated EBITDA should increase from 7% in 2016 to 15% or more over the next few years given the expected growth in the gas RAB and falling earnings from electricity transmission activities. In addition, in order to cover its costs plus a return, Elering is likely to apply for a significant increase in gas tariffs in 2018 to compensate for expected lower volumes (compared to current regulatory assumptions) and higher operating expenditure.

The regulatory approach to operating costs is generally supportive. Operating costs are no longer subject to efficiency requirements (previously subject to decreases in real terms on an inflation adjusted, CPI-X, basis). Also, the full annual cost of network losses is passed through to customers in tariffs.

The company has some exposure to electricity and gas volumes, but this has a limited impact on income. Since 2013, tariffs are calculated on the assumption that transmitted electricity and gas reflect the average of the last three-year actual volumes (vs. only one year, as previously applied). This helps to mitigate the financial impact of year-on-year fluctuations. However, if actual transmission volumes are different from the assumptions embedded in the tariff calculations, Elering bears the relative loss or collects the relative gain in income. Also, updates related to volume assumptions included in tariff calculations are finalised in conjunction with tariff revisions, which are no longer automatically implemented on an annual basis.

Net investments expected to remain fairly high over 2017-19 period

Elering's investments have been high in the recent past, considering the company's relatively small size. Total capital expenditure in 2012-16 was close to €500 million, with the majority of spending occurring in 2014 and 2013 in the amount of €203 million and €100 million, respectively. In 2015, the company acquired a 100% stake in the Estonian gas transmission system operator, for a cash consideration of €53.7 million. Net capital expenditure during the last 5-year period was reduced by some €113 million given the financial support received from the EU and congestion fees from cross-border transmission capacity auctions.

The main investment projects in the electricity segment were completed by the December 2014 year end. They included (1) a second undersea cable between Estonia and Finland - Estlink 2 (€160 million); (2) the purchase of the Estlink 1 cable (€38 million); and (3) the construction of two emergency reserve power plants, with a cumulative capacity of 250 megawatts (MW) (€135 million). Regular maintenance investments to replace the ageing transmission equipment and develop the grid amounted to some €27 million per year for the electricity and gas transmission segments combined.

Elering has identified a couple of larger projects to be implemented over the medium term. These are designed to promote a further integration of Baltic and Nordic energy markets and include the following initiatives: (1) Balticconnector - a bi-directional 77 km gas subsea pipeline connecting Estonia and Finland, to be implemented with a Finnish partner Baltic Connector Oy[2], (2) EstLat Gas - reinforcement of the Estonian gas transmission system in order to enable a more efficient use of the Balticconnector pipeline, and (3) EstLat OHL - a third 330 kV electricity transmission line between Estonia and Latvia, with most of investment spending to be incurred by the Latvian TSO, Augstsprieguma tikls AS.

Exhibit 6

Elering's key investment projects in the medium term relate to increasing electricity and gas interconnection capacity

Overview of investment projects including Elering's estimated share in net capex

In € million	Description	Partners	Expected commissioning	Maximum EU funding	Elering's net contribution (est.)
Gas					
Balticconnector	2.3 bcm subsea gas pipeline between Estonia and Finland with accompanying land-based sections in both countries.	Baltic Connector Oy (Finland)	2019/20	75%	27
EstLat Gas	Enhancement of the Estonian-Latvian interconnection.	-	2019	50%	18
Electricity					
EstLat OHL	Third electricity interconnection between Estonia and Latvia to increase transmission capacity by up to 600 MW.	Augstsprieguma tikls AS (Latvia)	2020	65%	30

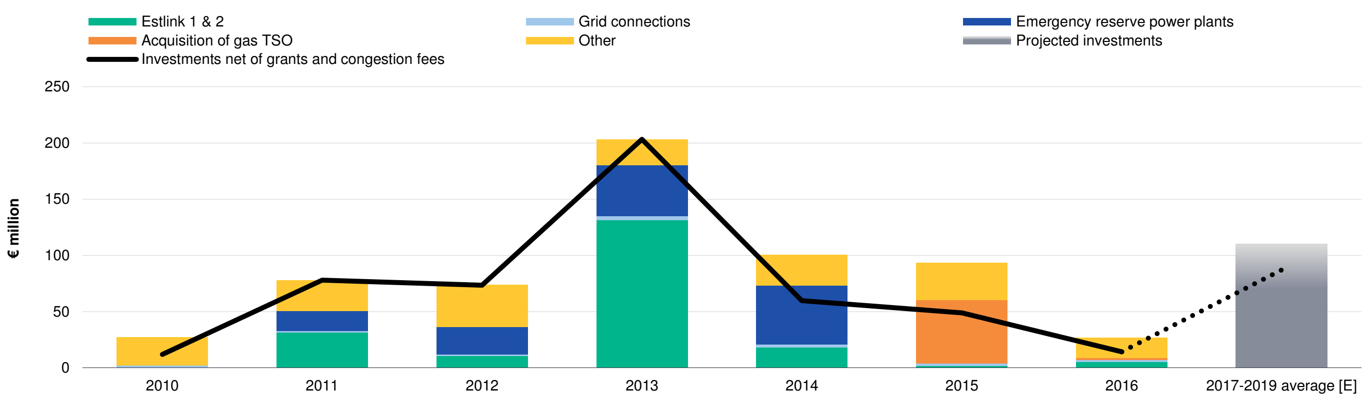
Note: Elering's net contribution to EstLat OHL should be financed with received congestion income. As a result, the project will not be included in the company's regulated asset base.
Source: Company, European Commission, Moody's Investors Service

The combined size of these three projects is around €450 million, which is quite significant in the context of Elering's size. Nonetheless, these projects will be completed in conjunction with partners, and the company's actual contribution will be limited to sections built on the Estonian territory (plus 50% of Balticconnector's offshore part), characterised by a lower degree of complexity compared to other sections. Elering's financial contribution (as shown in the table above) will be complemented by EU financial support. In addition, for electricity interconnectors, the financing shortfall should be recovered by way of congestion revenues. Finally, the construction for interconnectors will be contracted out with various guarantees in place to limit exposure to project execution risks. Any amounts not covered by EU funding will be added to the RAB. This is most relevant for the gas interconnectors and will drive a doubling of the RAB from 2016 levels.

Exhibit 7

EU funding and congestion fees will limit Elering's net financial commitments stemming from its capital investment programme

Historical investments and Moody's forward expectation



Note: Congestion fees are deducted from gross capex levels only from 2014.
Source: Company, Moody's Investors Service

Over the longer term, we expect the company to redirect its investment focus towards the desynchronisation of the Baltic countries' power networks from Russian and Belarusian grids. We understand that both the final shape of the process and the required investment spending is still being discussed, and that no major capital expenditure should be incurred before 2021.

Cash-flow based metrics expected to deteriorate modestly from current levels

In light of the implementation of its sizeable investment programme, Elering's debt has increased from €190 million, prior to the issuance of a €225 million bond in July 2011, to reach some €365 million as of June 2017. Whilst the key leverage indicators have remained roughly stable over the past couple of years, with net debt/EBITDA of 4.1x as of 31 December 2016 (2015: 4.2x), the metrics based on FFO have deteriorated over 2015-16. In 2016, Elering's FFO/net debt reached 17.6% which compares to around 21-22% over 2013-2014. The drop in the latter metric was mainly due to a change in accounting treatment of congestion fees, which are now excluded from group revenues, and thus do not contribute to cash flow from operating activities. Instead, this income from cross-border capacity auctions is recognised as part of investing cash flows and is used to fund the construction of new interconnectors.

We expect cash flow from transmission activities to reduce for the reasons described earlier and net capital expenditures (after EU grants and congestion fees) of over €80 million per year (on average) during 2017-19 will likely exceed operating cash flow. We note that EU grants awarded to support cross-border electricity and gas projects tend to be paid retrospectively, so this could result in some annual volatility in Elering's net debt levels.

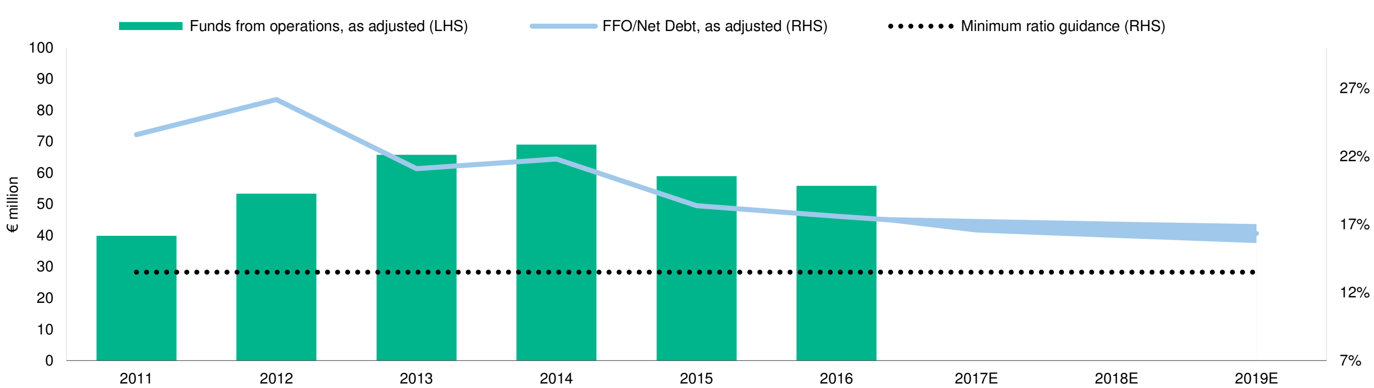
We expect Elering's metrics to deteriorate only moderately however, as the effect on the company's financial profile should be mitigated by existing cash balances of €64.5 million as well as an expected €40 million capital injection from its owner in 2018, partially offset by dividend outflow (for example, €20 million was paid in Q2 2017 on 2016 results), to support the company's financial profile. This should allow the company to remain within its covenants and maintain its financial profile in line with the current rating guidance.

The ratio of net debt to fixed assets should decline, however, driven largely by growth in fixed assets. We expect that net debt/RAB (not published) to be weaker than net debt/fixed assets as most of the interconnectors will not form part of the RAB, as described earlier, but on the other hand, the company will not earn a return on investments financed by either EU funds or congestion income. These leverage ratios, will remain, however, moderate compared with other EU peers (see Exhibit 1).

Exhibit 8

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

FFO/net debt versus guidance



Note: [1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations; [2] 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 Financial Metrics™, Moody's forward view

Government support assumption results in rating uplift

Elering's A2 rating incorporates two notches of uplift from its standalone credit quality, which we express as a baseline credit assessment (BCA) of baa1. The uplift to the BCA reflects the credit quality of its 100% owner, the government of Estonia (A1 stable) and our assessment of high probability of governmental support for the company in the event of financial distress.

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 to the Estonian economy. The government also has a strong track record of support to the company. It issued two comfort letters to the creditors of long-term loans and increased the company's share capital by €5.8 million and €9.9 million in 2010 and 2011 respectively. Also, in order to support the acquisition of gas transmission assets in 2015, the government contributed a total of €40 million in equity, with the final tranche of €32 million paid in June 2016.

We consider there to be a high probability of support for Elering if such were needed, which reflects the company's strategic importance for the economy and its status as a provider of vital services. Furthermore, we understand that there are currently no privatisation plans and the government of Estonia will remain the sole shareholder of Elering.

Liquidity Analysis

As of 30 June 2017, Elering's cash balance amounted to a sizeable €64.5 million, up from €53.0 million at 31 December 2016. There are currently no unutilised bank back-up facilities in place.

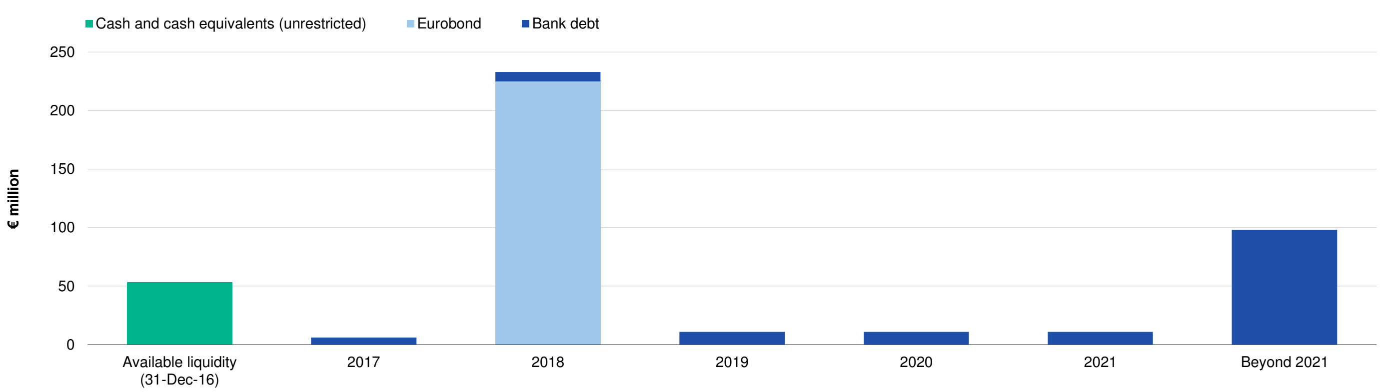
The majority of outstanding debt is represented by the company's €225 million 4.625% notes due in July 2018, as well as drawdowns under European Investment Bank (EIB) and Nordic Investment Bank (NIB) facilities, which have a scheduled amortisation profile (maturity dates between 2025-33). We expect the company to address its refinancing needs in a timely manner. We expect the company to put in place bank back up facilities, well in advance of the refinancing date, to address any timing issues with regard to market conditions as the internal cash generation is insufficient to meet next year's bond maturity.

We note that the EIB and NIB facilities include the following financial covenants: Equity/Assets of more than 30% (38% at 30 June 2017), and net debt/EBITDA of less than 6.0x (4.1x at 30 June 2017). We expect headroom under the covenants to remain adequate in the near-to-medium term.

Exhibit 9

Next sizeable maturity is related to €225 million Eurobond maturing in July 2018

Debt maturities and available liquidity



Source: Company

Rating Methodology and Scorecard Factors

Elering is rated in accordance with the rating methodology for Regulated Electric and Gas Networks, published in March 2017, and Government-Related Issuers, published in August 2017.

Based on the company's historical financial results, the rating methodology grid indicates a factor outcome of A2, which is above the assigned BCA of baa1. Elering's BCA reflects its relatively small size compared to Western European peers, its operations being concentrated in a relatively small economy, as well as the expected deterioration in credit metrics in the near-to-medium term.

Exhibit 10

Elering AS

Rating Grid

Regulated Electric and Gas Networks Industry Grid [1][2]	Current FY 12/31/2016		Moody's 12-18 Month Forward View As of September 2017 [3]	
Factor 1 : Regulatory Environment and Asset Ownership Model (40%)	**Measure**	**Score**	**Measure**	**Score**
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)	6.1x	Aa	5.5x - 6.5x	Aa
b) Net Debt / Fixed Assets (3 Year Avg)	42.8%	Aa	35% - 39%	Aa
c) FFO / Net Debt (3 Year Avg)	19.3%	A	16% - 17%	Baa
d) RCF / Net Debt (3 Year Avg)	13.9%	Baa	9% - 10%	Baa
Rating:				
Indicated Rating from Grid Factors 1-4		A2		A2
Rating Lift	-	-	-	-
a) Indicated Rating from Grid		A2		A2
b) Actual Baseline Credit Assessment / Rating Assigned				baa1 / A2

Government-Related Issuer	**Factor**
a) Baseline Credit Assessment	baa1
b) Government Local Currency Rating	A1
c) Default Dependence	Very High
d) Support	High
e) Final Rating Outcome	A2

Note: [1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations; [2] As of 12/31/2016; [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 11

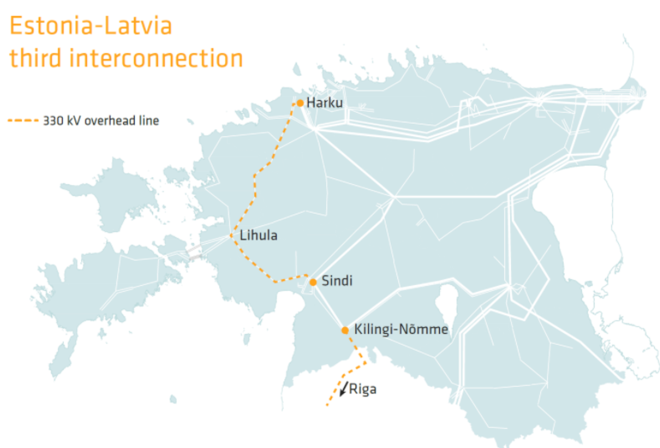
Category	Moody's Rating
ELERING AS	
Outlook	Stable
Issuer Rating -Dom Curr	A2
Senior Unsecured -Dom Curr	A2

Source: Moody's Investors Service

Appendix

Exhibit 12

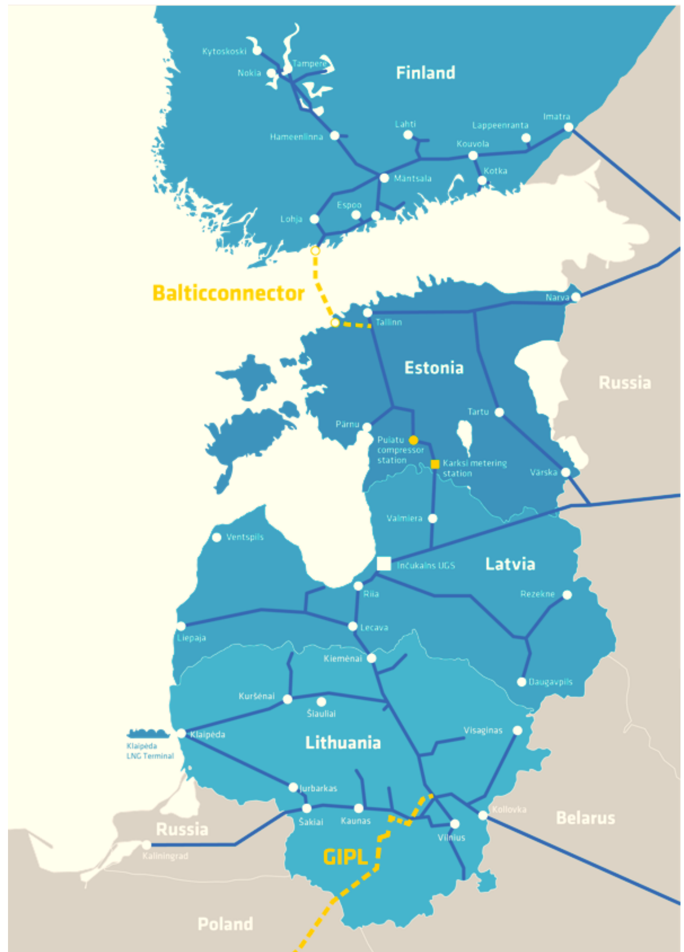
Estonia's electricity transmission system and location of the third Estonia-Latvia interconnection project



Source: ENTSO-E, Elering

Exhibit 13

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



Source: Baltic Connector Oy

Exhibit 14

Elering AS

Peer Comparison Table

	Elering AS A2 Stable			Fingrid Oyj A1 Positive			Statnett SF A2 Stable			CEPS a.s. A2 Stable			Transelectrica S.A. Ba1 Stable		
(in US millions)	FYE Dec-14	FYE Dec-15	FYE Dec-16	FYE Dec-14	FYE Dec-15	FYE Dec-16	FYE Dec-14	FYE Dec-15	FYE Dec-16	FYE Dec-14	FYE Dec-15	FYE Dec-16	FYE Dec-14	FYE Dec-15	LTM Dec-16
Revenue	$172	$141	$148	$754	$666	$649	$858	$714	$767	$646	$507	$528	$844	$746	$675
EBITDA	$109	$86	$85	$334	$306	$289	$422	$393	$409	$165	$149	$176	$247	$196	$174
EBITDA Margin %	63.6%	60.7%	57.1%	44.3%	45.9%	44.6%	49.2%	55.1%	53.2%	25.5%	29.3%	33.4%	29.2%	26.3%	25.8%
Total Debt	$422	$414	$390	$1,512	$1,266	$1,197	$3,005	$2,681	$3,519	$141	$256	$234	$281	$206	$162
Cash & Cash Equivalents	$39	$66	$56	$217	$126	$84	$323	$259	$338	$89	$101	$30	$173	$199	$198
FFO Interest Coverage	6.7x	5.9x	5.7x	6.6x	8.4x	9.9x	5.1x	7.0x	6.7x	-624.0x	177.3x	95.3x	30.5x	35.0x	31.8x
FFO / Net Debt	21.8%	18.4%	17.6%	16.6%	21.1%	23.0%	10.0%	14.0%	10.6%	263.3%	87.5%	78.6%	176.7%	2531.4%	-409.1%
RCF / Net Debt	21.8%	12.1%	7.8%	9.0%	14.9%	14.4%	10.0%	12.5%	9.3%	262.5%	64.0%	67.1%	135.5%	1811.0%	-284.0%
Net Debt / EBITDA	3.9x	4.2x	4.1x	4.3x	3.8x	4.0x	7.6x	6.8x	8.0x	0.3x	1.0x	1.2x	0.5x	0.0x	-0.2x

Note: 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 15

Elering AS

Selected Historic Adjusted Financial Data

EUR Millions	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16
INCOME STATEMENT						
Revenue	94.2	108.9	133.8	129.2	127.0	134.0
EBIT	29.3	42.1	53.7	50.8	39.7	37.9
EBITDA	50.6	64.6	77.2	82.2	77.1	76.6
Interest Expense	10.7	11.0	11.2	12.0	12.0	11.8
BALANCE SHEET						
Total Debt	222.3	227.6	313.0	348.4	380.7	369.8
Cash & Cash Equivalents	53.6	24.0	1.1	31.9	60.5	53.0
Total Liabilities	296.3	290.3	396.0	475.4	534.0	557.0
Net PP&E	409.1	457.4	634.7	709.0	765.8	753.7
Total Assets	485.1	512.1	664.8	788.6	863.0	905.8
CASH FLOW						
Funds from Operations (FFO)	39.8	53.3	65.8	69.0	58.9	55.8
Cash Flow From Operations (CFO)	38.5	45.0	80.7	60.6	56.5	57.2
Cash Dividends - Common	-	-	-	-	-20.0	-31.0
Retained Cash Flow (RCF)	39.8	53.3	65.8	69.0	38.9	24.8
Capital Expenditures	-69.4	-77.8	-188.5	-64.8	4.2	-13.8
Free Cash Flow (FCF)	-30.9	-32.8	-107.8	-4.3	40.7	12.4
FFO / Net Debt	23.6%	26.2%	21.1%	21.8%	18.4%	17.6%
RCF / Net Debt	23.6%	26.2%	21.1%	21.8%	12.1%	7.8%
FCF / Net Debt	-18.3%	-16.1%	-34.6%	-1.3%	12.7%	3.9%
PROFITABILITY						
EBIT Margin %	31.1%	38.6%	40.1%	39.3%	31.3%	28.3%
EBITDA Margin %	53.7%	59.3%	57.7%	63.6%	60.7%	57.1%
INTEREST COVERAGE						
FFO Interest Coverage	5.0	5.9	6.9	6.7	5.9	5.7
LEVERAGE						
Debt / EBITDA	4.4	3.5	4.1	4.2	4.9	4.8
Net Debt / EBITDA	3.3	3.2	4.0	3.9	4.2	4.1
Debt / Book Capitalization	54.1%	50.6%	53.8%	52.7%	53.6%	51.5%
Net Debt / Fixed Assets	41.2%	44.5%	49.1%	44.6%	41.8%	42.0%

Note: 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 16
Elering AS
Adjusted Net Debt Calculation

EUR Millions	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16
As Reported Debt	221.6	227.0	312.4	347.9	379.2	367.4
Operating Leases	0.6	0.5	0.6	0.6	1.5	2.4
Moody's - Adjusted Debt	222.3	227.6	313.0	348.4	380.7	369.8
Cash & Cash Equivalents	53.6	24.0	1.1	31.9	60.5	53.0
Moody's - Adjusted Net Debt	168.7	203.6	311.8	316.6	320.2	316.8

Note: All metrics are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics™

Moody's Related Research

Rating Action

» Moody's upgrades Elering's ratings to A2; stable outlook, 11 September 2015

Outlook

» Regulated Electric and Gas Networks - EMEA - 2017 Outlook - Impact of Lower Allowed Returns Manageable, Outlook Stable, 22 November 2016

Sector In-Depth

» Energy transition presents long-term risks for European regulated energy networks, 13 June 2017

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Endnotes

1 Since July 2014, received congestion fees (i.e. income from cross-border capacity auctions) have been accounted for as part of investing cash flows. As a result, they are no longer recognised in the income statement and the operating section of the cash flow statement. They are also not included in the calculation of Funds from Operations (FFO).

2 Company established by the Finnish government following the withdrawal of the gas TSO, Gasum Oy from the project.

REPORT NUMBER 1086483

Contacts

Helen Francis 44-20-7772-5422
VP-Sr Credit Officer
helen.francis@moodys.com

Andrew Blease 44-20-7772-5541
Associate Managing Director
andrew.blease@moodys.com

Stefanie Voelz 44-20-7772-5555
VP-Sr Credit Officer
stefanie.voelz@moodys.com

Przemyslaw Pietraszek 44 20 7772-5652
Associate Analyst
przemyslaw.pietraszek@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S INVESTORS SERVICE