MOODY'S
RATINGS

Announcement of Periodic Review: Moody's Ratings announces completion of a periodic review of ratings of Elering AS

17 Jan 2025

Frankfurt am Main, January 17, 2025 -- Moody's Ratings (Moody's) has completed a periodic review of the ratings of Elering AS and other ratings that are associated with this issuer.

The review was conducted through a rating committee held on 15 January 2025 in which we reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), and recent developments.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Please see the Issuer page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

Key Rating considerations and rationale are summarized below.

Elering AS's (Elering) ratings, including the A2 long-term issuer rating with a stable outlook, remain unchanged.

Elering's rating is supported by the low business risk profile of its regulated transmission network operations; the flexible and generally supportive regulatory framework, although visibility into cash flow is lower than that of other European regulatory regimes because tariff changes may be requested annually; and its solid financial profile.

Elering's rating is constrained by its small size and larger investments planned over the coming years. We expect leverage, measured as funds from operations (FFO)/net debt, to be temporarily overstated from the receipt of high congestion fees, but the underlying financial profile will remain broadly in line with our ratio guidance over the coming two to three years. This is despite the large capital spending in the near term, as investments will be predominantly funded with non-debt sources, namely European Union (EU) grants and congestion fees.

Given its 100% ownership by the Government of Estonia (A1 stable), Elering falls under our Government-Related Issuers (GRI) methodology. Accordingly, Elering's A2 rating incorporates one notch of uplift from its Baseline Credit Assessment (BCA) of a3. This reflects the combination of the credit quality of the Government of Estonia, 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 the Government of Estonia and Elering.

This document summarizes our view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodologies used for this review were Regulated Electric and Gas Networks published in April 2022 and Government-Related Issuers methodology published in January 2024. Please see the Rating Methodologies page on https://ratings.moodys.com for a copy of these methodologies.

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