CREDIT OPINION
15 April 2025

Update

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RATINGS

Eesti Energia AS

Domicile	Estonia
Long Term Rating	Baa3
Type	LT Issuer Rating - Fgn Curr
Outlook	Negative

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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Eesti Energia AS

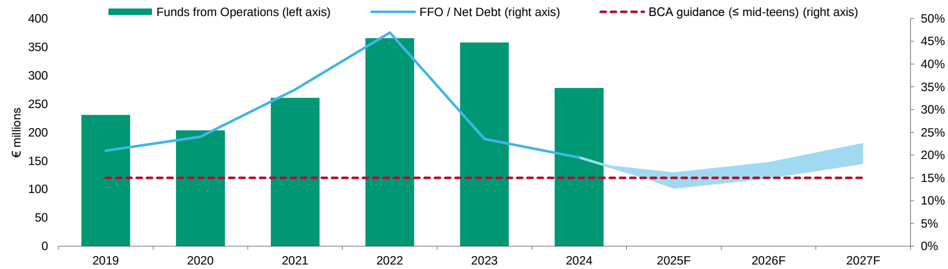
Update to credit analysis following outlook change

Summary

Eesti Energia AS' credit profile is underpinned by our expectation of a high probability of support from its 100% owner, the Government of Estonia (A1 stable), reflecting the group's pivotal role in Estonia's energy strategy; the sustained strong earnings contribution from its lower-risk regulated electricity network activities; and its sizeable and growing share of income from renewable power generation, which mostly benefits from support schemes.

Eesti Energia's credit quality is constrained by (1) rising leverage expected from the acquisition of 22.83% minority shares in Enefit Green AS (EGAS) and an associated weak liquidity position (2) the short remaining life of its oil shale-based electricity generation activities; (3) the ongoing volatility in earnings in shale oil-related activities, driven by significant fluctuations in commodity prices; and (4) the company's small size in Europe's evolving electricity markets.

Exhibit 1
Eesti Energia's credit metrics may fall below our ratio guidance



All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Periods are financial year-end unless indicated. LTM = Last 12 months.
Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

The Baa3 rating benefits from a three-notch uplift from the company's baseline credit assessment (BCA) of ba3, given the high probability of government support in case of financial distress.

Credit strengths

» Government support for the company's transition strategy, underpinned by a track record of equity injections and dividend restraint

» Dominant position in Estonia's energy sector as both the largest power producer and miner of oil shale, the country's main commodity

» Sizeable EBITDA contribution from lower-risk electricity distribution and renewables under support schemes, although subsidies will gradually expire

Credit challenges

» Rising leverage from the planned acquisition of 22.83% minority shares in EGAS and an associated weak liquidity position

» Short remaining asset life of oil shale-based electricity generation units that will be phased out by 2030

» Exposure of earnings to volatile global oil prices through shale oil activities

» Relatively small size, which leaves the company vulnerable to changes in the regional electricity markets

Rating outlook

The negative outlook on Eesti Energia reflects the expected increase in financial leverage from the planned acquisition of 22.83% minority shares in Enefit Green (EGAS). This we expect (1) will cause the leverage ratio to fall below rating guidance for the current rating, defined as funds from operations (FFO)/ net debt at least in the midteens in percentage terms particularly in 2025; and (2) could lead to covenant breaches in 2025 and 2026 unless mitigated.

Factors that could lead to an upgrade

Given the negative outlook, upward pressure on Eesti Energia's rating is unlikely to materialise in the medium term. We could stabilize the outlook on the rating if (1) Eesti Energia strengthens its liquidity profile; and (2) the company will be able to maintain FFO/net debt at least in the midteens in percentage terms.

Factors that could lead to a downgrade

Eesti Energia's BCA could come under downward pressure if the company fails to maintain its FFO/net debt in the midteens in percentage terms; the company's liquidity does not improve; or there were significant adverse changes in the market or the regulatory environment in which the company operates that are not addressed through adequate adjustment of the financial profile.

The rating could be downgraded if Eesti Energia’s BCA was downgraded and this was not compensated by some form of support from the Estonian government; or the credit quality of the Estonian government or the support assumptions currently incorporated into our assessment were to weaken considerably.

Key indicators

Exhibit 2
Eesti Energia AS

	2019	2020	2021	2022	2023	2024	Moody's 12-18 Month Forward View
(CFO Pre-W/C) / Net Debt	21.0%	24.0%	34.4%	70.6%	4.4%	17.4%	13% - 18%
FFO / Net Debt	21.0%	24.0%	34.4%	46.9%	23.6%	19.5%	13% - 18%
RCF / Net Debt	15.8%	24.0%	34.4%	39.7%	18.2%	14.0%	13% - 14%
(FFO + Interest Expense) / Interest Expense	7.7x	7.2x	10.2x	13.6x	5.7x	3.6x	4x - 5x

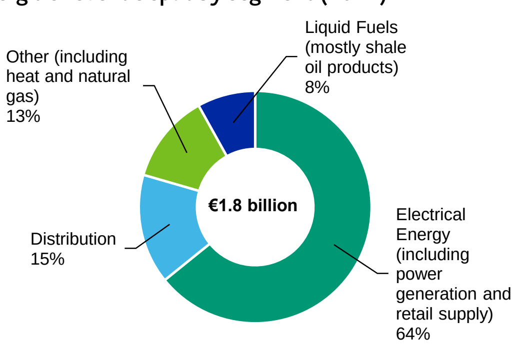
All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Periods are financial year-end unless indicated. LTM = Last 12 months.
Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Profile

Eesti Energia AS is the dominant vertically integrated utility in Estonia. It also owns and operates most of the country's electricity distribution network via its subsidiary Elektrilevi OU.

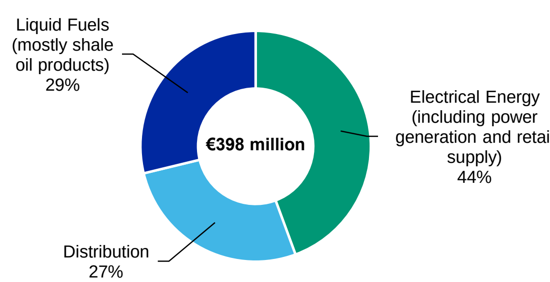
The group owns and operates thermal electricity generation facilities of around 1.3 gigawatts (GW), consisting of the older, mostly oil-shale-fired Eesti and Balti power plants (together Narva plants) and the co-fired Auvere plant, which was commissioned in 2018. 1.0 GW of Eesti Energia's thermal power generation capacity is currently kept in reserve and is not operating. Eesti Energia is also the largest miner of oil shale, the country's primary commodity, which is a fuel source for electricity generation and the base input for the group's shale oil production. EGAS, 77.2% owned by Eesti Energia, owns and operates a 592-megawatt (MW) renewables portfolio, consisting of mostly onshore wind farms in the Baltics, and of cogeneration plants with 24 MW of power generation capacity and 50 MW of heat production capacity. Eesti Energia is 100% owned by the Estonian government.

Exhibit 3
Eesti Energia's revenue split by segment (2024)



Sources: Company filings and Moody's Ratings

Exhibit 4
Eesti Energia's reported EBITDA split (2024)



EBITDA for the remaining segments is negative and therefore is not displayed.
Sources: Company filings and Moody's Ratings

Detailed credit considerations

Credit metrics expected to weaken from takeover of Enefit Green's minority shares

Eesti Energia currently aims to acquire all outstanding minority shares of their 77.17% owned subsidiary EGAS through a voluntary takeover bid that commenced on 8 April 2025. At a price of €3.40 per share, the total purchase price for 22.83% of EGAS' shares is €205 million, which Eesti Energia plans to finance largely from cash in hand and the issuance of a €50 million bond.

While the transaction has a broadly neutral impact on Eesti Energia's business mix because the company already has a majority ownership in EGAS, it will mean an increase in financial leverage. Particularly in 2025 we expect that the company's leverage ratio will likely fall below the guidance for the current rating, defined as FFO/ net debt at least in the midteens in percentage terms. This compares to Eesti Energia's FFO/ net debt ratio of 19.5% at end of December 2024.

Although we expect realised cost synergies and a reduced capital spending plan over 2025-28 (particularly due to curbed investments into renewable capacity expansion) will support a leverage ratio recovery after 2025 (see Exhibit 1), the higher leverage from the envisaged transaction could result in covenant breaches in 2025 and 2026, unless mitigated. We understand that the company is in negotiation with its lender banks regarding the temporary relaxation of covenant levels. So far, only lenders under Eesti Energia's €600 million syndicated loan have granted a covenant waiver for testing date 30 June 2025, but not beyond. Different loan agreements oblige Eesti Energia to comply with different semi-annually tested maintenance covenants, most notably (1) net debt/ EBITDA not above 3.5x; and (2) debt service coverage ratio of not less than 1.2x. At end of December 2024 Eesti Energia was covenant compliant.

Eesti Energia's credit quality benefits from high government support

Eesti Energia's Baa3 rating incorporates a three-notch uplift from the group's baseline credit assessment (BCA) of ba3. This reflects the credit quality of the Estonian government, which owns 100% of Eesti Energia's shares, and our assessment of a high probability of government support for the group in the event of financial distress and a moderate level of default dependence (that is, the degree of exposure to common drivers of credit quality).

Eesti Energia is highly important to the state, given the group's pivotal role in the electricity and shale oil sector in Estonia. This was demonstrated by the government's measures to strengthen the company's capital base, such as a €125 million equity injection for strategic investments in April 2020 and dividend restraint over the last two years, and by the government's support for the group's strategy to shift its focus to shale oil production away from oil shale power generation (OSPG), and to expand the renewables business.

Phaseout of oil-shale-based power generation is key challenge, while competition from regional low-carbon generation can strain earnings

Unlike the generation profile of the wider Baltic and Nordic area, which is marked by the dominance of less carbon-intensive hydro and nuclear power, Eesti Energia's fuel mix is still primarily based on oil shale. The carbon intensity of OSPG from the older Narva plants is between 1.0 tonne and 1.3 tonnes of CO_2 per megawatt hour (MWh), which is higher than that of lignite plants. Accordingly, phasing out OSPG and replacing it with carbon-free renewables production assets by 2030 is a vital component of Eesti Energia's strategy to reach carbon neutrality in electricity production by 2035.

The company's strategy ties into Estonia's goal to fully meet electricity consumption in the country with renewable electricity by 2030. Consequently, these policy decisions mean a sharp reduction in the remaining lifetime of OSPG assets, which was underscored in Q4 2023, when the company recorded a €620 million impairment charge on its OSPG plants. Accordingly, expanding renewable generation capacities is key to protecting the group's cash flow generation profile in the long run. This is the company's main challenge until the end of this decade.

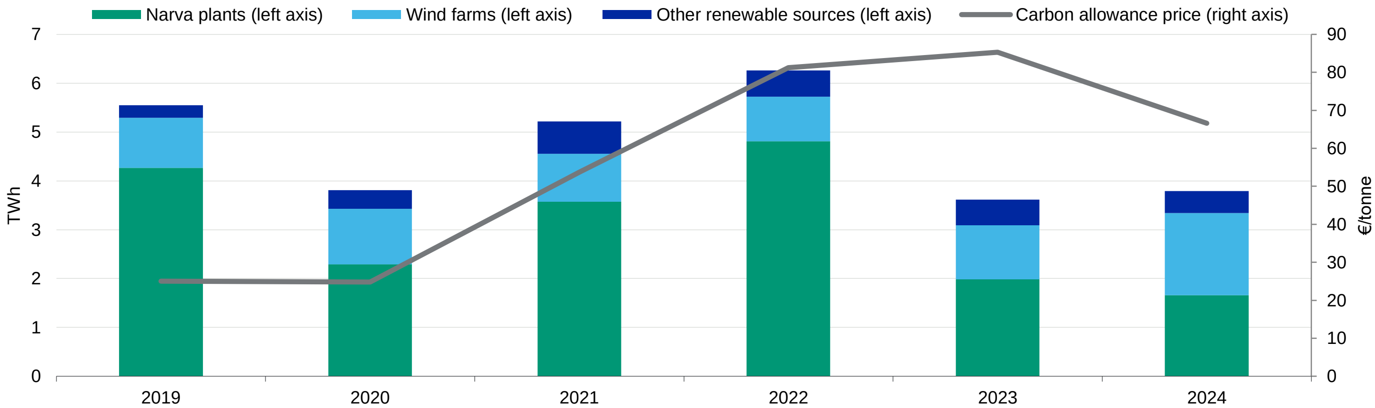
Notwithstanding these long-term challenges, OSPG's high carbon intensity generally creates a structural cost disadvantage for the company against low-carbon plants in the region. Accordingly, the company has been seeking to mitigate the persistent pressure on its earnings from OSPG by decommissioning the most emission-intensive units over the past few years; investing in efficiency-enhancing refurbishments; and diversifying the fuel mix of the operating units to oil shale gas and biomass. On the other hand, Eesti Energia has to maintain and operate 1,000 MW OSPG capacity for security of supply reasons through 2026. A capacity-based remuneration scheme for these plants does currently not exist in Estonia.

Over the last few years, the increase in the carbon price was reflected in lower OSPG output volumes. However, the very high gas prices in 2022 more than offset the lower carbon intensity of gas-fired power plants, making OSPG more profitable than gas-based power production (see Exhibit 6). As a result, Eesti Energia produced about 30% more electricity from OSPG in 2022 than in 2021, accounting for around 70% of Estonia's total electricity generation. The increased OSPG output is also mirrored in a 31% increase in oil shale extraction volume. This altogether pushed up Eesti Energia's carbon emissions in 2022. With the reduction in power prices and broadly stable carbon price levels, OSPG output in 2023 and 2024 reduced again from the 2022 level.

Exhibit 5

Eesti Energia's OSPG output is generally inversely correlated with carbon prices

Electricity generation output per fuel



Biomass and shale gas accounted for around one-third of the fuel mix in 2021, allowing for higher OSPG output despite the rise in carbon allowance prices in that year.

Sources: Company filings and Moody's Ratings

We expect the company to continue to substitute oil shale with less carbon-emitting fuels like shale gas and biomass to ensure Narva plants' profitability. The earnings prospects for the company's OSPG segment remain overall negative over the next few years given the EU's policy support for carbon prices.

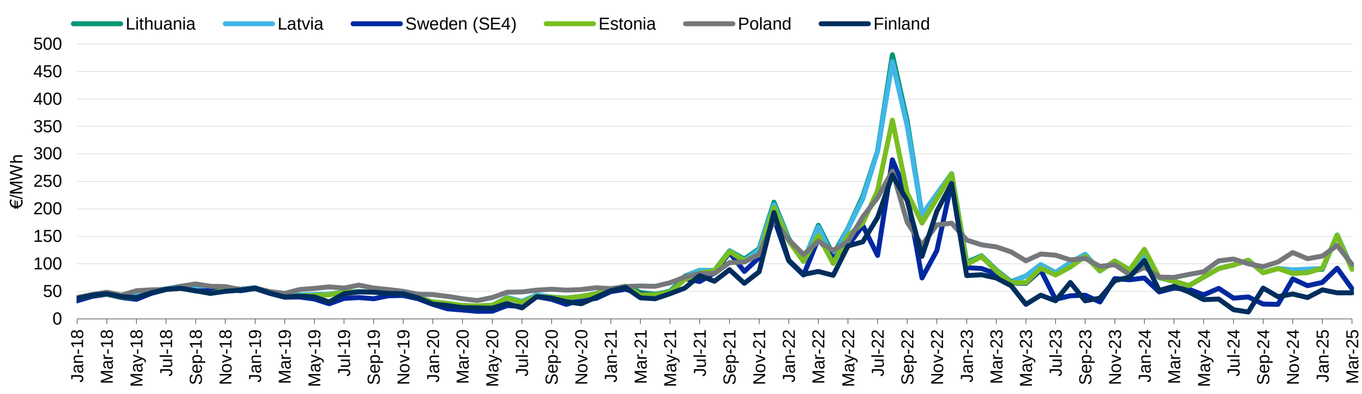
The company's small scale leaves it exposed to changes in the evolving regional electricity markets

Eesti Energia had total assets of €5.1 billion as of 31 December 2024. Its small size relative to several European utility peers therefore leaves it more vulnerable to changes in the regional electricity markets. Electricity markets in the Baltic countries are well integrated among themselves and also with the Nordic countries and Poland through the common Nord Pool trading platform and the 2.2 GW interconnection capacity through the EstLink (Finland-Estonia), NordBalt (Lithuania-Sweden) and LitPol (Lithuania-Poland) cables, commissioned between 2014 and 2016. The import capacity into the Baltics is around 25% of the Baltic region's total generation capacity, resulting in limited cross-border congestion and growing convergence of regional day-ahead electricity prices until year-end 2021; Polish prices have generally been higher than Baltic and Nordic prices.

Exhibit 6

The general close alignment of Baltic and Nordic wholesale prices reflects high interconnection levels

Nord Pool spot day-ahead prices



Sources: Company filings, Nord Pool spot and Moody's Ratings

Generally, the Nordic countries generate electricity of around 20 terawatt hours (TWh) per year in excess of their own consumption. The low-variable-cost nature of Nordic electricity strains Baltic domestic thermal capacity, such as OSPG, which in turn results in Baltic countries' regular net imports of 10-20 TWh per year.

Shale oil earnings are exposed to maritime fuel demand and environmental standards

Eesti Energia is the largest domestic miner of oil shale, which is used as fuel in OSPG and as feedstock to produce shale oil products, namely fuel oil and naphtha (together making up shale oil), with carbon emissions being generated in the production process. Shale oil is a key component of maritime bunker fuel, appreciated for its low-sulphur content, which has gained importance since 2020 when the threshold for sulphur in marine fuels was reduced to 0.5% from 3.5%.

Eesti Energia is operating two shale oil plants with an aggregate processing capacity of around 450,000 tonnes. Given the gradual exit from the OSPG segment, which is freeing up mined oil shale volumes, and the competitiveness of shale oil as low-sulphur feedstock, the company in 2020 started the construction of a third shale oil plant, Enefit-280-2, which could increase total capacity to around 730,000 tonnes. The new plant is planned to be commissioned in 2025. The Estonian government in April 2020 injected equity of €125 million, which would cover nearly 42% of the planned investment costs of the project of around €300 million.

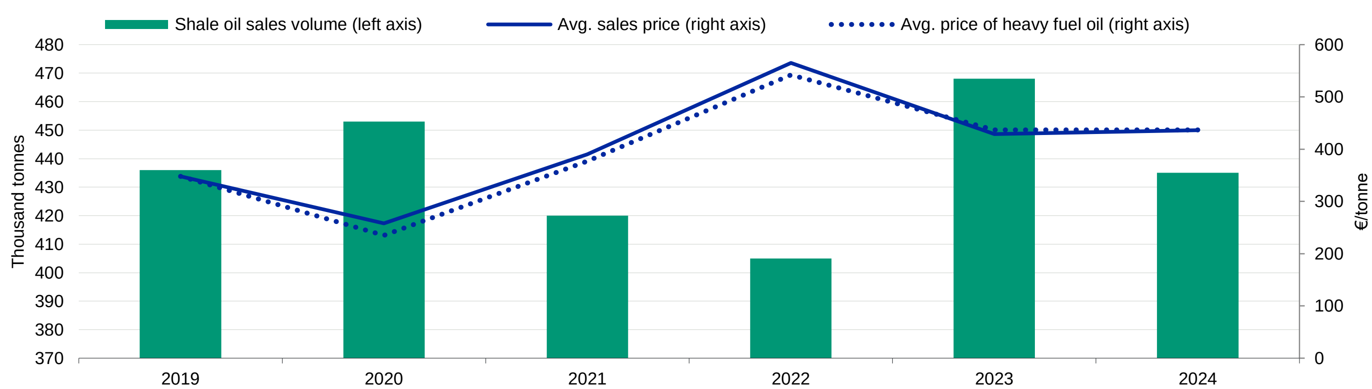
In 2021, the company revealed its long-term strategy to become carbon neutral by 2045 and to phase out shale oil production by 2035. The intention is to gradually replace oil shale with shredded used tyres and waste plastics as feedstock for the newer oil plants under a circular-economy approach. The assumption is that the shale oil extracted from these resources will transition from being used to produce maritime fuel to being utilized for the creation of other chemical products.

The company's sale price of shale oil is linked to that of heavy fuel oil (see Exhibit 7) and, to a lesser degree, to naphtha, both being hedging reference products for Eesti Energia. As of year-end 2024, the company's output volumes expected for 2025 under the assumption of full capacity utilisation were largely hedged. However, proxy hedging shale oil does not completely insulate earnings from fluctuations. This is especially true in periods of price volatility, which can reduce price correlation between shale oil and its proxy commodities. Additionally, not all derivative transactions entered into by Eesti Energia qualify for hedge accounting under IFRS, meaning that those derivatives' mark-to-market valuations are earnings effective before the derivative transaction has been settled which can create a temporary mismatch between earnings and operating cash flow generation.

Accordingly, the profitability of the group's shale oil business is exposed to volatile oil prices; mining costs for oil shale, which are relatively stable; resource fees paid on mined oil shale and linked to market prices of the fuel oil; and carbon prices, which are mitigated by the free allowances received under the EU's carbon leakage rules. Reported EBITDA in 2024 for this segment was €265.6 million (2023: €1.7 million).

Exhibit 7

Eesti Energia's achieved sales price development is closely aligned with the heavy fuel oil price trend



Periods are financial year-end unless indicated. LTM = Last 12 months.
Average sales price includes gains on derivatives.
Sources: Company filings and Moody's Ratings

The company's strategy to increase shale oil production means a shift of resources to a higher-risk activity because there is some risk of adverse changes to environmental laws. These risks are mitigated by lower carbon intensity than OSPG; the economic value of byproducts, namely oil shale gas, ash and rock; and fuel cost advantages in the medium term from replacing some oil shale with shredded used tyres and recycled plastics. Overall, we expect significant volatility in the segment's earnings contributions over the next few years.

Regulated electricity distribution activities add some stability to cash flow

Eesti Energia, through its fully owned subsidiary Elektrilevi, is the largest power distribution network operator in Estonia with a share of around 90% of distributed volumes, or 6.6 TWh, in 2024. The distribution segment accounted for 27% of the company's reported EBITDA with €108 million in 2024, broadly in line with the 2023 result of €106 million.

Tariffs charged by the distribution network operator are subject to regulation by the Estonian Competition Authority. The regulatory framework is fairly well developed and based on generally used principles of a return (measured as the weighted average cost of capital, or WACC) on a regulatory asset base (RAB). Since 2013, the regulator has adopted a light-touch approach and there are no set regulatory periods; the company may apply for a change in tariffs when it deems justified. The latest tariff increase in 2023, incorporates a WACC of 6.27% (pretax, nominal). The regulator increased WACC rates from 4.61% in 2023 and we expect the actual WACC rate to remain unchanged over the next few years.[1] We also expect continued moderate RAB growth through modernisation investments in excess of depreciation to support the segment's earnings.

Overall, regulated activities support the company's business profile by adding to cash flow stability and visibility. Therefore, the separation of Elektrilevi from the Eesti Energia group, which has recently been discussed by the Estonian government, would be a material credit negative for the company's business risk profile, if it were to occur.

Earnings contribution from retail supply will remain low

Eesti Energia is the leading electricity supplier in Estonia, with a market share of around 47% in 2024, but its share contracted by seven percentage points compared to 2023 (54%). The decrease in market share is attributable to the fact that Eesti Energia ceased providing general service from June 2024 as well as stiff competition between suppliers. Eesti Energia also holds strong positions in Latvia and Lithuania with nearly 27% and 23% of the end-customer markets, respectively. In the Baltics, the company has opportunities to build sales volume and market share with competitive prices, especially among households in Lithuania because this market segment is in the process of liberalisation. In fact, Eesti Energia gained nine percentage points market share in Lithuania, compared to 2023.

Outside the Baltics, the company sells electricity to business customers only in Poland. As of the end of May 2024, it decided to divest retail operations in Finland, where historically only a very minor portion of Eesti Energia's retail supply earnings were generated. Apart from electricity supply, in some countries, the company offers related services, such as micro-photovoltaic installations, e-mobility charging solutions, heating and cooling services, and gas supply.

Retail supply is a higher-risk activity given the potentially significant working capital requirements. We expect the cash flow contribution from retail activities to be moderate, because Eesti Energia's select retail markets are highly competitive, which weighs on margins.

Renewable power generation capacity growth constrained by limited investment capacity

Since 2019, Eesti Energia has consolidated its activities in renewable power generation and district heating sourced from combined heat and power plants (CHPPs) in the EGAS subgroup. EGAS is the group's platform for renewables growth, particularly targeting onshore wind and solar opportunities in the Baltics and the Baltic Sea region. In October 2021, 22.83% of EGAS was listed on the Tallinn stock exchange, through a combination of disposal of existing shares by Eesti Energia and issue of new shares, generating total proceeds of €175 million, of which €100 million flowed as fresh equity to EGAS. IPO proceeds are partly earmarked to fund growth investments into renewables generation assets.

EGAS is pivotal for Eesti Energia's long-term strategic objective of increasing the share of electricity production from renewables to 100% by 2035 from an average of around 30% over 2020-22. EGAS' actual renewables portfolio of 592MW installed capacity (at end of December 2024 across on- and offshore wind, solar) benefits from fixed-revenue components under feed-in tariff and feed-in premium schemes. Additionally, EGAS currently has 9,625 GWh or 47% of 2025-28 power output secured by power purchase agreements (PPA), 8,562 GWh of that with Eesti Energia as the principal PPA offtaker. Cash flow from district heating, predominantly from the Iru waste-fired CHPP plant in Tallinn, which also benefits from support payments, support cash flow stability, a credit positive.

Since the 2021 IPO, EGAS' day to day operations were managed independently from the rest of the Eesti Energia group and Eesti Energia participated only indirectly in EGAS' business through dividend payments from EGAS. However, the expansion of renewable generation assets, solely by EGAS has proven to be more expensive than initially forseen over the last years. Additionally, the operational separation of EGAS' variable renewable power generation and Eesti Energia's more flexible OSPG plants, particularly burdened EGAS's cost base. This is because during times of high renewable power production, prices tend to be lower, forcing EGAS to sell power at low prices. Vice versa, in periods where weather conditions do not allow for material renewable production, wholesale market prices rise and force EGAS to by power in the wholesale market at high prices to cover their PPA supply obligations.

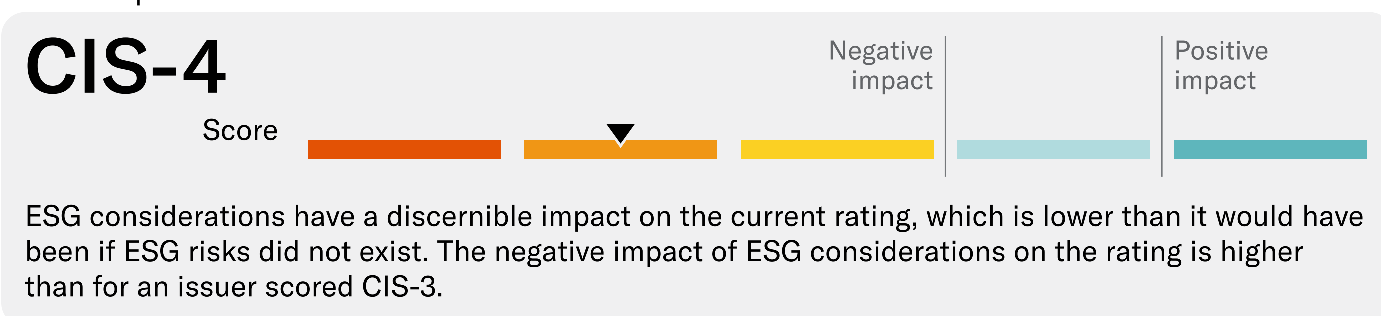
In combination, these factors resulted in a sharp rise in EGAS's net debt to EBITDA ratio to 6.0x in fiscal year 2024, from 4.0x in 2023, well above the company's financial leverage target of 5.0x. In response to this development, on 27 March 2025, Eesti Energia announced their intention to acquire all outstanding minority shares and operationally re-integrate EGAS into the Eesti Energia group. With this transaction, Eesti Energia aims to increase the overall group's competitiveness, raise cost and operating synergies and eventually increase investment capacity to allow for further expansion of renewable generation assets.

We expect that regaining investment capacity could take some time. Consequently, we expect Eesti Energia to curb investments into new renewable assets over the next two to three years. This expectation reflects that Eesti Energia reduced their 2026 target for installed renewable power capacity to 1.2 GW in 2024 from 1.9 GW in 2023. At end December 2024, Enefit Green had 631 MW of renewable generation capacity under construction, of which 527MW were at final construction stage.

ESG considerations

Eesti Energia AS' ESG credit impact score is CIS-4

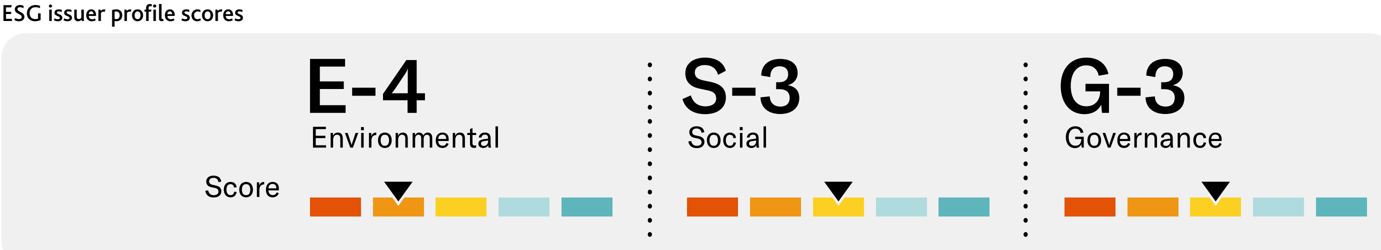
Exhibit 8
ESG credit impact score



Source: Moody's Ratings

Eesti Energia's ESG Credit Impact Score of 4 indicates that its ESG attributes have a discernible negative impact on its rating. Its score reflects highly negative environmental, moderate social as well as moderate governance risks. The effect of ESG risks to the rating is partly mitigated by our expectation that its government shareholder would support the company, if this were to become necessary.

Exhibit 9
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Eesti Energia's **E-4** score reflects the company's exposure to carbon transition risk, as a still large, though declining, share of power generation stems from its carbon intensive oil-shale fueled power plants and because its shale oil-based liquid fuel products are exposed to stricter environmental policies. However, the share of renewable generation in Eesti Energia's capacity mix mitigates the carbon exposure to some degree.

Social

Eesti Energia's **S-3** score reflects on one hand risks related to employees' health & safety stemming from its oil shale mining operations, which cannot be fully mitigated, though we acknowledge the company's long track record of operating these assets without negative incidents. In addition, social risks also relate to demographic & social trends, which include adverse regulatory decisions or government intervention in regulatory affairs. Estonia's light-touch regulatory framework has allowed the company to recover its costs in a timely manner, but still lacks transparency compared with Western European peers, not the least due to the absence of fixed regulatory periods and clearly defined building blocks for the tariffs.

Governance

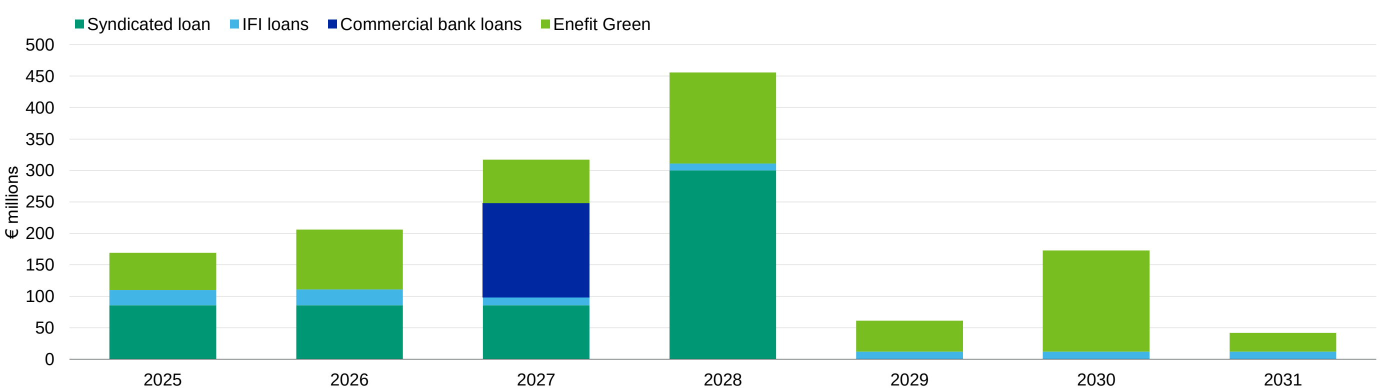
Eesti Energia's **G-3** score mirrors its weak liquidity profile in the context of the likely acquisition and subsequent delisting of all minority shares in Enefit Green AS (EGAS). The acquisition will raise financial leverage and could result in covenant breaches in 2025 and 2026, unless mitigated. The intention to delist EGAS is management's response to EGAS' weaker than expected performance since the company was 22.83% listed in October 2021 and marks a step change in the group's renewables growth strategy. This is moderated by Eesti Energia's financial policy which balances shareholder and creditor interests and includes a commitment to an investment grade credit rating. Given Eesti Energia's status as a fully state-owned company, the company's boards lack independence, but this is mitigated by an “owner's expectation” policy that seeks to balance commercial and energy policy goals, acknowledging that Eesti Energia has to defend its position in a competitive market environment.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

As of the end of December 2024, Eesti Energia reported consolidated cash of €468.9 million; out of this, €44 million was located at EGAS. Additionally, the group had available €320 million of undrawn committed revolving credit facilities — €270 million is available to Eesti Energia (€200 million maturing in September 2025, €70 million in August 2026) and €50 million to EGAS (maturing over 2026-2027). Moreover, EGAS had €165 million of committed but undrawn investment loans at hand, which mature in 2034. While these sources would allow to cover Eesti Energia group’s cash needs over the coming 12 months, the risk of covenant threshold violations as explained above means that liquidity is weak.

Exhibit 10
Eesti Energia's maturity profile is well spread
Annual debt maturities as of 31 December 2024



Sources: Company filings and Moody's Ratings

Structural considerations

Eesti Energia has not yet confirmed how they want to deal with debt outstanding at EGAS post the anticipated reintegration of the business. At end of December 2024, 35% of total consolidated group gross debt (when including Eesti Energia’s €400 million hybrid bond) were located at EGAS, a proportion that we expect will remain at or not materially above that level going forward. Given that the majority of the Eesti Energia's earnings continues to be generated by fully controlled subsidiaries that are debt free, we do not apply notching to the holding company's ratings.

Methodology and scorecard

The principal methodologies used in rating Eesti Energia are the rating methodology for Unregulated Utilities and Unregulated Power Companies, and the Government-Related Issuers rating methodology.

Based on the company's forecast financial results, the scorecard-indicated outcome is Ba2, which is above the assigned BCA of ba3. Eesti Energia's BCA also reflects the transition risk arising from the shift to increased shale oil production and renewable power generation, accompanied by a comprehensive investment programme, while being significantly exposed to commodity prices and market developments in the wider Nordic/Baltic electricity market.

Exhibit 11

Rating factors

Eesti Energia AS

Unregulated Utilities and Unregulated Power Companies Industry	Current FY Dec-2024		Moody's 12-18 Month Forward View	
Factor 1 : Scale (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Scale (USD Billion)	B	B	B	B
Factor 2 : Business Profile (40%)				
a) Market Diversification	Ba	Ba	Ba	Ba
b) Hedging and Integration Impact on Cash Flow Predictability	Baa	Baa	Baa	Baa
c) Market Framework & Positioning	B	B	B	B
d) Capital Requirements and Operational Performance	Baa	Baa	Baa	Baa
e) Business Mix Impact on Cash Flow Predictability	Baa	Baa	Baa	Baa
Factor 3 : Financial Policy (10%)				
a) Financial Policy	Ba	Ba	Ba	Ba
Factor 4 : Leverage and Coverage (40%)				
a) (CFO Pre-W/C + Interest) / Interest (3 Year Avg)	5.1x	Baa	4x - 5x	Baa
b) (CFO Pre-W/C) / Net Debt (3 Year Avg)	23.2%	Baa	13% - 18%	Ba
c) RCF / Net Debt (3 Year Avg)	21.1%	Baa	13% - 14%	Ba
Rating:				
a) Scorecard-Indicated Outcome		Ba1		Ba2
b) Actual Baseline Credit Assessment Assigned				ba3
Government-Related Issuer				**Factor**
a) Baseline Credit Assessment				ba3
b) Government Local Currency Rating				A1
c) Default Dependence				Moderate
d) Support				High
e) Actual Rating Assigned				Baa3

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
LTM = Last 12 months.
Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Appendix

Exhibit 12

Peer Comparison

Eesti Energia AS

	Eesti Energia AS			PGE Polska Grupa Energetyczna S.A.			CEZ, a.s.			Hrvatska Elektroprivreda d.d.			Latvenergo AS		
	Baa3 Negative			Baa1 Stable			Baa1 Negative			Baa1 Stable			Baa2 Stable		
(in $ million)	FY Dec-22	FY Dec-23	FY Dec-24	FY Dec-22	FY Dec-23	LTM Sep-24	FY Dec-22	FY Dec-23	LTM Sep-24	FY Dec-21	FY Dec-22	FY Dec-23	FY Dec-22	FY Dec-23	LTM Sep-24
Revenue	2,338	2,061	1,932	16,541	22,871	17,959	13,827	15,860	14,924	2,334	3,370	4,371	1,941	2,200	1,947
EBITDA	448	487	447	2,192	2,466	2,418	5,730	5,787	5,563	547	(683)	612	361	648	691
Total Assets	5,869	5,292	5,250	24,100	28,793	27,207	48,248	36,116	37,556	7,095	7,386	8,477	4,115	4,558	4,587
Total Debt	1,131	1,871	1,962	2,166	3,964	3,059	11,606	9,732	12,691	805	1,754	2,600	946	708	658
Net Debt	831	1,679	1,477	(477)	2,537	846	9,989	9,245	10,993	147	1,303	2,016	826	423	486
FFO / Net Debt	46.9%	23.6%	19.5%	-245.8%	89.9%	43.1%	55.3%	34.2%	32.6%	344.1%	-48.0%	22.8%	44.3%	135.4%	126.7%
RCF / Net Debt	39.7%	18.2%	14.0%	-245.8%	89.9%	43.1%	43.9%	-3.2%	21.2%	257.4%	-48.0%	22.8%	35.2%	95.4%	73.2%
(FFO + Interest Expense) / Interest Expense	13.6x	5.7x	3.6x	11.1x	9.1x	1.9x	15.5x	8.7x	12.1x	17.2x	-14.2x	6.4x	33.6x	20.7x	23.4x
Net Debt / EBITDA	1.8x	3.4x	3.4x	-0.2x	1.0x	0.3x	1.7x	1.6x	1.9x	0.3x	-1.9x	3.2x	2.3x	0.6x	0.7x

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 13

Moody's-adjusted net debt reconciliation

Eesti Energia AS

(in € million)	2019	2020	2021	2022	2023	2024
As Reported Total Debt	**1,136**	**1,014**	**957**	**1,059**	**1,694**	**1,696**
Hybrid Securities	0	0	0	0	0	199
Moody's Adjusted Total Debt	**1,136**	**1,014**	**957**	**1,059**	**1,694**	**1,895**
Cash & Cash Equivalents	(35)	(167)	(198)	(281)	(175)	(469)
Moody's Adjusted Net Debt	**1,101**	**848**	**759**	**779**	**1,520**	**1,426**

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Periods are financial year-end unless indicated. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 14

Moody's-adjusted EBITDA reconciliation

Eesti Energia AS

(in € million)	2019	2020	2021	2022	2023	2024
As Reported EBITDA	**256**	**213**	**320**	**426**	**452**	**415**
Unusual Items - Income Statement	(3)	0	(5)	0	0	0
Interest Expense - Discounting	(1)	(1)	(1)	(1)	(1)	(2)
Moody's Adjusted EBITDA	**252**	**212**	**314**	**425**	**451**	**414**

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Periods are financial year-end unless indicated. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 15

Overview on select historical Moody's-adjusted financial data

Eesti Energia AS

(in € million)	2019	2020	2021	2022	2023	2024
INCOME STATEMENT						
Revenue	926	834	1,313	2,218	1,906	1,785
EBITDA	252	212	314	425	451	414
EBIT	64	51	142	248	264	256
Interest Expense	34	33	28	29	76	106
Net income	31	18	98	184	44	85
BALANCE SHEET						
Net Property Plant and Equipment	2,914	2,920	2,986	3,258	3,136	3,532
Total Assets	3,466	3,684	4,381	5,499	4,790	5,070
Total Debt	1,136	1,014	957	1,059	1,694	1,895
Cash & Cash Equivalents	35	167	198	281	175	469
Net Debt	1,101	848	759	779	1,520	1,426
Total Liabilities	1,667	1,679	2,065	2,552	2,923	3,112
CASH FLOW						
Funds from Operations (FFO)	231	204	261	365	358	278
Cash Flow From Operations (CFO)	174	313	179	510	16	599
Dividends	57			56	82	79
Retained Cash Flow (RCF)	174	204	261	310	276	199
Capital Expenditures	(155)	(174)	(219)	(455)	(692)	(625)
Free Cash Flow (FCF)	(38)	139	(40)	(0)	(758)	(105)
INTEREST COVERAGE						
(FFO + Interest Expense) / Interest Expense	7.7x	7.2x	10.2x	13.6x	5.7x	3.6x
LEVERAGE						
FFO / Net Debt	21.0%	24.0%	34.4%	46.9%	23.6%	19.5%
RCF / Net Debt	15.8%	24.0%	34.4%	39.7%	18.2%	14.0%
Debt / EBITDA	4.5x	4.8x	3.0x	2.5x	3.8x	4.6x
Net Debt / EBITDA	4.4x	4.0x	2.4x	1.8x	3.4x	3.4x

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Periods are financial year-end unless indicated. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Ratings

Exhibit 16

Category	Moody's Rating
EESTI ENERGIA AS	
Outlook	Negative
Issuer Rating	Baa3
Jr Subordinate -Dom Curr	B1
ST Issuer Rating	P-3

Source: Moody's Ratings

Endnotes

1 The increase in WACC rates was driven by higher risk-free rates (RfR) after the regulator switched to using the annual average yield of Estonian 10-year government bonds as a RfR reference, replacing the previously used rolling 10-year average of German 10-year government bonds.

REPORT NUMBER 1444406