MOODY'S RATINGS

Rating Action: Moody's Ratings changes Eesti Energia's outlook to stable; affirms Baa3 ratings

08 Apr 2026

Frankfurt am Main, April 08, 2026 -- Moody's Ratings (Moody's) has today changed the outlook on Eesti Energia AS (Eesti Energia) to stable from negative. At the same time, we have affirmed the Baa3 long-term issuer rating, the B1 junior subordinated debt rating, the ba3 Baseline Credit Assessment (BCA) and the Prime-3 short-term issuer rating of Eesti Energia.

RATINGS RATIONALE

RATIONALE FOR STABLE OUTLOOK

The outlook revision to stable recognises that Eesti Energia has a more stable financial profile following changes to its debt structure, which will reduce exposure to financial covenant breaches, together with our expectation that leverage, as measured by funds from operations (FFO)/net debt, will remain commensurate with the company's ba3 BCA, namely FFO to net debt at least in the mid-teens in percentage terms over the coming two to three years.

Eesti Energia avoided a financial covenant breach at the December 2025 testing date and we expect that the company will remain able to manage covenant compliance. As of 31 December 2025, under unaudited financial results, net debt/EBITDA stood at 3.95x, below the 4.0x covenant threshold that applied under the company's syndicated bank facility; in addition, the European Investment Bank (EIB) waived covenant testing for the December 2025 test date.

Following the repayment of the syndicated loan in February 2026 - funded through a combination of cash on hand and approximately €250 million raised under two bank facilities maturing between 2030 and 2032 - EIB will be the company's only lender with a leverage financial covenant. Biannual covenant testing under the EIB loans reverted to a net debt/EBITDA threshold of 3.5x from 2026, which we expect Eesti Energia to comply with.

Based on unaudited financial results, FFO/net debt stood at around 11–12% in 2025. We expect a recovery in the leverage ratio from 2026 onwards, supported by higher EBITDA, which we estimate could range between €400 million and €450 million in 2026–27. While EBITDA growth will be backed by continued RAB-accretive investments in the distribution network and the commissioning of additional renewable generation capacity, Eesti Energia's earnings growth is expected to be driven primarily by the prevailing elevated commodity price environment, in particular within its power generation and fuel oil production businesses. At the same time, we anticipate that annual capital spending of on average €320 million over 2026-28 and moderate dividend distributions will result in broadly balanced free cash flow.

RATIONALE FOR THE RATINGS AFFIRMATION

The rating affirmation reflects that Eesti Energia's ratings remain underpinned by (1) the sustained strong earnings contribution from its lower-risk regulated network activities; and (2) its sizeable and growing share of income from renewable power generation. At the same time, the ratings are constrained by (1) the short remaining life of its oil shale-based electricity generation activities; (2) the ongoing volatility in earnings in shale oil-related activities, driven by significant fluctuations in commodity prices; and (3) the company's small size in Europe's evolving electricity markets.

The Baa3 long-term issuer rating incorporates three notches of uplift from Eesti Energia's BCA of ba3, taking into account Eesti Energia's full ownership by the Government of Estonia (A1 stable). This reflects our expectation of high support and moderate dependence under our Government-related Issuers methodology.

LIQUIDITY

At end of December 2025, Eesti Energia held €358 million in consolidated cash and had access to €320 million of undrawn committed revolving credit facilities—€270 million available to Eesti Energia, maturing between August 2026 and September 2028, and €50 million available to Enefit OÜ (formerly Enefit Green AS), maturing between September 2026 and September 2027. Additionally, the group had available €250 million of committed undrawn bilateral loans. Taken together, we expect these liquidity sources to cover the group's funding needs over the next 12 months, after taking into account the €471 million syndicated loan repayment in February 2026.

STRUCTURAL CONSIDERATIONS

We expect that at end of December 2025, around 35% of total consolidated group gross debt (when including Eesti Energia's €400 million hybrid bond) was located at Enefit OÜ, an important operating subsidiary of Eesti Energia. We expect this proportion to reduce as (1) Enefit OÜ loans will gradually mature; and (2) €330 million of gross debt outstanding under different bank loans is planned to be transferred to Eesti Energia from Enefit OÜ in 2026. Given that the majority of 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.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Upward pressure on Eesti Energia's rating is unlikely to materialise in the medium term, but could develop in the long term through a successful execution of the investment programme, and maintenance of good liquidity and a financial profile comfortably and sustainably in excess of that currently expected. A one-notch upgrade of the company's BCA may not necessarily lead to a higher rating.

Eesti Energia's BCA could come under pressure if its FFO/net debt were to remain below the midteens in percentage terms; the company's liquidity were to significantly deteriorate; or there were significant adverse changes in the market or the regulatory environment in which the company operates that were not addressed through adequate adjustment of the financial profile. A one-notch downgrade of the company's BCA may not necessarily lead to a rating downgrade.

The rating could be downgraded if Eesti Energia were to demonstrate a significantly lower BCA that was not compensated by some form of support from the Estonian government; its structural subordination were to increase significantly; or the credit quality of the Estonian government or the support assumptions currently incorporated into our assessment were to weaken considerably.

PRINCIPAL METHODOLOGY

The methodologies used in these ratings were Unregulated Utilities and Power Companies published in August 2025 and available at https://ratings.moodys.com/rmc-documents/449372, and Government-related Issuers published in May 2025 and available at https://ratings.moodys.com/rmc-documents/443641. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of these methodologies.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

Headquartered in Tallinn, Eesti Energia AS is the dominant vertically integrated utility and leading oil shale mining company in Estonia. Under the unaudited financial report for FY2025, Eesti Energia reported revenues of €1,839.1 million and EBITDA of €317 million.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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