MOODY'S
INVESTORS SERVICE

CREDIT OPINION
11 January 2018

Update

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RATINGS

Eesti Energia AS

Domicile	Estonia
Long Term Rating	Baa3
Type	LT Issuer Rating - Fgn 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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Eesti Energia AS

Discussion of Key Credit Factors

Summary

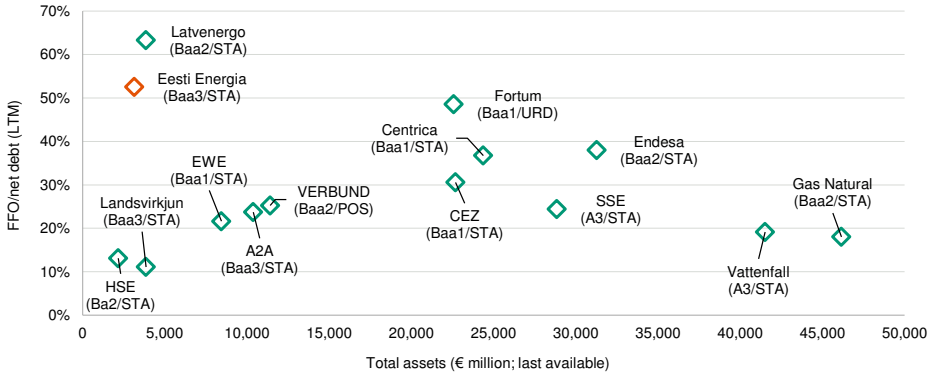
Eesti Energia's credit profile is underpinned by (1) the group's strong position in its domestic market as an incumbent integrated utility; (2) the contribution of earnings from regulated electricity distribution activities, which are expected to deteriorate on the back of lower network tariffs; (3) the group's currently low leverage with a funds from operations (FFO)/net debt ratio of 53% in the twelve months to 30 September 2017; and (4) planned business and geographic diversification, which is nonetheless subject to certain implementation risks.

Conversely, Eesti Energia's credit strength is constrained by its (1) its small size; (2) high exposure to price developments in interconnected markets; (2) CO2 intensive generation portfolio, which creates risks for the group's competitiveness in the context of the European Union's decarbonisation policies; and (3) shale oil activities, which we perceive to have higher risk compared to the core utility services of the group.

Exhibit 1

Eesti Energia's strong credit metrics provide some cushion against adverse market changes

Total assets versus FFO/net debt - selection of EMEA unregulated utilities and power companies



Note: Financial metrics incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics™

Eesti Energia falls under Moody's rating methodology for Government-Related Issuers given its 100% ownership by the Government of Estonia (A1 stable). The Baa3 rating incorporates a two-notch uplift to the group's standalone credit quality, expressed by Moody's as a baseline credit assessment (BCA) of ba2.

The two-notch uplift is explained by the strategic importance of the company to the country of Estonia, which in the past was evidenced by (1) rather flexible shareholder remuneration policies with no dividend payments in 2016; (2) reduction in resource fees and environmental

taxes for 2016-2017, recently extended into 2018, to support the company's financial profile in the environment of low commodity prices; and (3) the direct financial assistance provided in the past in the form of an equity injection of €150 million in 2012.

Credit strengths

» Dominant position in Estonia and some presence in Latvia and Lithuania

» A moderate contribution from lower risk electricity distribution activities

» Government support provides two notches of rating uplift

Credit challenges

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

» Heavy reliance on CO2-intensive oil shale based electricity generation, coupled with a weak power price environment

» Growing competition among end-user suppliers in Estonia may put some pressure on the group's market share and/or retail margins

» Higher risk and volatility related to shale oil activities

Rating outlook

The outlook on Eesti Energia's ratings is stable, reflecting Moody's expectation that the company's financial profile and credit metrics will remain commensurate with guidance for the BCA of ba2 and Baa3 rating (i.e. FFO /net debt at least in the low to high teens in percentage terms). The stable outlook also assumes the continued supportive stance of the government towards the company in the event of downward shifts in commodity prices, which could help withstand the resulting revenue volatility.

Factors that could lead to an upgrade

Upward rating pressure could develop if Eesti Energia's credit metrics were materially stronger than currently anticipated on a sustained basis.

Factors that could lead to a downgrade

The BCA and the rating could come under downward pressure if (1) Eesti Energia were not able to maintain a financial profile commensurate with the current ratings; or (2) there were a significant shift in the group's business risk profile; (3) a material adverse change in the regulatory framework in Estonia; or (4) a deterioration in the credit quality of the Government of Estonia and/or a reduction in the support assumptions currently incorporated into Moody's assessment.

Key indicators

Exhibit 2

Eesti Energia's FY 2016 and LTM credit metrics were positively impacted by extraordinary revenue in relation to liquidated damages[1] and the lack of dividend payments

	9/30/2017(L)	12/31/2016	12/31/2015	12/31/2014	12/31/2013
(CFO Pre-W/C + Interest) / Interest	8.7x	8.8x	7.3x	6.8x	8.9x
(CFO Pre-W/C) / Net Debt	52.5%	39.0%	29.9%	25.5%	35.5%
RCF / Net Debt	52.5%	39.0%	22.3%	14.6%	28.4%
FCF / Net Debt	30.3%	10.1%	2.8%	-14.0%	-25.5%

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 most common ratio terms please see the accompanying User's Guide.
Source: Moody's Financial Metrics™

Profile

Eesti Energia AS is the dominant vertically integrated utility in Estonia. The group generates around 87% of the country's electricity and some 16% of its heating needs. It also owns and operates most of the country's electricity distribution network via its subsidiary Elektrilevi OU.

Primary electricity generation facilities are based in north-eastern Estonia, consisting of oil shale fired Eesti and Balti power plants (Narva Power Plants), and the newly-constructed oil shale and biomass fired Auvere plant, all of which are owned and operated by Enefit Energiatootmine AS. The group's subsidiary, Enefit Green AS, is the operator of renewable energy assets, consisting mainly of wind farms with a combined installed capacity of 111 megawatts (MW). In the twelve months to 30 September 2017, total electricity output from renewable assets reached 418 gigawatt hours (GWh), or 4% of the group's total electricity production. Eesti Energia also owns 100% of Estonia's main supplier of oil shale, the country's long-term primary fuel source for electricity generation.

The company is 100% owned by the Government of Estonia.

Exhibit 3

Eesti Energia's fuel mix is based primarily on oil shale, which contrasts with the generation profile of the wider Baltic and Nordic area

Electricity generation output per fuel

2016 data in GWh	Eesti Energia	Estonia	Latvia	Lithuania	Baltics	Finland	Sweden	Norway	Denmark	Nordics
Electricity generation	9,071	10,423	6,293	3,975	20,691	66,039	151,515	148,814	28,705	395,073
- Oil shale	8,691	8,985	-	-	8,985	-	-	-	-	
- Other fossil fuels	-	-	2,881	1,388	4,269	14,304	4,099	3,059	10,808	32,270
- Nuclear	-	-	-	-	-	22,281	60,542	-	-	82,823
- Hydro & pump storage	6	35	2,517	1,016	3,568	15,615	61,243	143,423	19	220,300
- Other renewable	374	1,403	895	1,571	3,869	13,839	25,631	2,124	17,878	59,472
- Non identifiable	-	-	-	-	-	-	-	208	-	208
Retail sales / consumption	6,196	8,387	7,323	11,436	27,146	84,990	139,782	133,242	34,517	392,531
As a multiple of generation	0.7x	0.8x	1.2x	2.9x	1.3x	1.3x	0.9x	0.9x	1.2x	1.0x

Note: Reported on a net basis.
Source: Company, ENTSO-E, Moody's Investors Service

Detailed credit considerations

Strong market position in Estonia but relatively small size and increased market integration with the Nordics leave the company vulnerable to changes in the regional electricity markets

Eesti Energia is the incumbent vertically integrated utility group in Estonia. The company's total installed generation capacity of 1.9 gigawatts (GW) will increase to 2.2 GW once the 300 MW related to the Auvere power plant has been handed over by the contractor. Its capacity is predominantly based on oil shale. In the twelve months to 30 September 2017, Eesti Energia's electricity sales was close to 9.7 terawatt hours (TWh), including 6.2 TWh sold on the retail market. The latter amount has been broadly stable in the recent past, averaging 6.1 TWh per annum in the four year period starting in 2014.

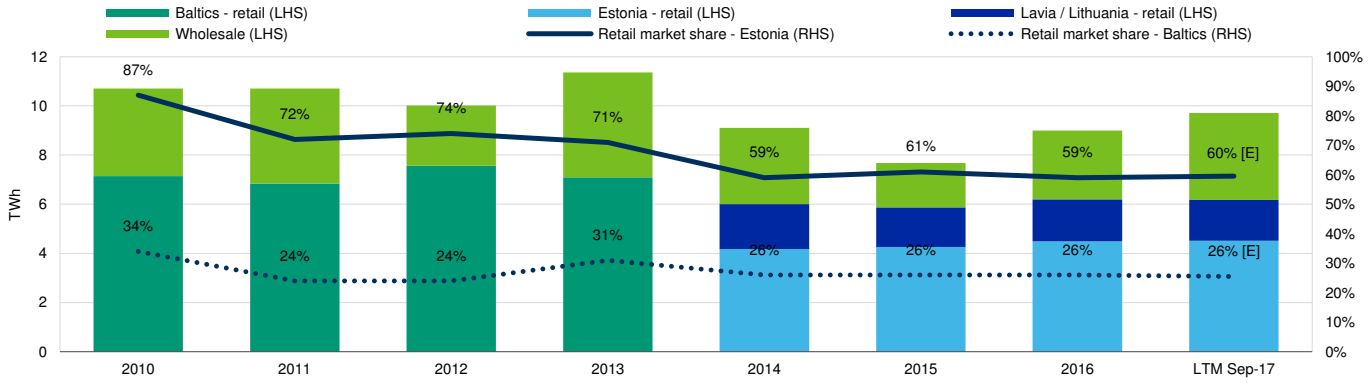
As the Baltic countries are relatively well interconnected with each other, the company benefits from its presence in the neighbouring markets (Latvia and Lithuania), both of which are characterised by structural electricity deficits. The group's retail electricity market share in the last twelve months was around 60% in Estonia (59% in 2016) and around 26% in the three Baltic countries combined (unchanged from 2016).

The company's share in Estonia's retail electricity segment fell from levels seen before market liberalisation in 2013 as a result of increased penetration by other players on the market. The impact of lower volumes on the electricity segment's earnings was partially offset by (1) an increase in end-user prices following market opening although these subsequently fell again; (2) a recent moderate increase in sales volumes; and (3) a reduction of resource fees and environmental taxes by the government for 2016-18. Going forward, the company may face renewed pressure on retail margins as increased market integration with the Nordics creates opportunities for new entrants. This could further squeeze Eesti Energia's market share if the product offering is not adapted in response to the changing market environment.

Exhibit 4

Eesti Energia's market share in Estonia declined following market liberalisation

Total electricity volumes sold and market share in Estonia/Baltics



Note: Market share in Estonia prior to 2014 relates to unregulated market only.
Source: Company, Moody's Investors Service

We further note the company's strategic intention to expand its activity into electricity and gas markets in other countries, including Poland (where sales were first made in 2017) and the Nordics, which could provide diversification benefits over the longer-term.

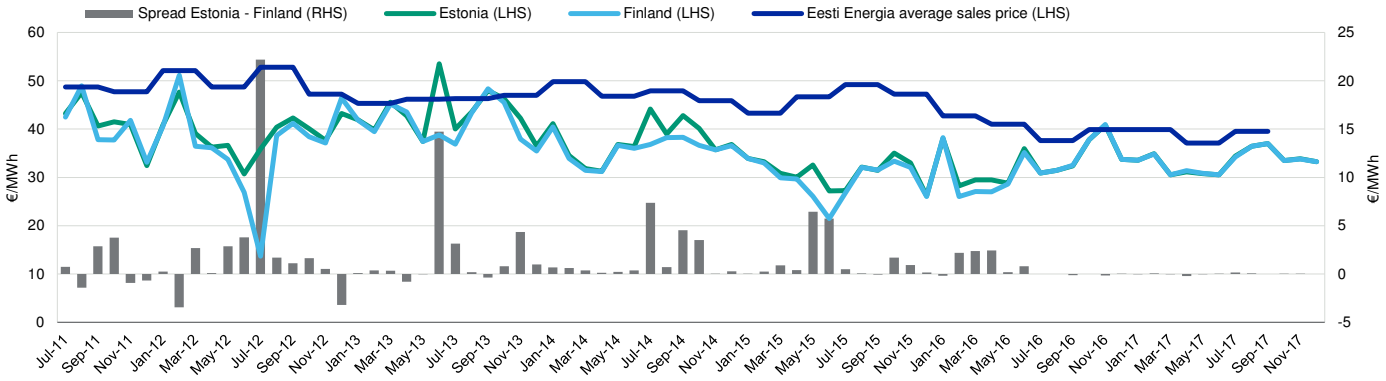
Eesti Energia's size and scale of operations are small in the wider pan-European context. These factors expose the group to changes in the European electricity markets given the increased interconnection capacity between the Baltics and the Nordic region. Following the commissioning of Estlink 2 (Estonia - Finland) and NordBalt (Lithuania - Sweden) sub-sea DC cables, in 2014 and 2016 respectively, total import capacity from the Nordics reached 1.7 GW, or close to 20% of the Baltic region's total generation capacity.

Completion of the second Estlink interconnector resulted in Nord Pool Spot (NPS) Estonia electricity prices being closely aligned to those in Finland and falling below the levels seen prior to 2014. In 2017 average day-ahead electricity prices in Estonia and Finland were broadly equal at €33.3 per megawatt hour (/MWh). We now expect baseload prices in the Nordic area to stay in a range of €23-29/MWh, with the price differential between Finland and Nord Pool at above €4/MWh (see Sector In-Depth, In the Nordics, reduced capacity from 2020 will raise power prices from low levels, 22 November 2017). This could imply some deterioration in earnings from Eesti Energia's existing generation assets, as hedging agreements currently in place will expire in 2018 and we expect prices in the Nordic sector to remain rather low and volatile. On the other hand, EBITDA from generation and sales could be supported from the company's planned diversification into the renewables business and retail sales in foreign markets, should these efforts prove successful.

Exhibit 5

Eesti Energia's average realised price decreased in recent years, in line with lower market prices of electricity

Nord Pool Spot day-ahead prices versus Eesti Energia's average realised price (monthly and quarterly averages)



Note: Eesti Energia's average realised price includes retail sales, wholesale sales and gain on derivatives, but excludes subsidies for renewable energy and municipal waste gate fees.
Source: Company, Nord Pool Spot, Moody's Investors Service

Heavy reliance on CO2-intensive oil shale-based electricity generation

The company's generation base is dominated by oil shale, which corresponds to some 85% of the installed capacity. The CO2 intensity of this technology is between 0.9 - 1.2 tonnes (t)/MWh (depending on the specific production unit), which compares unfavourably with the CO2 intensity of gas or coal of approximately 0.45 t/MWh and 0.9 t/MWh, respectively. This exposes the group to the tightening of carbon emission targets.

Depending on electricity generation volumes, annual CO2 emissions for Eesti Energia range between 10-13 million tonnes. This exceeds the allocated free CO2 emission allowances, which cumulatively amount to 17.7 million tonnes for 2013-20.[2] Consequently, the company has to purchase significant volumes of CO2 allowances, to compensate for the differential between emission volumes and free permits that have been allocated to the company. Whilst CO2-related costs currently amount to some 10% of total operating expenses, this share is set to increase as the amount of free allowances received will fall to zero after 2017 (without taking account of free CO2 allowances received in relation to heat production).

Given the above, the recent increase in CO2 prices to above €7/tonne (from around €5/tonne) is negative for the company. Whilst hedging agreements provide some support and visibility to cash flows from generation activities, these are of a short-term nature with final expiry dates in 2018. Conversely, we note the commissioning of the new Auvere power plant, which has lower emission levels, as well as some potential investments in renewable generation sources. The scale of these activities is, however, modest in the context of the group's total generation base and the company's exposure to CO2 remains high.

We estimate that an increase in CO2 allowance prices of €1/tonne would have a downward impact on Eesti Energia's FFO/net debt ratio of around 1-2 percentage points, absent hedging agreements and a corresponding increase in electricity prices. This creates significant uncertainties concerning the performance of the company's generation business, in the context of the final shape of the EU's Emissions Trading Scheme post-2020, which is still under discussion.

A good proportion of Eesti Energia's cash flows are exposed to wholesale electricity price movements, which are influenced by hydro conditions in the Nordic region and availability on the interconnectors, which can result in price volatility. This is partially mitigated by its hedging policy, which provides a degree of short term visibility to Eesti Energia's cash flows.

Regulated electricity distribution activities add some stability to cash flows

Following the full opening of the Estonian electricity market in 2013, heat sales and electricity distribution are the only regulated activities of Eesti Energia. The distribution segment accounts for around 30-40% of Eesti Energia's EBITDA, depending on the actual performance of other business segments. Heat sales are relatively small in the context of the group's overall financial profile (around 6% of sales revenues on a LTM basis).

Overall, regulated activities support the company's business profile by adding to cash flow stability and visibility. Distribution network operations are subject to regulation by the Estonian Competition Authority. The regulatory framework in Estonia is fairly well developed and based on generally used principles of a return on a regulatory asset base. Since 2013, the regulator had adopted a light touch approach and there are no set regulatory periods, instead the company may apply for a change in tariffs as it believes justified.

Nonetheless, lower network tariffs, by 6.7%, were introduced in H2 2017, reflecting a lower WACC and a revised assumption for network losses. As a result EBITDA from distribution activities is expected to decline below €100 million (compared to €113 million in 2016) starting from 2018. The contribution from this sector should nonetheless stay above 30% over the next three years, subject to any further changes in tariff levels.

Higher risk shale oil activities with significant earnings volatility

In addition to core utility services, Eesti Energia is involved in shale oil production, which we consider to carry higher risk than the core power utility businesses, due to the exposure of the segment to volatile oil prices and the potential impact of changes to environmental laws. The group is a small player and as such remains vulnerable to market changes. More positively, the company mitigates some of the near-term risks through price hedging.

Eesti Energia is expected to increase its shale oil operations following the commissioning of the Enefit-280 oil plant in 2014, which doubled the processing capacity compared to the previous facilities. Given low Brent Crude prices in 2015-16, the increase in shale oil output was however much lower than anticipated, primarily as a result of a lower production output from the older Enefit-140 plant.

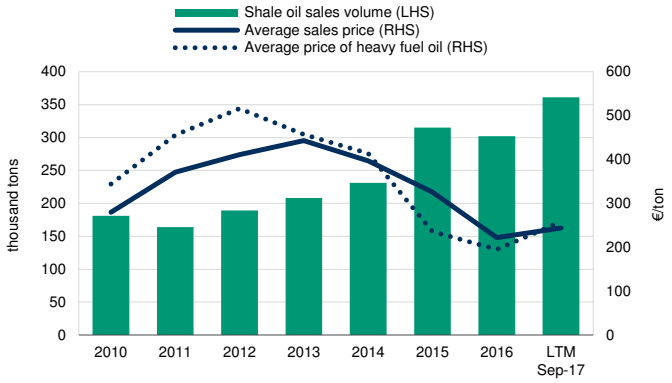
The price of shale oil is linked to heavy fuel oil (a reference product for Eesti Energia), which in turn is closely correlated to global oil prices.

In the last twelve months, total sales volumes of shale oil reached 361 thousand tonnes, which represents an increase from 302 thousand tonnes in 2016. At the same time, EBITDA from shale oil activities increased to €24 million, from a historical low of €8 million in 2016, reflecting an improvement in world oil prices.

Exhibit 6

Fuel oil 1% is a reference product for Eesti Energia's shale oil...

Shale oil sales volumes and average sales price

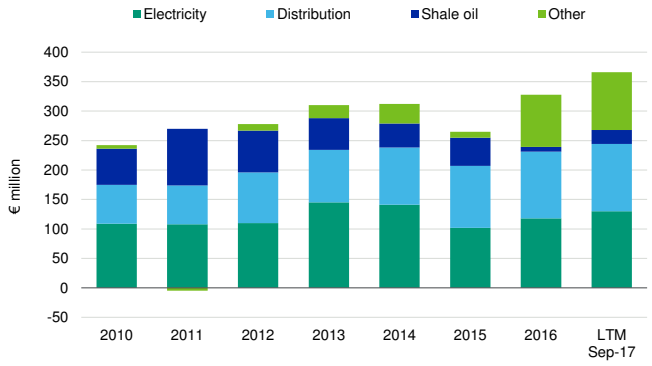


Note: Average sales price includes gains on derivatives.
Source: Company, Moody's Investors Service

Exhibit 7

...which led to a substantial earnings volatility in the recent past

Reported EBITDA breakdown



Note: EBITDA from "Other" activities in 2016 relates mainly to extraordinary income from liquidated damages recognised during the year **(see note 1 on page 8)**.
Source: Company, Moody's Investors Service

Eesti Energia has also been involved in the development of international shale oil projects. Whilst the company's stake in the Jordanian power plant and quarry project has recently been reduced from 65% to 10%, the future of the mining project in the U.S. state of Utah remains uncertain. Our assessment of the group does not currently incorporate any material expansion of international activities, which could weigh on Eesti Energia's business and financial risk profile given the increased exposure to commodity prices.

Investment programme focused on business and geographic diversification

Eesti Energia's financial profile deteriorated over 2014-15 as a result of a sizeable investment programme with capital expenditure peaking at more than €500 million annually in 2011-2012, but investment levels have gradually decreased since. In the twelve months to 30 September 2017, the investments amounted to €137 million, broadly unchanged from €141 million in 2016. Historically, free cash flow has been negative, but with the two largest projects (the 300 MW power plant in Auvere, as well as the Enefit280 shale oil facility) now largely completed, the company recorded positive free cash flow over 2015 - Q3 2017.

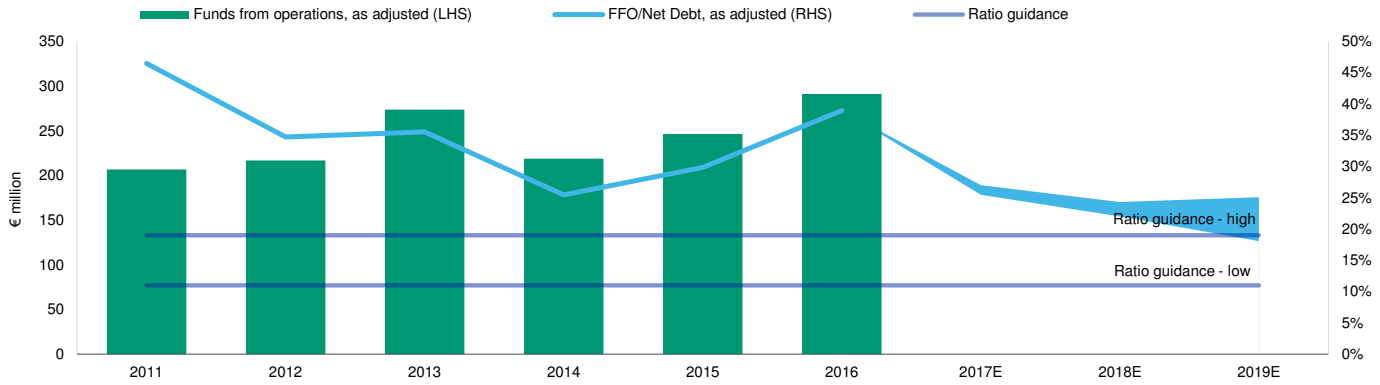
In the next four years, we expect a step up in investment spending on new initiatives, in addition to distribution investments on a similar level to prior years. We expect the company to focus on new renewables energy capacity; maintaining profitability and increasing the competitiveness of existing production facilities which use oil shale; growing in new energy markets and/ or selling new services. Such projects could add diversification to the group's product offering and generation mix if successfully completed. In any event we expect that the company will consider the impact of any such large projects on its financial profile, and as such may be supported either by a capital contribution from the Estonian government or through alternative financing arrangements. A possible IPO of the renewables subsidiary of the Eesti Energia group has been periodically mentioned.

Over the next three-year period, we expect that Eesti Energia's currently strong credit metrics could decline, as a result of (1) an increase in investment levels; (2) the resumption of dividend payments, with €47 million to be paid in Q4 2017; and (3) an expected decline in EBITDA. The latter will result from the lack of extraordinary items in 2017, which inflated the company's earnings in 2016, the recent decrease in distribution tariffs and the possible decline in electricity generation EBITDA given the low power price environment. The ratios should however stay above or within the ratio guidance for the current rating category, which is defined as FFO/net debt in the low to high teens in percentage terms.

Exhibit 8

Eesti Energia's credit metrics should stay within the guidance for the current rating category

Funds from Operations and FFO/net debt - actual and Moody's expectation



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.

Source: Moody's Financial Metrics™, Moody's Investors Service

Government support provides rating uplift

Eesti Energia's rating incorporates an uplift for potential government support to its standalone credit quality. The uplift to the BCA, of two notches, is a result of the credit quality of the government of Estonia (A1, stable), which owns 100% of Eesti Energia's shares, as well as our assessment of a strong probability of government support for the group in the event of financial distress, and a moderate level of default dependence (i.e. degree of exposure to common drivers of credit quality).

Moody's regards Eesti Energia to be of high importance to the state, given the group's role in the electricity and shale oil markets in Estonia. This is also confirmed by the €150 million equity injection completed in 2012, and the government's support for the group's strategy. More recently, the shareholder's supportive stance towards the company was evidenced by a temporary decrease in resource fees and environmental taxes to help the company withstand the period of low commodity prices on the market.

Liquidity analysis

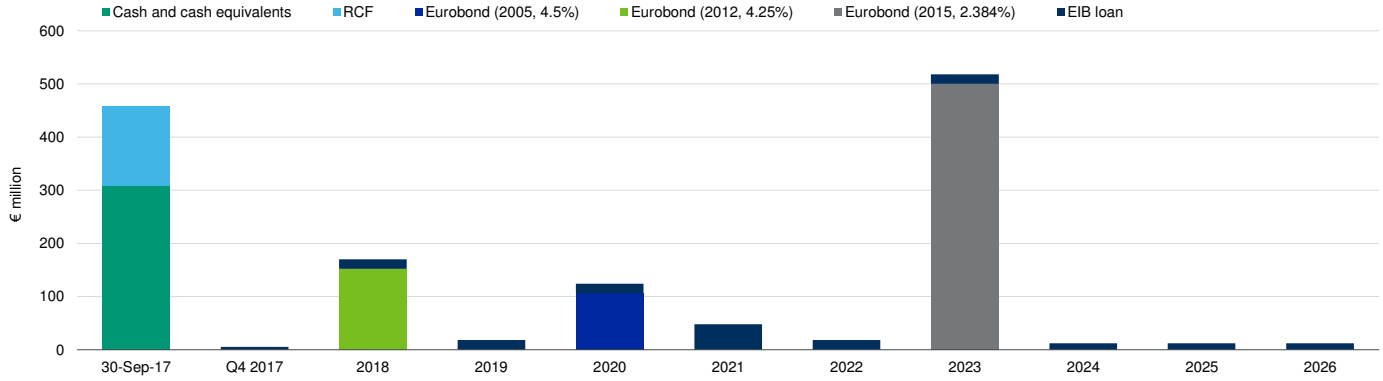
As of 30 September 2017, Eesti Energia reported €308 million worth of liquid assets (cash and bank deposits), an increase from €223 million at end-2016. In addition, the company has access to €150 million of undrawn revolving credit lines maturing in 2020. Overall, Moody's expects that available resources and generated cash will be sufficient to cover the company's liquidity requirements for a period in excess of 18 months. This takes into account a bond of €152 million maturing in 2018, which we expect to be repaid from available resources.

The majority of debt is represented by three bonds maturing between 2018 and 2023, with a total outstanding amount of €758 million. €500 million of this amount relates to a bond issued in September 2015, with a maturity date in 2023. Therefore, the company does not face any major refinancing requirements in the short term.

Exhibit 9

Eesti Energia has limited refinancing needs in the medium term

Available liquidity and debt maturities as of 30 June 2017



Source: Company, Moody's Investors Service

Structural considerations

The Baa3 senior unsecured rating of Eesti Energia's outstanding eurobonds is the same rating level as the company's Issuer Rating, and reflects the absence of structural and contractual subordination of the eurobond creditors to the claims of other Eesti Energia group lenders.

Rating methodology and scorecard factors

The principal methodologies used in rating Eesti Energia are Moody's Unregulated Utilities and Unregulated Power Companies, published in May 2017, and Government-Related Issuers, published in August 2017.

Based on the company's historical and forecasted financial results, the rating methodology grid indicates a factor outcome of Baa3, which is above the assigned Baseline Credit Assessment (BCA) of ba2. Eesti Energia's BCA reflects the company's signifcant exposure to market developments in the wider Nordic / Baltic electricity market, high CO2 intensity of its oil shale electricity generation plants and high cash flow volatility of its shale oil business.

Exhibit 10
Rating Factors
Eesti Energia AS

Unregulated Utilities and Unregulated Power Companies Industry Grid [1][2]	Current LTM 9/30/2017		Moody's 12-18 Month Forward View As of December 2017 [3]	
Factor 1 : Scale (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Scale (USD Billion)	Ba	Ba	Ba	Ba
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	Baa	Baa	Baa	Baa
Factor 4 : Leverage and Coverage (40%)				
a) (CFO Pre-W/C + Interest) / Interest (3 Year Avg)	6.8x	Baa	6x - 7x	Baa
b) (CFO Pre-W/C) / Net Debt (3 Year Avg)	34.8%	Baa	22% - 27%	Baa
c) RCF / Net Debt (3 Year Avg)	27.6%	A	17% - 22%	Baa
Rating:				
a) Indicated Rating from Grid		Baa3		Baa3
b) Actual Baseline Credit Assessment Assigned				ba2

Government-Related Issuer	Factor
a) Baseline Credit Assessment	ba2
b) Government Local Currency Rating	A1
c) Default Dependence	Moderate
d) Support	Strong
e) Final Rating Outcome	Baa3

Notes: [1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations; [2] As of 09/30/2017; Source: Moody's Financial Metrics™; [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
EESTI ENERGIA AS	
Outlook	Stable
Issuer Rating	Baa3
Senior Unsecured -Dom Curr	Baa3
ST Issuer Rating	P-3

Source: Moody's Investors Service

Appendix

Exhibit 12

Eesti Energia AS

Peer Comparison Table

	Eesti Energia AS Baa3 (ba2 BCA)			Latvenergo AS Baa2 (ba1 BCA)			CEZ, a.s. Baa1 (baa2 BCA)			PGE Polska Grupa Energetyczna S.A. Baa1 (baa2 BCA)			Hrvatska Elektroprivreda d.d Ba2 (ba3 BCA)		
(in € millions)	FYE Dec-15	FYE Dec-16	LTM Sep-17	FYE Dec-15	FYE Dec-16	LTM Jun-17	FYE Dec-15	FYE Dec-16	LTM Jun-17	FYE Dec-15	FYE Dec-16	LTM Sep-17	FYE Dec-15	FYE Dec-16	LTM Jun-17
Revenue	777	742	776	929	932	935	7,556	7,459	7,512	6,822	6,440	5,642	1,695	1,722	1,754
EBITDA	278	332	351	311	396	406	2,491	2,123	2,192	2,004	1,684	2,019	641	617	543
Total Assets	2,966	3,096	3,144	3,530	3,913	3,855	21,712	22,760	22,683	14,449	15,367	15,799	5,060	5,249	5,391
Total Debt	985	971	915	808	802	758	6,816	7,066	6,663	1,464	2,451	2,452	846	799	771
Net Debt	825	747	607	708	618	581	5,869	6,466	5,758	813	1,347	1,174	507	385	313
FFO / Net Debt	29.9%	39.0%	52.5%	40.9%	57.2%	63.3%	35.9%	27.5%	30.6%	211.7%	106.6%	139.3%	103.5%	127.9%	145.4%
RCF / Net Debt	22.3%	39.0%	52.5%	36.3%	44.5%	47.3%	22.5%	15.3%	16.4%	169.5%	98.7%	130.0%	102.3%	107.0%	119.3%
FFO Interest Coverage	8.5x	8.8x	8.8x	17.4x	26.5x	29.3x	9.1x	8.7x	8.3x	64.0x	31.8x	38.3x	13.4x	14.5x	13.6x
Net Debt / EBITDA	3.0x	2.3x	1.7x	2.3x	1.6x	1.4x	2.3x	3.0x	2.6x	0.4x	0.8x	0.6x	0.8x	0.6x	0.6x

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 13

Eesti Energia AS

Selected Historic Adjusted Financial Data

€ Millions	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	LTM (Sep-17)
INCOME STATEMENT						
Revenue	822	966	880	777	742	776
EBITDA	266	311	318	278	332	351
EBIT	148	189	189	131	185	210
Interest Expense	31	35	38	39	38	41
Net Income	77	160	160	41	171	200
BALANCE SHEET						
Total Debt	774	854	960	985	971	915
Cash & Cash Equivalents	150	84	100	160	223	308
Net Debt	624	771	860	825	747	607
Total Liabilities	1,126	1,291	1,397	1,415	1,416	1,389
Net PP&E	1,985	2,253	2,404	2,482	2,478	2,490
Total Assets	2,494	2,813	2,991	2,966	3,096	3,144
CASH FLOW						
Funds from Operations (FFO)	217	274	219	246	291	319
Cash Flow from Operations (CFO)	189	249	237	314	206	303
Cash Dividends - Common	-65	-55	-94	-62	0	0
Retained Cash Flow (RCF)	151	219	125	184	291	319
Capital Expenditures	-502	-391	-263	-229	-130	-119
Free Cash Flow (FCF)	-378	-197	-120	23	76	184
FFO / Net Debt	35%	36%	25%	30%	39%	53%
RCF / Net Debt	24%	28%	15%	22%	39%	53%
FCF / Net Debt	-61%	-25%	-14%	3%	10%	30%
PROFITABILITY						
EBIT Margin %	18%	20%	21%	17%	25%	27%
EBITDA Margin %	32%	32%	36%	36%	45%	45%
INTEREST COVERAGE						
FFO Interest Coverage	7.9x	8.9x	6.8x	7.3x	8.8x	8.7x
LEVERAGE						
Debt / EBITDA	2.9x	2.7x	3.0x	3.5x	2.9x	2.6x
Net Debt / EBITDA	2.3x	2.5x	2.7x	3.0x	2.3x	1.7x
Debt / Book Capitalization	36%	36%	38%	39%	37%	34%

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 14
Eesti Energia AS
Adjusted Net Debt Calculation

(in € Millions)	FYE Dec-12	FYE Dec-13	FYE Dec-14	FYE Dec-15	FYE Dec-16	LTM Ending Sep-17
As Reported Debt	**733**	**828**	**935**	**952**	**940**	**885**
Operating Leases	21	26	25	33	31	31
Non-Standard Adjustments	20	0	0	0	0	0
Moody's-Adjusted Debt	**774**	**854**	**960**	**985**	**971**	**915**
Cash & Cash Equivalents	-60	-63	-60	-160	-223	-308
Non-Standard Adjustments	-90	-21	-40	0	0	0
Moody's-Adjusted Net Debt	**624**	**771**	**860**	**825**	**747**	**607**

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
Eesti Energia AS
Adjusted EBITDA calculation

(in € Millions)	FYE Dec-12	FYE Dec-13	FYE Dec-14	FYE Dec-15	FYE Dec-16	LTM Ending Sep-17
As Reported EBITDA	**281**	**312**	**317**	**278**	**330**	**369**
Operating Leases	4	4	4	6	5	5
Interest Expense – Discounting	-2	-1	-1	-1	-1	-1
Unusual	-17	-5	-4	-2	-1	-20
Non-Standard Adjustments	0	1	2	-3	-1	-2
Moody's-Adjusted EBITDA	**266**	**311**	**318**	**278**	**332**	**351**

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 publications

Outlook:

» Unregulated electric and gas utilities - EMEA, 2018 outlook stable as diversification supports earnings, 22 November 2017

Issuer In-Depth:

» Eesti Energia AS and Latvenergo AS - Baltic electricity utilities facing risks from ongoing integration with Nordic market, 15 June 2016

Sector In-Depth:

» Europe's Electricity Markets - In the Nordics, reduced capacity from 2020 will raise power prices from low levels, 22 November 2017

» Europe's Electricity Markets - In Europe, subsidies decline slowly even as costs of new renewables plunge, 22 November 2017

» Global Unregulated Utilities and Power Companies - Carbon Transition Brings Risks and Opportunities, 19 October 2016

Endnotes

1 In 2016, Eesti Energia recognised extraordinary revenue of €68.6 million in relation to liquidated damages agreed with General Electric, builder of the Auvere power plant, to be paid as a compensation for delays in the commissioning of the plant. The above figure includes liquidated damages of €66 million, to be settled by July 2017, and additional monthly liquidated damages which will accrue until the plant is delivered.

2 Of this amount, 12.9 million tonnes have already been received as of 31 December 2016. In addition, the company receives free CO2 allowances in relation to heat production, which cumulatively amount to 2.1 million tonnes for the period 2013-20.

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