

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

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04 Mar 2020

Frankfurt am Main, March 04, 2020 -- Moody's Investors Service ("Moody's") has completed a periodic review of the ratings of Elering AS and other ratings that are associated with the same analytical unit. The review was conducted through a portfolio review in which Moody's reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), recent developments, and a comparison of the financial and operating profile to similarly rated peers. The review did not involve a rating committee. Since 1 January 2019, Moody's practice has been to issue a press release following each periodic review to announce its completion.

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. Credit ratings and outlook/review status cannot be changed in a portfolio review and hence are not impacted by this announcement. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

Key rating considerations are summarized below.

Elering AS' (Elering) A2 long term issuer rating reflects the low business risk profile stemming from the company's regulated transmission network activities; the underlying regulatory framework that is generally supportive and underpins the visibility of Elering's cash flows, although the tariff system is less prescriptive compared to other European frameworks; and its conservative financial risk profile. The rating also considers Elering's relatively small scale with total reported assets of €1,023 million as of 30 September 2019; the ongoing challenges arising from the integration of Estonia into the wider European energy transmission system; and some moderate deterioration of its leverage metrics caused by a significant investment program over the next years, but partially mitigated by funding from EU grants and congestion revenues.

Elering's rating reflects its 100% ownership by the Government of Estonia (A1 stable). Accordingly, and based on Moody's view of very high default dependence and a high probability of support in case of financial distress, Elering's rating incorporates two notches of uplift from its baseline credit assessment (BCA) of baa1.

This document summarizes Moody's 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 March 2017 and Government-Related Issuers Methodology published in February 2020. Please see the Rating Methodologies page on [www.moody's.com](http://www.moody's.com) for a copy of these methodologies.

This announcement applies only to EU rated and EU endorsed ratings. Non EU rated and non EU endorsed ratings may be referenced above to the extent necessary, if they are part of the same analytical unit.

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