CREDIT OPINION
30 July 2024

Update

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RATINGS

EPSO-G UAB

Domicile	Vilnius, Lithuania
Long Term Rating	Baa1
Type	LT Issuer Rating - Dom 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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EPSO-G UAB

Update to credit analysis

Summary

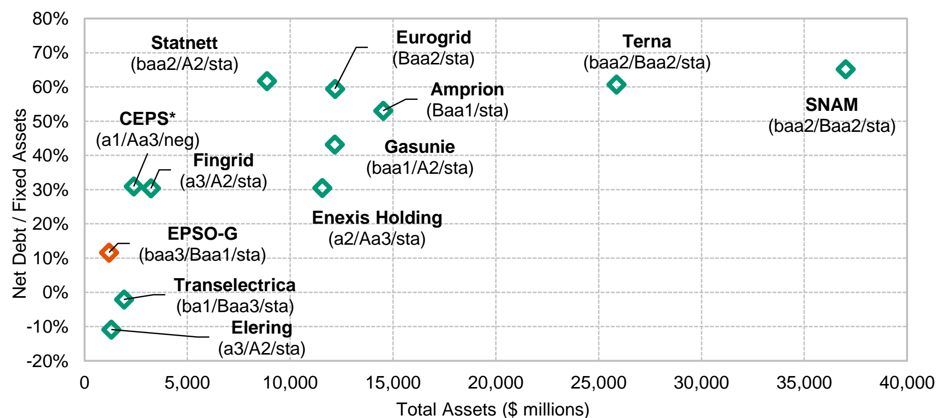
EPSO-G UAB's (EPSO-G, Baa1 stable) credit profile is underpinned by the low business risk profile of its monopoly transmission network operations; a supportive, well-developed yet evolving regulatory framework in Lithuania; and a solid financial profile, reflected in strong ratio of funds from operations (FFO)/net debt in 2023. However, credit metrics will likely weaken over the coming years because of the partly debt-funded planned large investment programme.

At the same time, EPSO-G's credit quality is constrained by the group's small size, compared with its Western European peers (see Exhibit 1), with total reported assets of €1,078 million as of 31 December 2023; some execution risks related to the planned significant capital spending programme, which focuses on the synchronisation of the country's electricity grid with the Continental European Network (CEN synchronisation); and the structural subordination of EPSO-G's creditors because the company primarily relies on its operating, debt-bearing subsidiaries Litgrid AB (Litgrid) and AB Amber Grid (Amber Grid) for its cash flow.

EPSO-G's credit profile benefits from our expectation of a strong probability of support from its 100% ultimate owner, the Government of Lithuania (A2 stable).

Exhibit 1

EPSO-G is small compared with its European peers, but benefits from relatively low leverage
Total assets versus net debt/fixed assets, both Moody's-adjusted



All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Ratings are expressed as the Baseline Credit Assessment (BCA), if applicable, and assigned final ratings.
* Indicates the use of 2022 numbers where 2023 accounts or Moody's-adjusted metrics are not yet available.
Source: Moody's Financial Metrics™

Credit strengths

» The low-risk nature of monopoly electricity and gas transmission network operations, which are regulated under a fairly well-developed and transparent regime

» Our expectation of a strong likelihood of government support because of EPSO-G's strategic importance to Lithuania's economy

Credit challenges

» Large planned capital spending, which will weigh on key credit metrics, mitigated by partial funding from EU grants and congestion income

» Execution risks related to capital spending, mitigated by the company's successful track record of completing larger projects, risk sharing with partners and performance guarantees from contractors and suppliers

Rating outlook

The stable rating outlook reflects our expectation that the company will be able to maintain FFO/net debt sustainably above 12%.

Factors that could lead to an upgrade

The rating could be upgraded if EPSO-G were to consistently maintain FFO/net debt of at least 15% and maintain net debt/fixed assets below 60%, further underpinned by the absence of significantly adverse changes in the regulatory framework.

Factors that could lead to a downgrade

The rating could be downgraded if FFO/net debt were to decline below 12% on a sustained basis. Downward pressure could also be exerted on the rating as a result of a deterioration in the credit quality of the Government of Lithuania; a reduction in the government support assumptions currently incorporated into our assessment; or a significantly unfavourable change in the regulatory framework, leading to a significant increase in the company's business risk.

Key indicators

Exhibit 2
EPSO-G UAB

	2019	2020	2021	2022	2023	Moody's 12-18 month forward view
FFO Interest Coverage	16.5x	29.6x	36.2x	1.8x	19.3x	10x - 11x
Net Debt / Fixed Assets	59.2%	62.8%	35.9%	-4.3%	11.6%	25% - 35%
FFO / Net Debt	12.6%	17.3%	30.8%	-8.1%	143.8%	20% - 25%
RCF / Net Debt	12.3%	17.0%	30.3%	-3.5%	143.0%	20% - 25%

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.
Moody's Ratings forecasts are Moody's Ratings opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Profile

Lithuania-based, fully state-owned EPSO-G UAB (EPSO-G) was established in 2012 and is the holding company for Lithuania's transmission system operators (TSOs) Litgrid for electricity and Amber Grid for gas. The company holds majority stakes in Litgrid (97.5%) and Amber Grid (96.6%), while both companies remain listed on the Nasdaq Baltic stock exchange. At end of July 2024, the market capitalisation of Litgrid was around €350 million and that of Amber Grid was about €200 million.

Other subsidiaries include Tetas UAB (100%), a provider of grid development and maintenance services; Baltpool UAB (67%), an international biomass exchange and administrator of Lithuania's renewables support scheme; and Energy Cells UAB (100%), a company operating a 200 megawatt (MW) battery energy storage facility. In 2022, EPSO-G further acquired for around €14 million a 39.6%

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

stake in TSO Holding AS, which owns a 34% stake in Nord Pool Holding AS, the 100% owner of the electricity exchange Nord Pool AS, from Litgrid, following Litgrid's purchase of a 37.6% stake from the Danish and Finish TSOs Energinet and Fingrid Oyj (A1 stable).

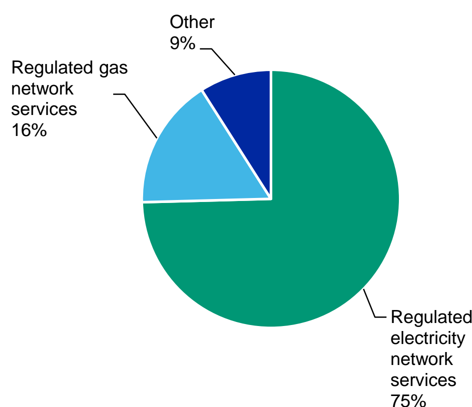
In April 2023, the shareholder meeting of Amber Grid approved the sale of 66% of the shares in GET Baltic UAB, an electronic natural gas exchange, to the European Energy Exchange (EEX) as a strategic partner for €6.5 million. The transaction was completed on 31 May 2024. A put option enables Amber Grid to sell the remaining shares to EEX at a later stage.

The TSOs among them account for nearly all of the group's adjusted EBITDA[1] (see Exhibit 5). EPSO-G's role is to supervise the implementation of Lithuania's energy policy, which comprises the development of the transmission infrastructure by the TSOs and their management on behalf of the government, in order to achieve the overarching goals of security of supply, market integration and transformation of the domestic energy sector.

Exhibit 3

Electricity transmission accounts for the bulk of EPSO-G's earnings...

Revenue/other income breakdown (2023)



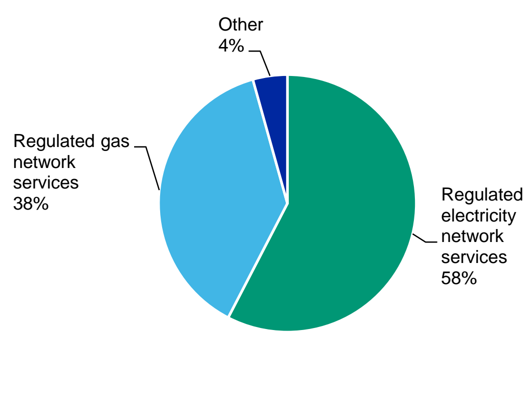
Gross presentation of revenue before elimination of inter-segment transactions

Source: EPSO-G filings

Exhibit 4

...and a substantial part of EBITDA

Adjusted EBITDA breakdown (2023)



Gross presentation of EBITDA before elimination of inter-segment transactions

Source: EPSO-G filings

Given Lithuania's location as the southernmost Baltic country, its energy transmission infrastructure connects the region with Continental Europe through electricity and gas interconnection points with Poland — namely the 500 MW LitPol link for electricity and the bidirectional Gas Interconnector Poland-Lithuania (GIPL), with an annual capacity of 2.4 billion cubic meters (bcm) to Lithuania and 1.9 bcm to Poland — as well as with the Nordic countries, through the 700 MW NordBalt power interconnector to Sweden.

Detailed credit considerations

Low business risk profile, underpinned by a supportive regulatory framework

EPSO-G's credit profile is underpinned by the regulated income earned by Litgrid's and Amber Grid's electricity and gas transmission assets. Both companies own their respective assets and the operational licences are granted in perpetuity. Electricity and gas network operations are generally characterised by low business risk because of their monopoly nature and the cash flow visibility stemming from regulated tariffs.

Litgrid's and Amber Grid's tariffs are regulated by the National Energy Regulatory Council (NERC), the independent national regulator in Lithuania, under an incentive-based hybrid price-cap regime for electricity transmission and under an incentive-based revenue-cap regime for gas transmission. The regime is relatively transparent as the NERC publishes the applied methodologies, revenue components of the tariff decisions, as well as the return calculation and the regulatory asset base (RAB), and also employs public consultations when methodology or tariff changes are planned. While the framework keeps evolving, network regulation is independent and well developed.

Exhibit 5
Stability and predictability of regulatory regime by country
Lithuania scores A

Aaa	Aa	A	Baa
Great Britain*	Czech Republic	Belgium - Flanders	Belgium - Wallonia
Ireland (RoI & NI)	Finland	Estonia	Poland
Norway	France	Germany	Slovakia
	Italy	Portugal	Spain
	Netherlands**	**Lithuania**	

* Only onshore incumbent network operators; excludes Offshore Transmission Operators (OFTOs) (Aa). ** Excludes N.V. Nederlandse Gasunie (A2 stable) and TenneT Holding B.V. (A3 stable).
Source: Moody's Ratings

Regulatory principles and rules for both TSOs are generally fairly similar, and for both, Litgrid and Amber Grid, five-year regulatory periods apply. In 2022, Litgrid entered the first year of the regulatory period through 2026 and Amber Grid's current period spans from 2024 to 2028.

The NERC applies a building block approach with a timely, inflation-adjusted recovery of operating expenses, which are subject to moderate efficiency adjustments (up to 1.5% per annum). True-ups occur with a two-year time lag as is common in other European regulatory regimes. Expected grid losses are included in tariffs based on market prices, with any price and volume deviations offset in future tariff decisions and thus can be considered pass-through costs.

Volume risk for Litgrid as an electricity TSO is limited despite a flow-based share of more than 80% of tariffs in allowed revenue in 2023 because a true-up occurs in the next tariff period (calendar year) unless the adjustment is deemed so significant by the NERC that it is spread over several years. By contrast, Amber Grid's tariffs are largely (83% in 2024) capacity based and thus have low volume exposure. We regard changes to the regulatory framework for Amber Grid's 2024-28 regulatory period to be largely evolutionary and broadly in line with the previous one (except namely for the new WACC methodology explained below). For further detailed information on the Lithuanian regulatory framework please refer to EPSO-G's Credit Opinion published 10 May 2022.

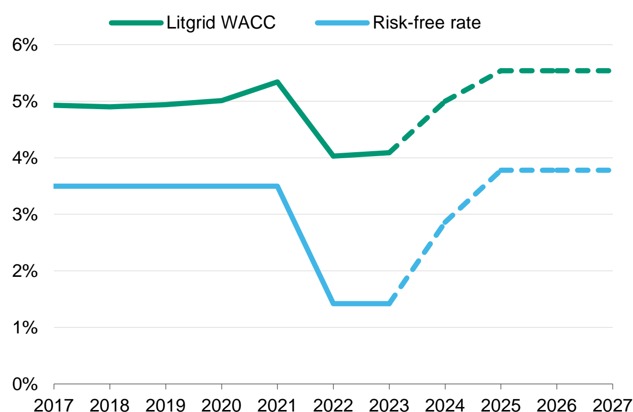
Higher risk free rate will drive up returns on transmission assets

As part of their allowed revenue, the TSOs are allowed to realise a reasonable return, measured as pretax, nominal weighted average cost of capital (WACC) on the RAB. The returns that are actually incorporated into the tariff calculation are calculated on the basis of the RAB at the beginning of a given tariff period (calendar year).

In 2023, the regulator updated the WACC methodology, which is applied since the beginning of 2024 across electricity and gas transmission operations. A main change to the formula is that the parameters for cost of equity (that is the risk free rate and the equity beta) and cost of debt will be updated annually now, while until 2023, WACC was only adjusted annually for the cost of debt.

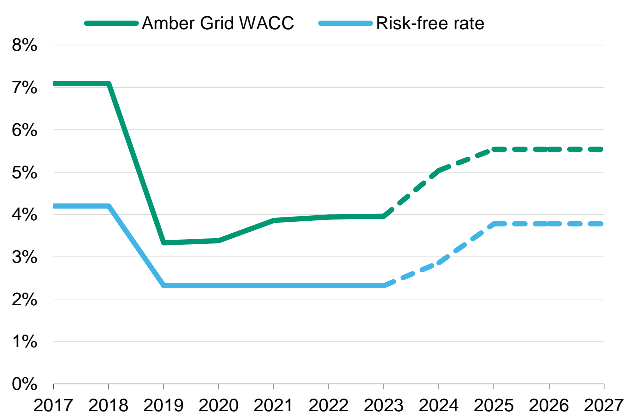
Additionally, the risk-free rate starting in 2024 will be computed as the weighted average yield of the Lithuanian long-term[2] government bonds issued in the last 12 months. This is a key shift from the method used up until 2023, which referenced the average yield of bonds issued over the past ten years. With the observed interest rate increases since 2022, this new approach drives higher WACC rates and subsequently is expected to increase earnings. In fact the 2024 WACC increased to 5.00% for Litgrid and 5.04% for Amber Grid, up from 4.09% and 3.96% respectively in 2023. However, the frequent updating of parameters and the new way of determining the risk-free rate may reduce the predictability of medium to long-term earnings, as it offers less buffer against sudden and sharp market rate drops, even though such drops are not expected by us currently.

Exhibit 6
Evolution of the WACC and the risk-free rate for electricity transmission activities



Sources: NERC, EPSO-G and Moody's Ratings

Exhibit 7
Evolution of the WACC and the risk-free rate for gas transmission activities



Sources: NERC, EPSO-G and Moody's Ratings

Growth in the asset base will be driven by investments in electricity transmission

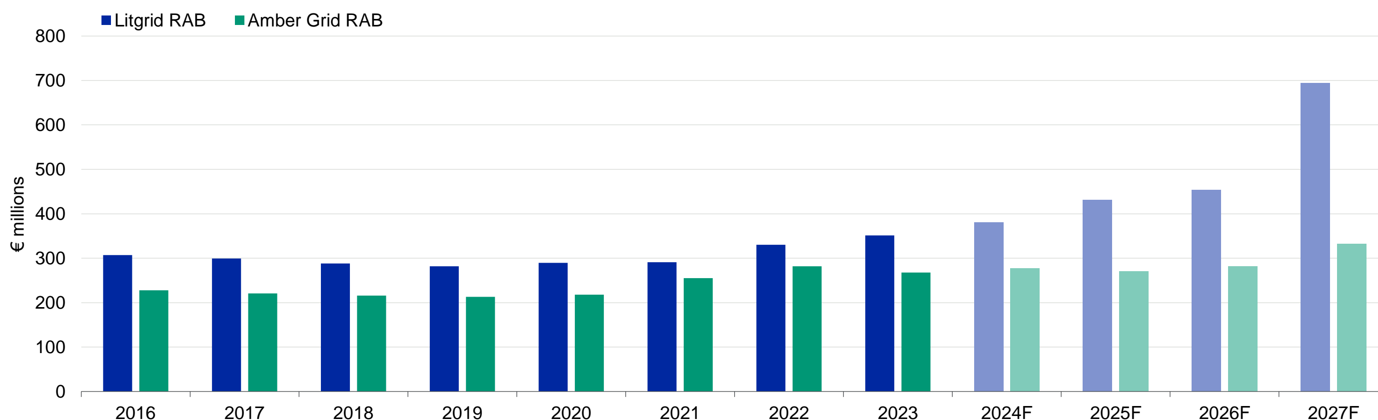
The RAB is adjusted annually by additions of eligible grid investments, divestments and depreciation. As a rule, assets accrue to the RAB upon commissioning, although in the case of strategic investments that for example contribute to the achievement of domestic or EU energy objectives, the NERC may allow to include such assets already in the construction phase. Generally, investments require the NERC's approval based on yearly investment plans, which are complemented by a biennially updated 10-year development plan.

For Litgrid, investments in certain lines and transformers are further incentivised using the long-run average incremental cost (LRAIC) approach. The LRAIC scheme is based on the notion of an optimised domestic electricity grid architecture, a theoretical construct with roots in telecommunication grid design, and rewards investments in grid assets that align with this approach. The eligible investment expenditure is determined ex-ante for the entire regulatory period and features on a pro rata basis in the tariff calculation, which amounts to a pre-funding at current cost in contrast to ex-post compensation through depreciation of historical values as part of the tariffs.

The latter is the approach for Litgrid's non-LRAIC capital spending and all capital spending of Amber Grid. Depreciation applied to the electricity and the gas RAB is straight-line and based on regulatory values, mostly aligning with accounting depreciation. Assets financed with investment grants or, in the case of Litgrid, income from cross-border capacity auctions (congestion management revenues or congestion fees) do not accrue to the RAB.

We expect the group's consolidated RAB over the coming years to grow mostly as a result of investments into the power transmission grid, which are needed for the integration with the Western European networks and to accommodate renewable capacities that are necessary to achieve a higher share of domestically produced electricity and of renewables within final electricity consumption by 2030. Seeking to contribute to EU targets, the Lithuanian government has committed to raise the share of renewables in final electricity and final energy consumption in 2030 to 45% in both cases, up from 20% respectively 27% in 2020. Investment in the gas transmission grid over the next few years will likely be on a similar level to depreciation and focus on maintenance and modernisation measures, which is reflected in our expectation of a relatively stable gas RAB.

Exhibit 8
EPSO-G group's consolidated regulated asset base will primarily grow through investments in the electricity grid
Litgrid and Amber Grid RAB development



RAB values are as of beginning of the year.
Sources: NERC, EPSO-G and Moody's Ratings

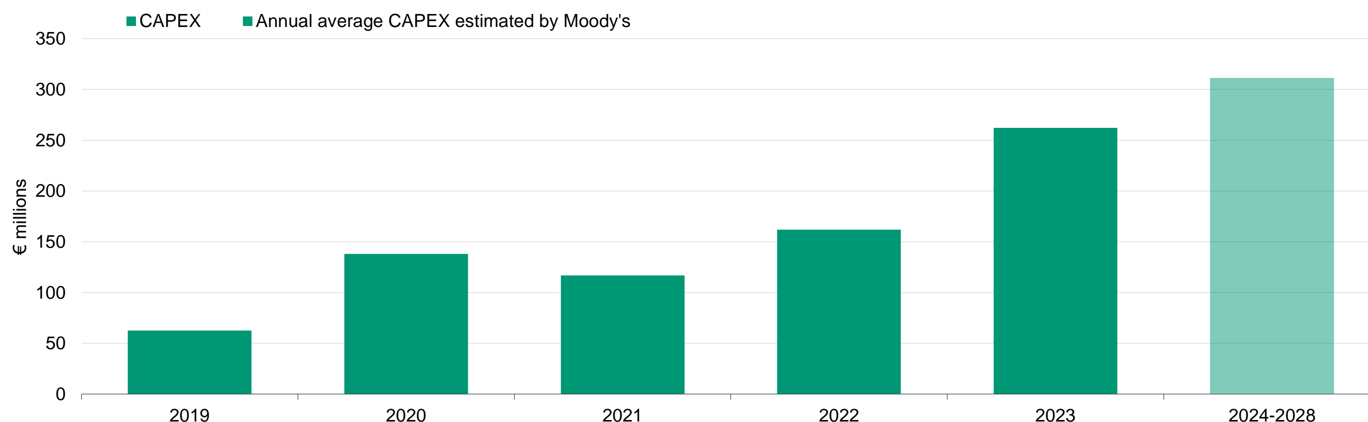
Sizeable investment programme through 2030 brings some execution risk; funding by EU grants and congestion fees will contain leverage

EPSO-G forecasts investments for the group of €2.5 billion between 2023 and 2030, up significantly from the 2022 projection of around €1.6 billion for 2022-30[3]. The increase is almost completely driven by higher investments at Litgrid. The overall share of capital spending for electricity-related projects is more than 80% of the forecast capital spending through 2030.

Lithuania's renewables ambitions that require modernised and expanded grid capacities account for around 50% of the increased investment budget 2023-30, while the CEN synchronisation (see the next paragraph) takes up more than 30%. The grid investments are complemented by battery storage to ensure grid stability. For that purpose, a 200 MW battery at a cost of some €100 million was completed in October 2023; the project is housed in EPSO-G's Energy Cells UAB subsidiary and at least temporarily benefits from regulated remuneration based on a RAB approach.

The major investment undertaking over the period to 2025 will be the CEN synchronisation, also called the Baltic Synchronisation project, which will promote Lithuania's electricity integration with its EU neighbours and Western Europe. As of today, Lithuania and its Baltic peers Estonia (A1 stable) and Latvia (A3 stable) are still part of the unified energy system of Russia, Belarus (Ca negative), Estonia, Lithuania and Latvia (BRELL). The aim of the Baltic Synchronisation project is the synchronisation of the Baltic countries' electricity systems with the CEN, the continental European frequency area and the complete desynchronisation from the IPS/UPS system controlled by Russia, planned by February 2025.[4]

Exhibit 9
Synchronisation with the CEN is the main driver of the high level of EPSO-G's investments until 2026



Periods are financial year-end unless indicated. Moody's Ratings forecasts are Moody's Ratings opinion and do not represent the views of the issuer.
Sources: EPSO-G and Moody's Ratings forecasts

Amber Grid's investments in gas assets are unlikely to include significant expansions of the natural gas infrastructure since the commissioning of the GIPL connector in 2022 has completed Lithuania's regional gas integration and the company has started to focus on green hydrogen projects, aligned with its renewable expansion targets.

Funding for these investments comes from the TSOs' own cash flow, congestion fees, external debt and, to a significant degree, from EU grants. EPSO-G estimates its own financing needs at around 60% of capital spending because some 15% would be paid from EU grants and the remainder from congestion fees, which result from cross-border electricity trading. The outlays for the Baltic Synchronisation project are covered at around 75% by the Connecting Europe Facility (CEF) for energy, with all necessary approvals for the CEF grants in place, based on original costs assessments. It should be noted that substantial deviations of capital spending budgets require the EU's approval to retain the same proportion of funding from grants. Any amount of capital spending not covered by EU funding or congestion revenue will be added to the respective RAB.

Given the significant volume of expenditure spread across a multitude of projects, we see some execution risks for EPSO-G and the TSOs because those are relatively small companies; however, this is mitigated by a track record of successfully completed larger projects over the past decade, the absence of technologically complex projects and the risk sharing with suppliers and contractors through performance bonds. In addition, the high share of non-recourse, non-debt funding from grants and congestion fees underpins a solid financial risk profile.

Credit metrics are boosted by congestion income

EPSO-G's leverage, expressed as Moody's-adjusted FFO/net debt, for FY2023, stood at 143.8%, significantly above upgrade guidance for the current rating.

This was partially thanks to a very high 2023 FFO generation under IFRS, that mainly reflects that power and gas prices were well below the levels included in the tariffs, driving lower procurement cost for power and gas to cover technological losses. Vice versa, the high prices for energy in 2022 were the main reason for a steep decline in EPSO-G's 2022 FFO, that dropped to €2 million from €68 million in 2021, as high energy prices led to costs for grid losses and system services above the levels assumed in tariffs for 2022. Deviations between allowed and achieved revenues are accrued in a regulatory account and trued-up with a two-year time lag, but regulatory account movements must not be reflected in IFRS accounts, explaining the volatility in reported FFO over the last few years.

At the same time, FFO/net debt ratios are currently boosted by the accumulation of congestion income over the last few years from the transmission of power between different price zones. Congestion fees are received in cash but, from an economic perspective, are neutral to the income statement over time as they are not retained by the company as profit. In other words, congestion income inflates the cash position and means diminished net debt until it has been returned to consumers either by waiving tariffs or co-

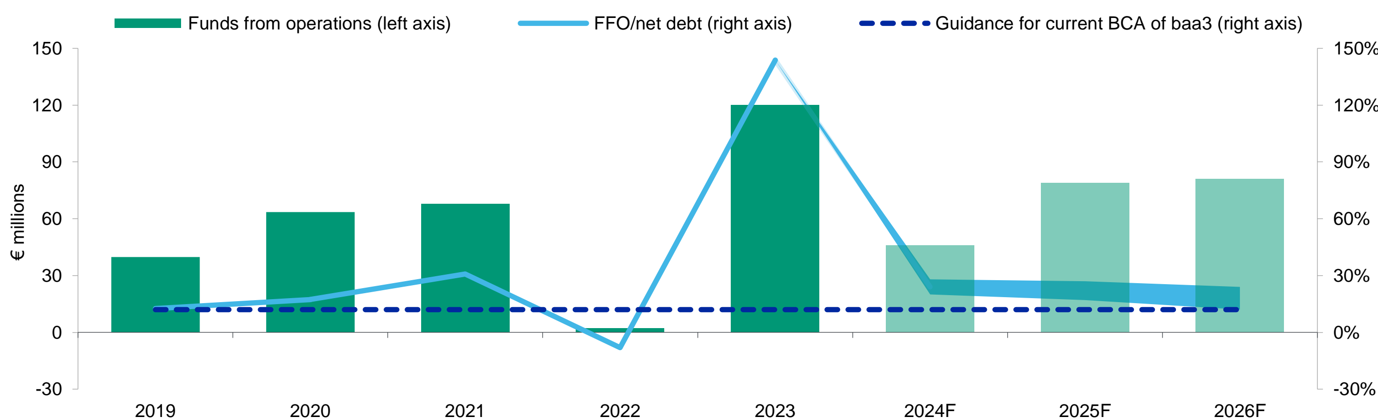
financing grid investments. As congestion fees do not originate from EPSO-G's underlying business model, their effect on leverage is only transitory and therefore credit-neutral.

Since 2022, EPSO-G accumulated large sums of congestion income and as of December 2023, EPSO-G reported accrued congestion income on balance sheet of €301 million. This is despite that the company returned €142 million of congestion fees to consumers by lowering grid fees in 2023. Remaining congestion fees are largely earmarked to co-finance investments over the coming years, which will gradually reduce the amount of congestion income accumulated on balance sheet.

We anticipate that the diluting effect that congestion income has on reported metrics will ease gradually but leverage and gearing ratios will continue to be supported over the next few years. On an underlying basis (excluding the impact of any returning of any over- or under-recoveries and excess congestion income reported in cash), we expect EPSO-G's leverage and gearing to remain in line with our guidance for the Baa1 rating over the medium term. However, credit metrics will likely weaken over the coming years because of the partly debt-funded planned large investment program.

Exhibit 10

We expect FFO/net debt to remain above guidance



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Moody's Ratings forecasts are Moody's Ratings opinion and do not represent the views of the issuer.

Net debt was negative in 2022.

Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Government ownership supports the company's credit quality

EPSO-G's rating incorporates two notches of uplift from its standalone credit quality, expressed as a Baseline Credit Assessment (BCA) of baa3. The uplift to the BCA reflects the combination of the credit quality of EPSO-G's 100% owner, the Government of Lithuania; the very high default dependence, resulting from the group's preponderance of domestic earnings and the exposure of the government and the company to common risks; and a strong likelihood of extraordinary support being provided by the Lithuanian government in case of financial distress, given the company's strategic importance to the domestic economy as the responsible party for energy infrastructure.

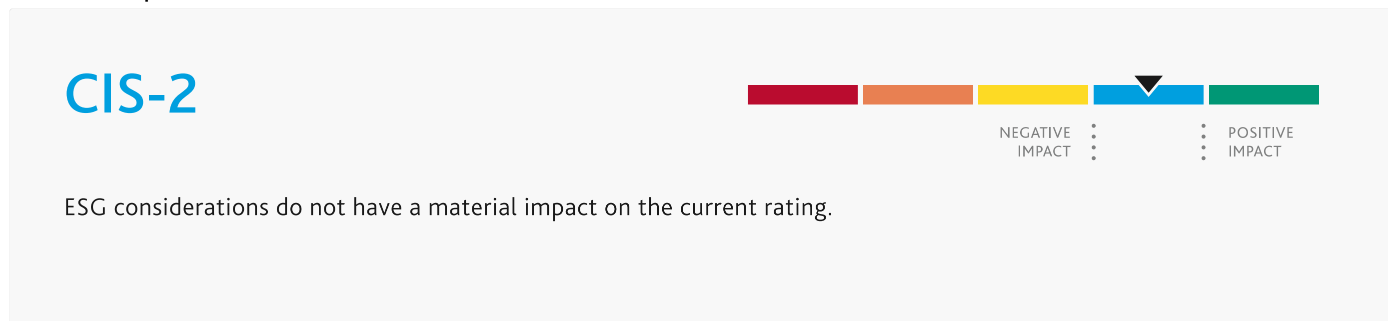
EPSO-G and its subsidiaries Litgrid, Amber Grid and Energy Cells are on a government list of strategically important companies for the security of energy supply but also for national security. The role of the company for the country is defined in a so-called “letter of expectations”, issued by the government, which is reviewed annually and may be updated from time to time. The focus areas are Lithuania's energy independence from Russia and Belarus and integration with EU energy infrastructure, as well as the promotion of the energy transition in the country, in line with the EU's decarbonisation targets.

The main support for the company on an ongoing basis is the government's policy, enshrined in law, to extract barely any dividends through at least 2026. Furthermore, there are currently no privatisation plans, and we therefore expect the Government of Lithuania to remain the sole shareholder of EPSO-G.

ESG considerations

EPSO-G UAB's ESG credit impact score is CIS-2

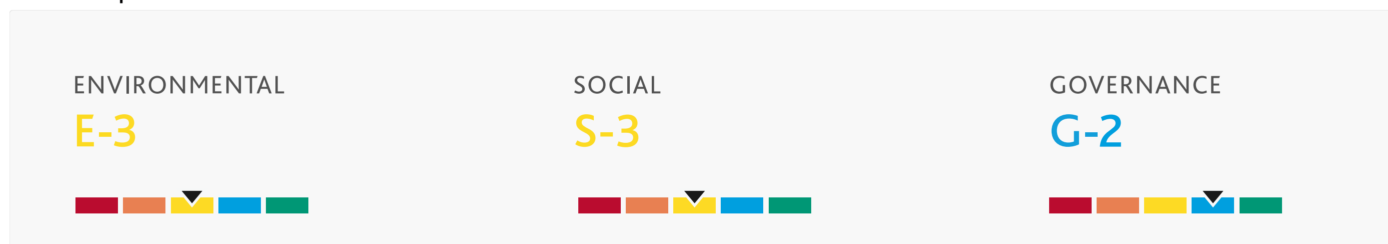
Exhibit 11
ESG credit impact score



Source: Moody's Ratings

EPSO-G's **CIS-2** indicates that its ESG attributes are not material for its credit rating. Its score reflects moderate environmental and social risk as well as low governance risks. The effect of ESG risks to the rating is mitigated by the expectation that its government shareholder would support the company, if this were to become necessary.

Exhibit 12
ESG issuer profile scores



Source: Moody's Ratings

Environmental

EPSO-G's **E-3** score reflects the company's exposure to physical climate risk, as its electricity transmission grid assets are predominantly overground and thus may be affected by storms.

Social

EPSO-G's **S-3** score reflects risks related to demographic & social trends, which include potential adverse regulatory decisions or government intervention in regulatory affairs. Lithuania's regulatory framework has allowed the company to recover its costs in a timely manner and also allowed the TSOs to earn adequate returns and displays a high degree of transparency, underpinned by the independence of the regulator.

Governance

EPSO-G's **G-2** score reflects our view of the company's solid governance structures, underpinned by a track record of non-interference by the shareholder and an independent regulatory regime. EPSO-G's financial policy is sound, with an adequate balance of shareholder and creditor interests. While EPSO-G has a status as a fully state-owned company, the company's boards have sufficient independence while the strategy is tightly linked to the domestic energy policy.

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

At end of March 2024, the group's cash balance amounted to around €50 million. Additionally, EPSO-G, which is managing the cash pool, secured a €100 million overdraft facility in April 2024, that is committed until 2026 and replaces the previous €50 million credit line. There are no revolving credit lines at operating subsidiaries.

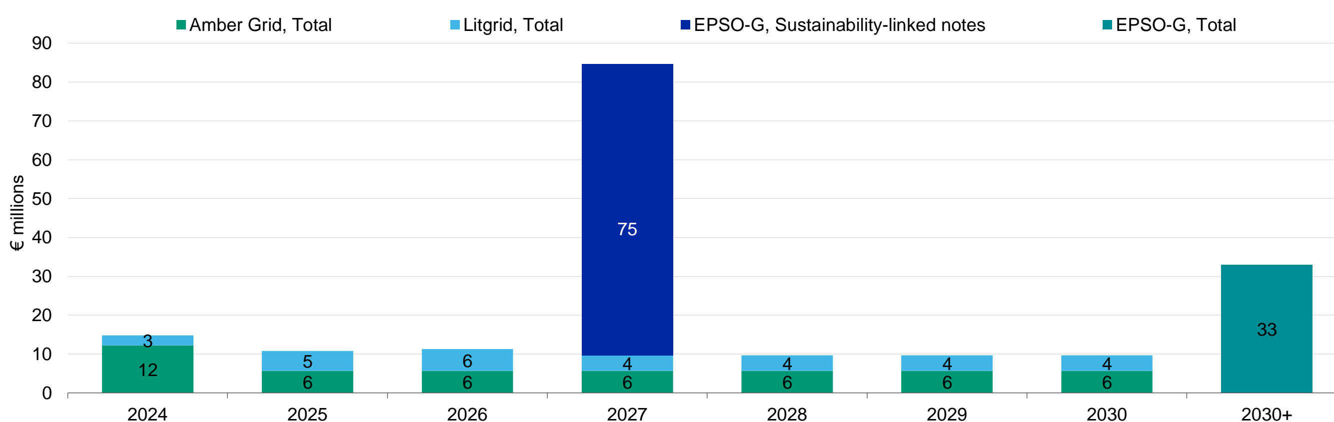
This compares to total consolidated gross debt of €176 million, out of which, some €75 million were outstanding at the holding company level (sustainability linked notes, maturing in 2027). The remainder of consolidated debt sits at subsidiaries, namely Litgrid and Amber Grid, under various long term loans granted by the European Investment Bank (Aaa stable) and the Nordic Investment Bank (Aaa stable).

Going forward, we expect EPSO-G's outstanding debt to increase, as the partly debt-funded capex program is implemented. Investments are financed at the level of operating subsidiaries, namely Litgrid. Given the time lag to receive the larger share of approved grants only upon project completion and the uncertainty of the size of congestion revenue, the exposure to funding risks is greater for EPSO-G and its subsidiaries than for other European network operators where a larger share of investments is incorporated in tariffs.

Exhibit 13

EPSO-G's bond maturity in 2027 is the only peak in an otherwise well-balanced debt maturity profile

Debt maturities as of 31 December 2023



Sources: EPSO-G and Moody's Ratings

Structural considerations

Except for the aforementioned €75 million bond, EPSO-G has no outstanding external debt at the parent company level because all investments are funded at the operating company level and thus sit with the TSOs Litgrid and Amber Grid. Therefore, the creditors of EPSO-G are structurally subordinated to those of the operating companies.

While we acknowledge EPSO-G's control over the operating companies and the low-risk nature of their regulated monopoly businesses, the company's reliance on cash flow from the operating subsidiaries and the priority claim of lenders to their cash flow constitute an element of significant structural subordination, which is reflected in EPSO-G's BCA through downward notching.

Methodology and scorecard

EPSO-G is rated in accordance with the Regulated Electric and Gas Networks rating methodology and the Government-Related Issuers methodology.

The scorecard-indicated outcome is Baa1 (forward view), which is above the assigned BCA of baa3. EPSO-G's BCA also reflects its relatively small size compared with that of its continental European peers and the notching for structural subordination.

Exhibit 14

Rating factors

EPSO-G UAB

Regulated Electric and Gas Networks Industry	Current FY Dec-23		Moody's 12-18 month forward view	
Factor 1 : Regulatory Environment and Asset Ownership Model (40%)	**Measure**	**Score**	**Measure**	**Score**
a) Stability and Predictability of Regulatory Regime	A	A	A	A
b) Asset Ownership Model	Aa	Aa	Aa	Aa
c) Cost and Investment Recovery (Ability and Timeliness)	A	A	A	A
d) Revenue Risk	A	A	A	A
Factor 2 : Scale and Complexity of Capital Program (10%)				
a) Scale and Complexity of Capital Program	B	B	B	B
Factor 3 : Financial Policy (10%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Factor 4 : Leverage and Coverage (40%)				
a) FFO Interest Coverage (3 Year Avg)	17.5x	Aaa	10x - 11x	Aaa
b) Net Debt / Fixed Assets (3 Year Avg)	13.8%	Aaa	25% - 35%	Aa
c) FFO / Net Debt (3 Year Avg)	69.1%	Aaa	20% - 25%	A
d) RCF / Net Debt (3 Year Avg)	68.0%	Aaa	20% - 25%	Aa
Rating:				
a) Scorecard-Indicated Outcome		A3		Baa1
b) Actual Baseline Credit Assessment Assigned				baa3
Government-Related Issuer				**Factor**
a) Baseline Credit Assessment				baa3
b) Government Local Currency Rating				A2
c) Default Dependence				Very High
d) Support				Strong
e) Actual Rating Assigned				Baa1

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

Appendix

Exhibit 15

Peer Comparison

EPSO-G UAB

	EPSO-G UAB Baa1 Stable			Elering AS A2 Stable			CEPS, a.s. Aa3 Negative			Fingrid Oyj A2 Stable			Statnett SF A2 Stable		
(in $ millions)	FY Dec-21	FY Dec-22	FY Dec-23	FY Dec-21	FY Dec-22	FY Dec-23	FY Dec-20	FY Dec-21	FY Dec-22	FY Dec-21	FY Dec-22	FY Dec-23	FY Dec-21	FY Dec-22	FY Dec-23
Revenue	424	619	513	238	408	265	642	818	1,041	1,291	1,913	1,290	1,623	2,323	1,042
EBITDA	94	(12)	118	58	61	87	229	306	(54)	286	250	361	940	1,234	194
Total Debt	298	234	228	367	335	86	367	422	914	1,317	1,127	1,103	5,663	4,665	5,005
Net Debt	251	(30)	92	248	37	(108)	274	248	593	1,067	344	675	5,321	4,305	4,693
(FFO + Interest Expense) / Interest Expense	36.2x	1.8x	19.3x	20.2x	21.9x	19.7x	56.7x	52.5x	-2.9x	12.1x	10.4x	11.5x	11.3x	10.1x	0.8x
Net Debt / Fixed Assets	35.9%	-4.3%	11.6%	27.5%	4.3%	-10.9%	14.4%	13.0%	30.9%	51.8%	17.7%	30.4%	64.4%	57.0%	61.7%
FFO / Net Debt	30.8%	-8.1%	143.8%	21.4%	159.1%	-74.6%	80.5%	109.1%	-11.2%	22.9%	63.4%	51.8%	15.4%	24.5%	-1.0%
RCF / Net Debt	30.3%	-3.5%	143.0%	16.9%	159.1%	-60.8%	46.5%	72.3%	-26.1%	8.5%	22.2%	30.0%	13.2%	22.8%	-1.6%

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

Exhibit 16

Moody's-adjusted net debt reconciliation

EPSO-G UAB

(in € millions)	2019	2020	2021	2022	2023
As reported debt	**173.6**	**223.4**	**177.7**	**219.5**	**206.8**
Contingent Consideration	156.6	148.6	84.1	-	-
Moody's-adjusted debt	**330.1**	**372.0**	**261.8**	**219.5**	**206.8**
Cash & Cash Equivalents	(13.5)	(5.1)	(41.3)	(248.1)	(123.2)
Moody's-adjusted net debt	**316.7**	**366.9**	**220.5**	**(28.6)**	**83.5**

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.
Source: Moody's Financial Metrics™

Exhibit 17

Moody's-adjusted EBITDA reconciliation

EPSO-G UAB

(in € millions)	2019	2020	2021	2022	2023
As reported EBITDA	**47.8**	**75.1**	**79.6**	**(11.6)**	**117.5**
Unusual Items	-	-	-	-	(8.1)
Moody's-adjusted EBITDA	**47.8**	**75.1**	**79.6**	**(11.6)**	**109.5**

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.
Source: Moody's Financial Metrics™

Exhibit 18

Overview on selected historical Moody's-adjusted financial data

EPSO-G UAB

(in € millions)	2019	2020	2021	2022	2023
INCOME STATEMENT					
Revenue	239	269	359	588	474
EBITDA	48	75	80	(12)	109
EBITDA margin %	20.0%	27.9%	22.2%	-2.0%	23.1%
EBIT	16	42	45	(47)	75
EBIT margin %	6.7%	15.7%	12.5%	-7.9%	15.8%
Interest Expense	3	2	2	3	7
Net income	11	39	38	(42)	70
BALANCE SHEET					
Cash & Cash Equivalents	13	5	41	248	123
Current Assets	154	152	311	515	322
Net Property Plant and Equipment	535	584	614	667	718
Non-Current Assets	565	635	652	706	756
Total Assets	719	787	962	1,426	1,078
Current Liabilities	193	181	445	700	327
Long-term Debt - Gross	330	352	262	220	189
Non-Current Liabilities	342	384	257	306	456
Total Liabilities	535	565	703	1,209	783
Total Equity	184	222	260	217	295
CASH FLOW					
Funds from Operations (FFO)	40	63	68	2	120
Cash Flow From Operations (CFO)	48	31	163	1	54
Dividends	(1)	(1)	(1)	(1)	(1)
Retained Cash Flow (RCF)	39	63	67	1	119
Capital Expenditures	(42)	(113)	(59)	(7)	(172)
Free Cash Flow (FCF)	5	(83)	103	(7)	(119)
FFO / Net Debt	12.6%	17.3%	30.8%	-8.1%	143.8%
RCF / Net Debt	12.3%	17.0%	30.3%	-3.5%	143.0%
FCF / Net Debt	1.6%	-22.6%	46.7%	24.7%	-142.6%
INTEREST COVERAGE					
(FFO + Interest Expense) / Interest Expense	16.5x	29.6x	36.2x	1.8x	19.3x
EBITDA / Interest Expense	18.6x	33.9x	41.2x	-3.8x	16.7x
LEVERAGE					
Debt / EBITDA	6.9x	5.0x	3.3x	-19.0x	1.9x
Net Debt / EBITDA	6.6x	4.9x	2.8x	2.5x	0.8x
Net Debt / Fixed Assets	59.2%	62.8%	35.9%	-4.3%	11.6%

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.
Source: Moody's Financial Metrics™

Ratings

Exhibit 19

Category	Moody's Rating
EPSO-G UAB	
Outlook	Stable
Issuer Rating -Dom Curr	Baa1

Source: Moody's Ratings

Endnotes

1 Adjusted EBITDA reflects earnings adjusted for regulatory account movements and deviations of actual revenue and costs from regulatory allowances in the reporting year.

2 Eligible bonds need to have maturities of at least 3,468 days, which equals 9.5 years.

3 EPSO-G's forecast was actually for 2020-30, announcing €1.8 billion of capital spending, but around €200 million from this amount has already been spent in 2020 and 2021.

4 Lithuania's projects are part of a broader agreement signed in 2018 among Poland, Estonia, Lithuania and Latvia through which the Baltics will be connected to continental Europe through Poland by 2025. As part of the project, the capacity between Lithuania and Poland is planned to be expanded. Originally, a 700 MW subsea cable, the so-called Harmony Link, was planned to be added to the existing 500 MW connection between Lithuania and Poland to improve integration. Significant cost increases led to a halt of the project's planning and currently various alternatives are considered, a final decision is yet pending.

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