

EPSOG

CONSOLIDATED AND THE COMPANY'S CONDENSED
INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS
PERIOD ENDED 30 JUNE 2022 (UNAUDITED), PROVIDED
TOGETHER WITH CONSOLIDATED INTERIM REPORT

	PAGE
CONDENSED INTERIM FINANCIAL INFORMATION	
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION	3
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME	4
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY	6
CONDENSED INTERIM STATEMENTS OF CASH FLOWS	7
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	8
CONSOLIDATED INTERIM REPORT	21

The financial statements has been approved on 19 August 2022

Vytautas Bitinas
Strategy and development director,
acting as CEO

Žydrūnas Augutis
Chief financier

	Notes	GROUP		COMPANY	
		At 30 Jun 2022	At 31 Dec 2021	At 30 Jun 2022	At 31 Dec 2021
ASSETS					
Non-current assets					
Intangible assets	6	9 010	9 754	56	66
Property, plant and equipment	7	624 938	603 103	4	7
Right-of-use assets	8	10 511	11 127	166	213
Investments subsidiaries and joint ventures	9	45	-	323 566	323 566
Deferred income tax assets		24 230	27 018	758	479
Non-current amounts receivable		4	4	-	-
Non-current portion of the balance of congestion management funds		781	781	-	-
Total non-current assets		669 519	651 787	324 550	324 331
Current assets					
Inventories		19 008	18 997	9	6
Prepayments and contract assets		10 775	3 712	78	204
Trade receivables		46 605	74 674	105	114
Other amounts receivable		78 367	106 767	13 962	11 339
Income tax prepayment		10 107	-	-	-
Other financial assets		56 242	65 385	-	-
Cash and cash equivalents		117 018	41 284	99 464	36 868
Total Current assets		338 122	310 819	113 618	48 531
TOTAL ASSETS		1 007 641	962 606	438 168	372 862
EQUITY AND LIABILITIES					
Share capital	10	189 631	22 483	189 631	22 483
Revaluation reserve		295	310	-	-
Legal reserve		16 600	16 600	2 248	2 248
Other reserves		40 864	59 546	50	50
Retained earnings		6 989	160 775	12 434	168 002
Equity attributable to shareholders of the parent company		254 379	259 714	204 363	192 783
Non-controlling interest		11 394	11 884	-	-
Total equity		265 773	271 598	204 363	192 783
Non-current liabilities					
Non-current borrowings	11	195 426	142 843	74 783	-
Lease liabilities		8 608	9 028	102	136
Congestion management funds		138 628	88 267	-	-
Provisions		1 877	1 877	-	-
Other non-current amounts payable and liabilities		3 605	3 584	-	-
Total non-current liabilities		348 144	245 599	74 885	136
Current liabilities					
Current portion of non-current borrowings	11	34 399	24 399	-	-
Current borrowings	11	-	-	157 724	94 652
Current portion of other financial liabilities	12	-	84 128	-	84 128
Current portion of lease liabilities		1 252	1 395	71	83
Trade payables		68 595	75 433	60	284
Advance amounts received		66 261	57 867	-	-
Income tax liability		48	2 265	-	-
Current portion of congestion management funds		20 820	20 820	-	-
Provisions		3 176	3 795	-	-
Other current amounts payable and liabilities		199 173	175 307	1 065	796
Total current liabilities		393 724	445 409	158 920	179 943
Total liabilities		741 868	691 008	233 805	180 079
TOTAL EQUITY AND LIABILITIES		1 007 641	962 606	438 168	372 862

(All amounts are in EUR thousands unless otherwise stated)

	Notes	GROUP			
		For the period of three months ended 30 June 2022	For the period of three months ended 30 June 2021	For the period of six months ended 30 June 2022	For the period of six months ended 30 June 2021
Revenue		124 759	66 182	242 970	149 346
Other income		136	854	726	1 520
Dividend income		43		43	
Total revenue , other income and gains		124 938	67 036	243 739	150 866
Operating expenses					
Expenses for purchase of balancing and regulating electricity		(40 909)	(10 192)	(67 390)	(23 662)
Expenses for electricity system services		(12 372)	(15 361)	(24 529)	(30 664)
Expenses for electricity technological needs		(17 069)	(4 947)	(34 693)	(11 451)
Expenses for natural gas system balancing service		(11 777)	(1 361)	(24 209)	(2 836)
Expenses for natural gas technological needs		(2 746)	(650)	(4 194)	(1 095)
Depreciation and amortisation	6,7,8	(8 743)	(8 686)	(17 556)	(17 297)
Wages and salaries and related expenses		(11 547)	(8 221)	(22 236)	(16 656)
Repair and maintenance expenses		(1 881)	(1 728)	(3 309)	(2 658)
Levies and compulsory payments		(2 559)	(1 209)	(3 837)	(2 320)
Telecommunications and IT maintenance expenses		(1 241)	(982)	(2 302)	(1 788)
Transport expenses		(1 584)	(631)	(2 944)	(1 139)
Write-off expenses of property, plant and equipment		(84)	(47)	(181)	(326)
Impairment expenses of property, plant and equipment		(43)	27	(25)	10
Other expenses		(19 543)	(4 104)	(40 394)	(8 106)
Total operating expenses		(132 098)	(58 092)	(247 799)	(119 988)
Operating profit (loss)		(7 160)	8 944	(4 060)	30 878
Financing activities					
Interest income		0	6	4	33
Interest expenses		(566)	(431)	(1 221)	(845)
Total finance costs, net value		(566)	(425)	(1 217)	(812)
Profit before income tax		(7 726)	8 519	(5 277)	30 066
Income tax					
Current year income tax expenses		4 167	(1 864)	3 445	(4 939)
Deferred income tax benefit/(expenses)		(2 921)	1 999	(2 682)	2 826
Total income tax		1 246	135	763	(2 113)
Profit (loss) for the period		(6 480)	8 654	(4 514)	27 953
Total other comprehensive income					
Total comprehensive income (cost) for the period		(6 480)	8 654	(4 514)	27 953
Profit (loss) for the period is attributable to:					
Shareholders of the parent company		(6 349)	8 375	(4 487)	27 060
Non-controlling interest		(131)	279	(27)	893
		(6 480)	8 654	(4 514)	27 953
Total comprehensive income (cost) for the period is attributable to:					
Shareholders of the parent company		(6 349)	8 375	(4 487)	27 060
Non-controlling interest		(131)	279	(27)	893
		(6 480)	8 654	(4 514)	27 953

The accompanying notes are an integral part of the financial statements

COMPANY					
	Notes	For the period of three months ended 30 June 2022	For the period of three months ended 30 June 2022	For the period of three months ended 30 June 2022	For the period of three months ended 30 June 2022
Revenue		155	119	296	190
Other income			-	-	-
Dividend income		14 479	16 129	14 479	16 129
Total revenue , other income and gains		14 634	16 248	14 775	16 319
Operating expenses					
Depreciation and amortisation	6,7,8	(30)	(25)	(60)	(51)
Wages and salaries and related expenses		(867)	(477)	(1 706)	(1 007)
Levies and compulsory payments		(7)	(1)	(9)	(3)
Telecommunications and IT maintenance expenses		(30)	(21)	(61)	(31)
Transport expenses		(9)	(7)	(18)	(13)
Other expenses		(249)	(119)	(456)	(229)
Total operating expenses		(1 192)	(650)	(2 310)	(1 334)
Operating profit		13 442	15 598	12 465	14 985
Financing activities					
Interest income		43	31	71	80
Interest expenses		(247)	(167)	(445)	(332)
Total finance costs, net value		(204)	(136)	(374)	(252)
Profit before income tax		13 238	15 462	12 091	14 733
Income tax					
Current year income tax expenses		-			
Deferred income tax benefit/(expenses)		163	69	335	190
Total income tax		163	69	335	190
Profit (loss) for the period		13 401	15 531	12 426	14 923
Total other comprehensive income				-	-
Total comprehensive income for the period		13 401	15 531	12 426	14 923
Profit (loss) for the period is attributable to:					
Shareholders of the parent company		13 401	15 531	12 426	14 923
Non-controlling interest				-	-
		13 401	15 531	12 426	14 923
Total comprehensive income for the period is attributable to:					
Shareholders of the parent company		13 401	15 531	12 426	14 923
Non-controlling interest				-	-
		13 401	15 531	12 426	14 923

(All amounts are in EUR thousands unless otherwise stated)

GROUP	Equity attributable to shareholders of the Group							Total
	Share capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Subtotal	Non-controlling interest	
Balance at 1 January 2021	22 483	406	16 522	22 616	160 232	222 259	10 805	233 064
Comprehensive income								
Profit for the period	-	-	-	-	27 060	27 060	893	27 953
Depreciation of revaluation reserve and amounts written off	-	(22)	-	-	22	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	77	35 749	(35 826)	-	-	-
Dividends	-	-	-	-	(777)	(777)	(388)	(1 165)
Balance as at 30 June 2021	22 483	384	16 599	58 365	150 711	248 542	11 310	259 852
Balance at 1 January 2022	22 483	310	16 600	59 546	160 775	259 714	11 884	271 598
Comprehensive income								
Profit for the period	-	-	-	-	(4 487)	(4 487)	(27)	(4 514)
Depreciation of revaluation reserve and amounts written off	-	(15)	-	-	15	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	(18 682)	18 682	-	-	-
Dividends	-	-	-	-	(845)	(845)	(463)	(1 308)
Increase of share capital	167 148	-	-	-	(167 148)	-	-	-
Balance at 30 June 2022	189 631	295	16 600	40 864	6 989	254 379	11 394	265 773
COMPANY	Share capital	Legal reserve	Other reserves	Retained earnings	Total			
Balance at 1 January 2021	22 483	2 248	50	155 446	180 227			
Profit for the period	-	-	-	14 923	14 923			
Dividends	-	-	-	(777)	(777)			
Transfer to reserves	-	-	-	-	-			
Balance as at 30 June 2021.	22 483	2 248	50	169 592	194 373			
Balance at 1 January 2022	22 483	2 248	50	168 002	192 783			
Profit for the period)	-	-	-	12 426	12 426			
Dividends	-	-	-	(845)	(845)			
Increase of share capital	167 148	-	-	(167 148)	-			
Balance at 30 June 2022	189 631	2 248	50	12 434	204 363			

The accompanying notes are an integral part of the financial statements.

	GROUP		COMPANY	
	For the period of six months ended 30 June 2022	For the period of six months ended 30 June 2021	For the period of six months ended 30 June 2022	For the period of six months ended 30 June 2021
Cash flows from operating activities				
Profit/(loss) for the period	(4 514)	39 818	12 426	13 334
Adjustments for non-cash items:				
Depreciation and amortisation expenses	17 556	34 765	60	103
Impairment of property, plant and equipment		17		
Expected credit losses /(reversal of losses) of amounts receivable	25	(79)		
Income tax expenses	(763)	3 278	(335)	(445)
Grants recognised as revenue adjustment		(144)		
Impairment of financial assets		213		
Profit on disposal/write-off of property, plant and equipment	181	154		
<i>Elimination of results of financing and investing activities:</i>				
Interest income	(4)	(44)	(71)	(170)
Interest expenses	1 070	1 748	445	613
Dividend income	(43)	(307)	(14 479)	(16 129)
Other finance (income)/costs	151	-		
Changes in working capital:				
(Increase)/decrease in trade and other amounts receivables	58 672	(65 499)	1 081	(275)
Increase)/decrease in inventories, prepayments and other current assets	(2 549)	(15 137)	123	(78)
Increase/(decrease) in other amounts payable, advance amounts received, trade payables	(30 334)	202 927	45	345
Changes in other financial assets	9 143	(24 637)		
Income tax (paid)/received	(9 700)	(12 669)	56	380
Net cash flows from/(used in) operating activities	38 891	164 404	(649)	(2 322)
Cash flows from investing activities				
(Acquisition) of property, plant and equipment and intangible assets	(33 211)	(114 633)		(65)
Disposal of property, plant and equipment and intangible assets	36	251		
(Acquisition)/disposal of subsidiaries, joint ventures	(45)			(2 375)
Congestion management funds received	65 620	44 505		
Grants received	29 249	57 548		
(Loans (granted)/loan repayments received			(2 748)	16 535
Interest received	4	28	71	170
Dividends received	43	307	14 479	16 129
Other cash flows from investing activities				
Net cash flows from/(used in) investing activities	61 696	(11 994)	(11 802)	30 394
Cash flows from financing activities				
Issued bonds	74 783		74 783	
Proceeds from borrowings	-		62 124	94 107
Repayments of borrowings	(12 200)	(26 959)		(2 560)
Lease payments	(796)	(1 694)	(46)	(90)
Overdraft/current borrowings		(20 019)		(20 019)
Interest paid	(1 221)	(1 939)	(445)	(656)
Dividends paid	(1 291)	(1 147)	(845)	(777)
Repayment of other financial liabilities	(84 128)	(64 481)	(84 128)	(64 481)
Net cash flows from/(used in) financing activities	(24 853)	(116 239)	51 443	5 434
Net increase/(decrease) in cash and cash equivalents	(75 734)	36 171	62 596	33 506
Cash and cash equivalents at the beginning of the period	41 284	5 113	36 868	3 362
Cash and cash equivalents at the end of the period	117 018	41 284	99 464	36 868

The accompanying notes are an integral part of the financial statements.

1. General information

EPSO-G UAB (the “Company”) is a private limited liability company registered in the Republic of Lithuania. The registered office address is Gedimino pr. 20, LT- 01103, Vilnius, Lithuania. The Company is a profit-seeking limited civil liability entity registered on 25 July 2012 with the Register of Legal Entities, company code 302826889.

EPSO-G is the parent company responsible for the activities of the group companies that include assurance of an uninterrupted, stable transmission of electricity over high voltage networks and transportation of natural gas via high pressure gas pipelines, as well as ensurance of management, maintenance and development of these transmission systems as well as organisation of trade on the natural gas and biofuel exchanges; and installation and management of electricity storage facilities operating as the primary capacity reserve and ensuring reliable, stable and consumer-focused operation of the Lithuanian electricity system.

Under the Resolution of the Government of the Republic of Lithuania of 23 August 2021, the Company was designated as an operator of the project of special importance to the state, i.e., the construction of the physical barrier at the border with Belarus (the “Project”). In performing the functions of the operator, the Company incurred the project administration expenses that are compensated by the client of the project – the State Border Guard Service under the Ministry of Interior of the Republic of Lithuania. Scopes of works performed and services provided (expenses incurred) by the Company and the Group until 30 June 2022 are disclosed in Note No. 16.

EPSO-G provides management services to the subsidiaries and the lower-tier subsidiaries. The purpose of the provision of management services is to increase the efficiency of operations of the EPSO-G group companies, optimise the use of resources, and implement uniform standards of operations. These services are provided in accordance with the agreements concluded through a public procurement process.

By decision of the General Meeting of Shareholders of 27 April 2022, the Company's authorised capital was increased from retained earnings to EUR 189,631,000 by issuing 576,373,467 new ordinary registered shares with a nominal value of EUR 0.29 each. As of 30 June 2022, the Company's authorised capital consisted of 653 900 000 ordinary registered shares with a nominal value of EUR 0,29 each. All shares, including the newly issued shares, were held by the Company's sole shareholder, the Republic of Lithuania, represented by the Ministry of Energy of the Republic of Lithuania.

As at 31 December 2021, the Company's share capital amounted to EUR 22,482,695.

As at 30 June 2022 and at 31 December 2021 all Company's shares were fully paid.

The Company's shareholder	At 30 June 2022		At 31 December 2021	
	Share capital (EUR)	%	Share capital (EUR)	%
Republic of Lithuania represented by the Ministry of Energy of the Republic of Lithuania	189,631,000	100	22,482,695	100

Grupės darbuotojų skaičius 2022 m. birželio 30 d. buvo 1 361 (2021 m. gruodžio 31 d. – 1 278). Bendrovės darbuotojų skaičius 2022 m. birželio 30 d. buvo 83 (2021 m. gruodžio 31 d. – 74).

As at 30 June 2022, the EPSO-G group had 1,361 employees (31 December 2021: 1,278 employees) and the Company had 83 employees (31 December 2021: 74 employees).

The EPSO-G group (the “Group”) consists of the Company, directly and indirectly controlled subsidiaries set out below.

Company name	Registered office address	Ownership interest (%)		Profile of activities
		At 30 June 2022	At 31 December 2021	
LITGRID AB	Karlo Gustavo Emilio Manerheimo g. 8, Vilnius, Lithuania	97,5	97,5	Electricity transmission system operator
AB „Amber Grid“	Laisvės pr. 10, Vilnius, Lithuania	96,6	96,6	Natural gas transmission system operator
BALTPPOOL UAB	Žalgirio g. 90, Vilnius, Lithuania	67,0	67,0	Operator of the exchange for trading in energy resources (biomass products), the administrator of PSO funds
UAB „TETAS“	Senamiesčio g. 102B, LT-35116, Panevėžys, Lithuania	100	100	Transformer substation, distribution station and electricity line design, construction, reconstruction and maintenance services
UAB GET Baltic (controlled through AB „Amber Grid“)	Geležinio Vilko g. 18A, Vilnius, Lithuania	96,6	96,6	Organisation of trading on the natural gas exchange
Energy cells, UAB	Gedimino pr. 20, Vilnius, Lithuania	100	-	Installation and management of electricity storage facilities

In accordance with Regulation (EU) 2019/943 of the European Parliament and Council on the internal market of electricity dated on 5th of the June 2019 (hereinafter Regulation), electricity transmission system operators: Litgrid, Elering and AST, 3 May 2022 established joint venture - the Baltic Regional Coordination Center Baltic RCC OÜ (hereinafter Center), which is responsible for the provision and coordination of security and reliability services for the electricity system among transmission system operators in the Baltic region. As stipulated in the Regulation, Center will implement five main tasks: coordinate capacity of power lines between countries, assess the reliability and adequacy of electricity system, to plan and coordinate of the line outages and develop a common network model. As at 30 June the Group company LITGRID had invested Eur 45 thousand.

As at 31 December 2021 Group and Company have no investments in associates and joint ventures.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Group’s and the Company’s condensed interim financial statements for the period of six months, ended 30 June 2022 are presented below:

2.1 Basis of preparation

These condensed interim Company’s and consolidated financial statements, for the period ended 30 June 2022 are prepared in accordance with the International Financial Accounting Standards, as adopted by the European Union and applicable to interim financial statements (IAS 34 „Interim Financial Reporting“).

The presentation currency is euro. These financial statements are presented in thousands of euro, unless otherwise stated.

In order to better understand the data presented in these condensed interim financial statements, these financial statements should be read in conjunction with the audited Consolidated and Company’s financial statements for the year 2021, prepared in accordance with the International Financial Accounting Standards, as adopted by the European Union

These financial statements have been prepared on a historical cost basis, except for property, plant and equipment which is recorded at revalued amount, less accumulated depreciation and estimated impairment loss, and financial assets which are carried at fair value.

These financial statements for the period ended 30 June 2022 are not audited. Financial statements for the year ended 31 December 2021 were audited by the external auditor UAB „PricewaterhouseCoopers“.

The financial year of the Company and other Group companies coincides with the calendar year.

The Group and the Company have been following the same accounting principles as the ones that were followed in the preparation of financial statements for the year 2021.

2.2 Principles of consolidation

Subsidiaries are all entities that the Company has a power to exercise control over the entity to which investment is made (i.e., has effective rights that at the current moment grant the right to control relevant activities). The Company controls an entity when it can or has a right to receive variable returns from this relation and it can have impact on these returns due to the power to govern the entity to which the investment is made.

The consolidated financial statements of the Group include EPSO-G and its subsidiaries. The financial statements of the subsidiaries have been prepared for the same reporting periods and using uniform accounting policies as those of the parent company's financial statements.

Subsidiaries are consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains or losses on transactions between the Group companies are eliminated.

The preparation of financial statements according to International Financial Reporting Standards requires management to make estimates and assumptions that affect the accounting policies applied, the reported amounts of assets, liabilities, income and expenses, and the disclosures of contingencies. Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

Preparing these condensed interim financial statements management used significant estimates and assumptions for accounting policies were the same as used preparing financial statements for the year 2021.

3. The impact of events in Ukraine on the financial statements

Considering that the Group Companies have no suppliers or customers in Russia, Belarus and Ukraine, the events in Ukraine did not have a direct impact on the Group's financial results for the first half of 2022. Since the fourth quarter of 2021, in the market is observed a quite significant increase in electricity prices, which also causes a significant increase in the costs of compensating the Group company's LITGRID technological losses. The outbreak of hostilities, among other factors, is also contributing to high electricity prices and thus to higher costs of compensation for technological losses. In the future, the impact of the war could become more pronounced in the event of a disconnection from the BRELL. In this case, it is likely that costs of system services and technological losses are likely to increase. However, if this were to happen, the impact on the Group's financial performance would be short term, as the higher costs would be offset by the inclusion of the costs in the prices of regulated services in subsequent years.

As contractors no longer use materials or components imported from Russia, Belarus or Ukraine, the war has increased the value of some investment projects. Group company LITGRID plans to finance the increased demand for investment funds with increased congestion revenue due to high electricity market prices.

4. Reclassifications of the comparative figures in the financial statements

The Group decided to reclassify revenue in the statement of comprehensive income by distinguishing other, non-typical activity income. A detailed classification of revenue is presented in Note No.13.

Group

For the six months period ended 30 June 2021 before reclassification

Revenue from contracts with customers	Amounts
Revenue from electricity transmission and related services	105 497
Revenue from natural gas transmission and related services	30 555
Other revenue from contracts with customers	7 541
	143 593
Other income	7 273
Dividend income and income from disposal of associates	-
Total revenue	150 866

For the six months period ended 30 June 2021 after reclassification

Revenue	149 346
Other income	1 520
Dividend income and gain from disposal of associates	-
Total revenue , other income and gains	150 866

The Group and the Company decided to submit not only results of financing activities, but also interest income and interest expenses in the statement of comprehensive income:

	GROUP		COMPANY	
	For the six months period ended 30 June 2021			
	Before reclassification	After reclassification	Before reclassification	After reclassification
Results of financing activities	(812)	-	(252)	
Financing activities				
Interest income	-	33		80
Interest expenses	-	(845)		(332)
Total finance costs, net value	-	(812)		(252)

The Group decided to reclassify operating expenses presented by nature in the statement of comprehensive income:

Operating expenses	For the six months period ended 30 June 2021 before reclassification	For the six months period ended 30 June 2021 after reclassification
Expenses of electricity transmission and related services	(66 318)	-
Expenses for purchase of balancing and regulating electricity		(23 662)
Expenses for electricity system services		(30 664)
Expenses for electricity technological needs		(11 451)
Expenses of natural gas transmission and related services	(3 931)	
Expenses for natural gas system balancing service		(2 836)
Expenses for natural gas technological needs		(1 095)
Other expenses	(7 565)	(8 106)
	(77 814)	(77 814)

5. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of directors that makes strategic decisions.

Management assesses the Group's performance based on three business segments which are consistent with the business directions stipulated in the Group's strategy:

- The electricity transmission segment comprises the activities conducted by LITGRID AB;
- The natural gas transmission segment comprises the activities conducted by Amber Grid AB;
- The segment of other activities that comprises:
 - activities conducted by energy sources exchange operator Baltpool, UAB;
 - activities conducted by natural gas exchange operator GET Baltic UAB;
 - activities conducted by energy facilities construction and contracting company TETAS UAB;
 - activities conducted by parent company EPSO-G UAB,

Considering that revenue, profit measure (EBITDA) and total assets after consolidation adjustments of the entities which comprise the segment of other activities do not reach 10% of the specified financial indicators of all segments, all elements are aggregated to a single segment of other activities.

The Group has a single geographical segment – the Republic of Lithuania. The Group's operations in foreign countries is not material for the Group. The chief operating decision-maker monitors the results with reference to the financial reports that have been prepared using the same accounting policies as those used for the preparation of the financial statements, i.e., information on profit or loss, including the reported amounts of income and expenses. The key performance indicators are profit and profit before interest, taxes, depreciation and amortisation (EBITDA), operating expenses, excluding electricity, gas and related expenses, depreciation, write-off and impairment expenses. All indicators are calculated on the basis of data reported in the financial statements.

For the six months period ended 30 June 2022, revenue from the Lithuanian clients accounted for 86% of the Company's total revenue (30 June 2021: 89%).

The table below contains the Group's information on segments for the six months period ended 30 June 2022:

	Transmission of electricity	Transmission of natural gas	Other activities	Elimination of intersegment transactions	Total
Revenue and other income	145 247	55 677	47 522	(4 750)	243 696
Operating expenses, excluding electricity, gas and related expenses, depreciation, write-off and impairment expenses	(18 501)	(12 255)	(49 174)	4 908	(75 022)
EBITDA	134	15 019	(1 652)	158	13 659
Total adjustments to profit (loss) for the period	(9 374)	(7 220)	13 498	(15 077)	(18 173)
Depreciation and amortisation	(10 422)	(6 333)	(801)	-	(17 556)
Assets write-offs, impairment	(130)	(70)	(6)		(206)
Interest income	2	7	76	(72)	13
Interest expenses	(463)	(209)	(630)	72	(1 230)
Income tax	1 596	(1 213)	380	-	763
Dividend income and gain on disposal of associates	43	598	14 479	(15 077)	43
Profit (loss) for the period	(9 240)	7 799	11 846	(14 919)	(4 514)
Total assets	485 441	332 375	684 018	(494 193)	1 007 641
Net debt	(62 033)	(108 012)	(124 189)	171 567	(122 667)
Additions in Property, plant and equipment and Intangible assets	(21 226)	(30 778)	(11 095)	51	(63 048)

The table below contains the Group's information on segments for the six months period ended 30 June 2021:

	Transmission of electricity	Transmission of natural gas	Other activities	Elimination of intersegment transactions	Total
Revenue and other income	112 409	30 730	14 137	(6 410)	150 866
Operating expenses, excluding electricity, gas and related expenses, depreciation, write-off and impairment expenses	(14 819)	(9 621)	(13 896)	5 615	(32 721)
EBITDA	31 813	17 178	227	(796)	48 422
Total adjustments to profit (loss) for the period	(14 438)	(4 622)	15 183	(16 607)	(20 469)
Depreciation and amortisation	(10 721)	(5 796)	(780)	-	(17 297)
Assets write-offs, impairment	(239)	(76)	68	-	(262)
Interest income	16	1	80	(64)	33
Interest expenses	(384)	(136)	(389)	64	(845)
Income tax	(3 110)	907	90	-	(2 113)
Dividend income and gain on disposal of associates		478	16 129	(16 607)	-
Profit (loss) for the period	17 375	12 556	15 425	(17 403)	27 953
Total assets	408 046	314 150	432 149	(368 986)	785 296
Net debt	(75 607)	(122 468)	(146 597)	43 609	(301 063)
Additions in Property, plant and equipment and Intangible assets	(15 053)	(26 139)	(75)	416	(40 851)

6. Intangible assets

Group	Intangible assets
Net book amount at 31 December 2020	11 135
Additions	482
Reclassification from PPE	20
Write-offs	(6)
Offsetting with grants	(62)
Amortisation charge	(1 093)
Net book value at 30 June 2021	10 476
Net book value at 31 December 2021	9 754
Additions	545
Reclassification from PPE	25
Amortisation charge	(1 314)
Net book value at 30 June 2022	9 010

Intangible assets is accounted at cost, less accumulated depreciation and estimated impairment loss, if any. The Company's intangible assets amounted to EUR 56 thousand as at 30 June 2022 (at 31 December 2021: EUR 66 thousand)

7. Property, plant and equipment

Group	Property, plant and equipment
Net book amount at 31 December 2020	574 227
Additions	39 819
Prepayments for PPE	550
Disposals and write-offs	(465)
Reclassification to inventories	(25)
Reclassification to intangible assets	(20)
Offsetting with grants	(15 770)
Depreciation charge	(15 385)
Net book value at 30 June 2021	582 931

Net book value at 31 December 2021	603 103
Additions	52 928
Prepayments for PPE	9 575
Disposals and write-offs	(209)
Reclassification to inventories	(19)
Reclassification to intangible assets	(25)
Offsetting with grants	(24 979)
Depreciation charge	(15 436)
Net book value at 30 June 2022	624 938

PPE is accounted at revalued amount of assets, less accumulated depreciation and estimated impairment loss, if any. The carrying amount of PPE is reduced by grants received for acquisition of those assets from government and EU structural, funds for the connection of new customers/generators to the electricity transmission network (in accordance with the accounting policy in force before 1 July 2009), public service obligations (PSO) funds, allocated to the Group for the preparation and implementation of the strategic projects and a portion of congestion management funds, which is used to finance investments agreed with the National Energy Regulatory Council.

After the start of commercial flows through the GIPL gas pipeline Eur 27,045 thousand contribution (hereinafter - CBCA contribution), determined according to cross-border cost allocation principles, was accumulated in the value of additions of fixed assets. The CBCA contribution will be paid to the Polish transmission system operator upon completion of the pipeline construction works on the territory of Poland, after recording and auditing the value of the construction works.

The Company's PPE amounted to Eur 4 thousand at 30 June 2022 (Eur 7 thousand at 31 December 2021).

8. Right-of-use-assets

Group	
Net book amount at 31 December 2020	9 829
Additions	207
Depreciation charge	(817)
Net book value at 30 June 2021	9 219
Net book value at 31 December 2021	11 127
Additions	187
Depreciation charge	(803)
Net book value at 30 June 2022	10 511

The Group recognised in right-of-use assets the following assets held under lease agreements: buildings, vehicles, other assets and public land held under non-auction leases from municipalities

As the useful life of the right-of-use assets is longer than the lease term, depreciation is calculated from the commencement date of the lease to the end of the lease term.

9. Investments in subsidiaries

As at 30 June 2022 and at 31 December 2021 the Company had a shareholding in the following Group companies:

Group company	Acquisition cost	Impairment	Carrying amount	Ownership interest (%)
LITGRID AB	217 214	26 090	191 124	97,5
AB „Amber Grid“	126 529	-	126 529	96,6
UAB „Baltpool“	388	-	388	67
UAB „TETAS“	3 150	-	3 150	100
Energy cells, UAB	2 374	-	2 374	100
Total	349 566	26 090	323 566	

10. Share capital

As at 30 June 2022 the share capital of the Company amounted to EUR 189 631 000 Eur and it was divided into 653 900 000 ordinary registered shares with the nominal value of EUR 0.29 each.

As at 31 December 2021 the share capital of the Company amounted to EUR 22,482,694.57 and it was divided into 77,526,533 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares as at 30 June 2022 and at 31 December 2021 were fully paid.

As indicated in Note 1, the Company's General Shareholders Meeting resolved on 27 April 2022 to increase the Company's share capital by Eur 167,148,305 by issuing 576,373,467 ordinary registered shares of EUR 0.29 each. All new shares were issued free of charge to the Company's sole shareholder.

11. Borrowings

The Group's and the Company's borrowings comprise as follows:

	Group		Company	
	At 30 June 2022-	At 31 December 2021	At 30 June 2022-	At 31 December 2021
Non-current borrowings				
Bonds issued	74 783		74 783	
Bank borrowings	120 643	142 843	-	-
Current borrowings				
Current portion of non-current borrowings	34 399	24 399	-	-
Overdraft	-	-	-	-
Current borrowing from the Group companies			157 724	94 652
Total borrowings	229 825	167 242	232 507	94 652

Non-current borrowings by maturity:

	Group		Company	
	At 30 June 2022-	At 31 December 2021	At 30 June 2022-	At 31 December 2021
Between 1 and 2 years	18 987	32 120	-	-
Between 2 and 5 years	108 322	37 552	74 783	-
Over 5 years	68 117	73 171	-	-
Total	195 426	142 843	74 783	-

On 1 June 2022, the Company issued EUR 75 million sustainability-related bonds with a five year term to maturity. The bonds will bear interest at 3.117% per annum. As at 30 June 2022, the net cash proceeds from the bonds amounted to EUR 74 795 thousand or 99.7% of the nominal value of the bond issue. During the six months period ended 30 June 2022, the interest expense on the bonds issued amounted to EUR 4 thousand and the accrued amount of coupon payable amounted to EUR 1 thousand as at 30 June 2022.

To balance the liquid funds, Group companies under the cashpool agreements had borrowed from EPSO-G Eur 13,843 thousand as at 30 June 2022.

Borrowings received by the Company from the subsidiaries under the cashpool agreements amounted to EUR 157,724 thousand as at 30 June 2022.

The Company prolonged committed overdraft facility agreement with SEB bankas and concluded additional committed overdraft facility agreement with OP Corporate Bank. Combined maximum amount which could be drawn is EUR 90 million and agreements are valid for more than 12 months.

12. Other non-current financial liabilities

The Group and the Company on notifying and obtaining approval from Ignitis Grupė made an early repayment of a final settlement for the shares of Litgrid AB under the agreement of 27 September 2012 with Ignitis Grupė on 31 March 2022 and paying related interest. Ignitis Grupė confirmed that the Company has fully and properly fulfilled all obligations laid down in the agreement.

13.Revenue

The Group's revenue included as follows:

	Group	
	The six months period ended at 30 June 2022	The six months period ended at 30 June 2021
The Group's revenue from contracts with customers		
Revenue from electricity transmission and related services		
Electricity transmission services	37 471	39 689
Trade in balancing/imbalance electricity	53 032	19 427
System services	37 081	45 770
Revenue from other sales of electricity and related services		-
Total revenue from electricity transmission and related services	127 584	104 886
Revenue from natural gas transmission and related services		
Natural gas transmission services	29 342	27 126
Revenue from balancing services in the transmission system	25 854	3 429
Revenue from connection of new customers	-	
Total revenue from natural gas transmission and related services	55 196	30 555
Other revenue from contracts with customers		
Revenue from construction, repair and technical maintenance services	41 961	6 364
Revenue from trading on the gas exchange and related services	727	845
Revenue from the biofuel exchange, thermal energy auctions, PSO funds administration and other income	400	395
Total other revenue	43 088	7 604
The Group's total revenue from contracts with customers	225 868	143 045
The Group's revenue not attributable to contracts with customers		
PSO services*	14 719	5 299
Congestion revenue	1 584	326
Other services related to electricity	792	673
Revenue from connection of producers and relocation of electrical installations	7	3
Total revenue not attributable to contracts with customers:	17 102	6 301
Total revenue	242 970	149 346

The Company's revenue from contracts with customers comprised revenue from the provision of management services and it amounted to EUR 296 thousand in six months period ended 30 June 2022 (30 June 2021: EUR 190 thousand).

The Group's other income comprised as follows:

	Group	
	The six months period ended at 30 June 2022	The six months period ended at 30 June 2021
Income from lease of assets	371	324
Penalties and default charges	227	1 059
Other income	128	137
Total other income	726	1 520

14.Dividends

On 27 April 2022, the Ordinary General Shareholders Meeting of UAB EPSO-G, when approving the distribution of profit for 2021, resolved to pay a dividend of EUR 845.04 thousand, i.e. EUR 0.0109 per share.

On 11 May 2021, the Ordinary General Shareholders Meeting of UAB EPSO-G, when approving the distribution of profit for 2020, resolved to pay a dividend of EUR 777.2 thousand, i.e. EUR 0.0101 per share.

15.Income tax

Profit (loss) for the six months period ended 30 June 2022 is subject to corporate income tax at a rate of 15 per cent (2021: 15 per cent) in accordance with the tax legislation of the Republic of Lithuania.

On 14 January 2022, an agreement was signed between the parent company UAB EPSO-G and LITGRID AB on the cancellation of UAB EPSO-G's tax loss transfer transaction for 2019. Under the agreement, EPSO-G UAB reimbursed LITGRID AB EUR 15 % of the amount of the transferred tax loss for 2019, i.e. EUR 385,000. The Company plans to transfer the tax loss for the 2019 tax year to another Group company by the end of this year. The Company also transferred part of the 2021 tax loss to LITGRID AB in 2022 for a consideration of EUR 440 thousand.

In 2021, the remuneration received by EPSO-G for LITGRID AB's transfer of tax losses for 2020 amounted to EUR 380 thousand.

16. Related – party transactions

As at 30 June 2022 and 31 December 2021, the Group's and the Company's ultimate controlling party was the Republic of Lithuania represented by the Ministry of Energy of the Republic of Lithuania. For the purposes of the related-party disclosure the Republic of Lithuania excludes central and local government authorities. Disclosures comprise transactions and balances on transactions with the shareholder, the subsidiaries (in the Company's transactions), all state-controlled or significantly influenced companies (the list of such companies is published at <https://vkc.sipa.lt/apie-imones/vvi-sarasas> and transactions are disclosed only when the amount of transactions exceeds EUR 100 thousand during a calendar year) and the management and their family members.

Transactions with related parties are carried out in line with the tariffs approved under relevant legal acts or in accordance with the requirements of the Law on Public Procurement. The settlement period is set as 30-60 days. Transactions with related parties are carried out in line with the tariffs approved under relevant legal acts or in accordance with the requirements of the Law on Public Procurement.

The Group's related party transactions and balances for the six-month period ended 30 June 2022 were as follows

Related party	Purchases of services	Purchases of gas in exchange, PSO funds, LNG funds *	Sales of services	Sales of gas in exchange, PSO funds, LNG funds *	Amounts payable for services	Accounts payable for gas, PSO funds, LNG fund*	Amounts receivable for services	Receivables for gas, PSO funds, LNG funds	Finance costs
<i>Ignitis group companies:</i>									
AB „Ignitis grupė“	-						-		67
AB Energijos skirstymo operatorius	1 566	3 093	75 757	15 760	1 072		14 889	1 662	
UAB Ignitis	34 836	9 872	45 982	3 617	4 268	187	4 080	371	
AB Ignitis gamyba	44 827	(24 293)	30 746	4 231	17 203		4 652	6 010	
UAB Ignitis grupės paslaugų centras	3		145		1				
UAB Vilniaus kogeneracinė jėgainė	164		48	2	245		2		
UAB Kauno kogeneracinė jėgainė	228		61		71		5		
UAB Transporto valdymas	388				92				
<i>Other state-owned companies::</i>									
AB Lietuvos geležinkeliai									
VĮ Ignalinos atominė elektrinė			619	98			78	17	
AB Klaipėdos nafta		10 768	2			4 021			
VĮ Geoterma							45	65	
AB „LTG Infra“			23	37	15		43		
State Border Guard Service under the Ministry of the Interior			35 754		6 104		2 114		
Other state-owned companies	595				398				
Total	82 607	(560)	189 137	23 745	29 469	4 208	25 908	8 125	67

* Gas purchases and gas sales in exchange, Group purchases and sales of PSO funds and LNG funds are not included in the Group's Statement of profit and loss, as the Group acts as intermediary, collecting and allocating mentioned funds.

The Group's related party transactions and balances for the six month period ended 30 June 2021 were as follows:

Related party	Purchases of services	Purchases of gas in exchange, PSO funds, LNG funds *	Sales of services	Sales of gas in exchange, PSO funds, LNG funds *	Amounts payable for services	Accounts payable for gas, PSO funds, LNG fund*	Amounts receivable for services	Receivables for gas, PSO funds, LNG funds	Finance costs
<i>Ignitis group companies:</i>									
AB „Ignitis grupė“					134 526		126		264
AB Energijos skirstymo operatorius	1 072	21 249	82 104	57 683	624		14 865	6 574	2
UAB Ignitis	22 598	17 985	13 222	6 871	747	4 348	1 366	1 263	
AB Ignitis gamyba	33 222	13 386	25 344	7 272	8 326	357	2 010	1 459	
UAB Ignitis grupės paslaugų centras	4		136		2		28		
UAB Vilniaus kogeneracinė jėgainė	80		206	20	114		46	2	
UAB Kauno kogeneracinė jėgainė	92		40	2	21		10		
UAB Transporto valdymas	409				103				
<i>Other state-owned companies:</i>									
AB Lietuvos geležinkeliai									
VĮ Ignalinos atominė elektrinė	93		504	385	33		103	73	
AB Klaipėdos nafta		14 011	2			6 555			
VĮ Geoterma							45	65	
AB „LTG Infra“			248	128			44	19	
Other state-owned companies					344				
Total	57 620	66 361	121 806	72 361	144 840	11 260	18 643	9 455	266

* Gas purchases and gas sales in exchange, Group purchases and sales of PSO funds and LNG funds are not included in the Group's Statement of profit and loss, as the Group acts as intermediary, collecting and allocating mentioned funds.

The Company's transactions conducted with the related parties during the six month period of 2022 and balances arising on these transactions as at 30 June 2022 were as follows:

Related party	Accounts payable and accrued costs	Accounts receivable and accrued income	Sales	Purchases	Loans granted	Income from financial activities	Costs of financial activities
AB „Ignitis grupė“*							67
State controlled companies							
UAB „Transporto valdymas“	3			16			
State Border Guard Service under the Ministry of the Interior		97	513				
Group companies							
Litgrid AB	59 802	44	109				
AB Amber Grid		16	57		7 900	15	
UAB Tetas		21	24		5 943	34	
UAB Baltpool	96 973	11	39				
UAB GET Baltic		2	11				
Energy cells, UAB	949	29	58			23	
Total:	157 727	220	811	16	13 843	72	67

The Company's transactions conducted with the related parties during the six month period of 2021 and balances arising on these transactions as at 30 June 2021 were as follows:

Related party	Accounts payable and accrued costs	Accounts receivable and accrued income	Sales	Purchases	Loans granted	Income from financial activities	Costs of financial activities
AB „Ignitis grupė“*	134 526	126	-	-	-	-	264
State controlled companies							
UAB „Transporto valdymas“				16	-	-	-
Group companies							
Litgrid AB	21 700	55	99	-	-	-	-
AB Amber Grid	-	23	60	-	13 837	35	-
UAB Tetas		19	17	-	2 606	18	-
UAB Baltpool	4 455	9	5	-	-	27	-
UAB GET Baltic							
Energy cells, UAB		4	9		-	-	-
Total:	185 559	236	190	16	16 443	80	264

	Group		Company	
	The six months period ended at 30 June 2022	The six months period ended at 30 June 2021	The six months period ended at 30 June 2022	The six months period ended at 30 June 2021
Payments to key management personnel				
Payments to key management personnel	1 509	1 279	348	245
Employment-related payments	78	32	69	6
Whereof: termination benefits	30	26	6	5

During the six months of 2022 and 2021, there were no loans, guarantees, other disbursements or accruals or transfers of assets to the management of the Group and the Company.

Management is defined as the heads of administration and departmental directors. During the first six months period of 2022, the benefits paid to members of the collegiate management bodies amounted to EUR 159 thousand (EUR 129 thousand for the first six months of 2021).

17.Events after the end of the reporting period

At the Extraordinary General Meeting of the Company's shareholders held on 13 July 2022, PricewaterhouseCoopers UAB was appointed as the auditor of the Company's financial statements for 2022.

CONSOLIDATED INTERIM REPORT OF EPSO-G, UAB

Key performance indicators of the EPSO-G Group:

	January-June 2022	January-June 2021	Change	
			+/-	%
Revenue, thousand EUR	243 739	150 866	92 873	61,6%
EBITDA, thousand EUR	13 659	48 422	-34 763	-71,8%
Net profit, thousand EUR	-4 514	27 953	-32 467	-116,1%
Number of employees	1 361	1 106	255	23%
Total electricity transmitted, GWh	5 306	5 385	-79	-1,5%
Total gas transported, GWh	9 564	14 707	-5 143	-35,0%
Turnover of the natural gas exchange, GWh	3 721	4 559	-838	-18,4%
Amount of biofuel sold on the exchange, GWh	2 719	2 232	487	21,8%

CONSOLIDATED INTERIM REPORT OF EPSO-G AND THE GROUP OF COMPANIES

The consolidated interim report of the holding company EPSO-G and the Group companies prepared for the six months period ended on 30 June 2022.

1. General information on EPSO-G Group companies

Name	UAB EPSO-G
Legal form	Private limited liability company
Date and place of incorporation	25/07/2012, Register of Legal Entities of the Republic of Lithuania
Company code	302826889
Registered office address	Gedimino av. 20, LT-01103 Vilnius
Mailing address	Gedimino av. 20, LT-01103 Vilnius
Telephone	+370 685 84866
Email	info@epsog.lt
Website	www.epsog.lt
Authorised capital	189 631 000 Eur
Sole shareholder	Republic of Lithuania, the property and non-property rights of which are implemented by the Ministry of Energy of the Republic of Lithuania.

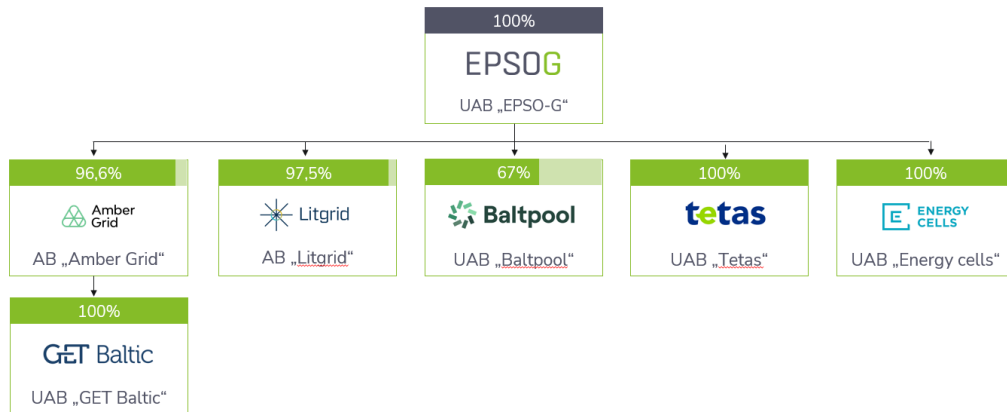
EPSO-G is a 100 % state-owned Group of energy transmission and exchange companies. The rights and obligations of EPSO-G holding shareholder are implemented by the Ministry of Energy of the Republic of Lithuania.

The main activity of the EPSO-G Group is to ensure uninterrupted, stable electricity transmission through high voltage grids and natural gas transportation through high-pressure pipelines and efficient management, maintenance and development of these transmission systems. The Group also manages and develops the biofuel, natural gas and timber trade platforms designed to ensure competition in the market of energy resources and roundwood.

All EPSO-G Group companies have a duty to implement efficiently and on time the energy transmission and exchange infrastructure development projects of national importance set out in the shareholder's Letter of Expectations, contributing to the achievement of the objectives set out in the National Energy Strategy, and thus to the creation of sustainable and long-term value.

As at 30 June 2022, the EPSO-G Group (the "Group") consisted of the holding company EPSO-G UAB ("EPSO-G" or the "Company"), five directly controlled companies of the Group: (LITGRID AB ("Litgrid"), Amber Grid AB ("Amber Grid"), BALTPPOOL UAB ("Baltpool"), TETAS UAB ("Tetas"), Energy Cells UAB ("Energy Cells"), and the indirectly controlled company GET Baltic UAB ("GET Baltic").

The structure of the EPSO-G Group companies as of 30 June 2022



	LITGRID AB	AB „Amber Grid“	BALTPOOL UAB	UAB „TETAS“	UAB GET Baltic	Energy cells, UAB
Legal form	Public limited liability company	Public limited liability company	Private limited liability company	Private limited liability company	Private limited liability company	Private limited liability company
Date and place of incorporation	16 November 2010, the Register of Legal Entities of the Republic of Lithuania	11 June 2013, the Register of Legal Entities of the Republic of Lithuania	10 December 2009, the Register of Legal Entities of the Republic of Lithuania	8 December 2005, the Register of Legal Entities of the Republic of Lithuania	13 September 2012, the Register of Legal Entities of the Republic of Lithuania	26 January 2021, the Register of Legal Entities of the Republic of Lithuania
Company code	302564383	303090867	302464881	300513148	302861178	305689545
Registered office address	Karlo Gustavo Emilio Manerheimo g. 8, LT-05131 Vilnius	Laisvės pr. 10, LT-04215 Vilnius	Žalgirio g. 90, LT-09303, Vilnius	Senamiesčio g. 102B, LT-35116, Panevėžys	Geležinio Vilko g. 18 A, LT-08104 Vilnius	Gedimino pr. 20, LT-01103 Vilnius
Telephone	+370 707 02171	+370 5 236 0855	+370 5 239 3157	+370 45 504 670	+370 5 236 0000	+370 659 00748
Email	info@litgrid.eu	info@ambergrid.lt	info@baltpool.eu	info@tetas.lt	info@getbaltic.com	info@energy-cells.eu
Website	www.litgrid.eu	www.ambergrid.lt	www.baltpool.eu	www.tetas.lt	www.getbaltic.com	www.energy-cells.eu
Nature of the activity	Electricity Transmission System Operator	Natural Gas Transmission System Operator	Energy exchange operator, administrator of the funds of services of public interest	Design, construction, maintenance and repair services of energy objects	Operator of Natural Gas Exchange	Providing the electricity transmission system operator with the electricity reserve guarantee service required for the isolated operation of electricity system
Shares held by EPSO-G	97.5 %.	96.6 %	67.0 %	100.0 %	96.6 %	100.0 %.

1.1. EPSO-G Group

EPSO-G, the holding company of the group of energy transmission and exchange companies, was established on 25 July 2012 in order to implement the mandatory requirements of the third energy package for the Republic of Lithuania under the European Union law regarding the separation of the activities of energy production and distribution and transmission. Initially, the company operated as a financial holding company whose main function was to consolidate the financial results of the Group companies.

In 2015-2016, in order for Lithuania to become a member of the Organisation for Economic Co-operation and Development (OECD), it was decided, by decisions of the Government and the Ministry of Energy, the direct holder of the shares, to substantially transform EPSO-G into an active holding company, which directly participates in the management of its subsidiaries, supervises and monitors their activities, and carries out other independent functions related to the Group's integrated management.

As at 30 June 2022, the EPSO-G Group consisted of the holding company, transmission system operators operating electricity and natural gas transmission infrastructures, market operators operating natural gas, biofuel and wood exchanges, an infrastructure maintenance company and company providing energy reserves for the electricity system.

Holding company EPSO-G

EPSO-G UAB is a holding company with the objective of the sole shareholder – the Ministry of Energy of the Republic of Lithuania – to create a group of energy transmission system and exchange operators providing advanced, efficiently managed and long-term benefits to shareholders, which ensures the implementation of the strategic Lithuanian energy interests and contributes to the expansion of the state's competitiveness and building the public well-being.

By implementing the activities outlined in the National Energy Independence Strategy (“NEIS”) and the letter of the share- holder's expectations, the holding company establishes the strategic goals and tasks of the Group and its constituent companies, supervises their implementation, identifies and manages operational risks and implements measures to increase the efficiency of the Group companies.

The holding company also lays down the operating rules that are in line with a good business practice and coordinates the activities of the companies which are part of the Group in the fields of human resources, risk management, audit, social responsibility, communication and in other fields increasing operational transparency and accountability in order to increase by means of socially responsible work a long-term value for Lithuania's people and business.

The uniform good corporate governance practice of the EPSO-G Group is implemented in accordance with the Corporate Governance Policy, joined by the companies of the Group, and by the direct involvement of the representatives nominated by the holding company in the work of the boards of the subsidiaries.

The holding company EPSO-G carries out its supervisory and control functions with the help of these measures:

- By making decisions within the competence of the General Meeting of Shareholders in its subsidiaries, thus ensuring interconnection among policies, objectives, targets and measures;

- by nominating the employees of EPSO-G to the Boards of the companies of the Group, thus ensuring the targeted implementation of the goals set by the shareholder, co-ordinating the operating strategies of the subsidiaries of the Group with the directions of the Group's strategy;
- by organizing and carrying out the activities of the Audit Committee, thus ensuring the transparency, control and accountability of the decisions made in the Group;
- by organizing and carrying out the activities of the Remuneration and Appointment Committee, thus ensuring equal principles of appointment and remuneration in the Group;
- by setting up a centralized Group-wide internal audit that is accountable to the Audit Committee and the Board of the Company and is not subordinate to the administration of the companies;
- by adopting the Group's policies that regulate various areas of activity, thus implementing good sustainable development practices in the Group;
- by providing representative, standardised draft documents to the companies of the Group that equalize the activity of the companies;
- by implementing functional mentoring of activities in the Group;
- by providing consulting services to the companies of the Group.

Details of EPSO-G's holding company's performance during the first six months of 2022 are provided in the Governance Report section of this interim report.

1.2. LITGRID

Litgrid is the operator of Lithuania's electricity transmission system, which maintains the stable operation of the country's electricity system, manages the flow of electricity, and creates conditions for competition in the open electricity market. The company is responsible for maintaining the balance of electricity consumed and generated in the Lithuanian electricity system and reliable transmission of electricity, carries out strategic Lithuanian electricity projects, and bases its vision and strategic guidelines for its activities on the long-term goals set out in the National Energy Independence Strategy (hereinafter referred to as the NEIS).

Litgrid's main areas of activity are the support and integration of the country's electricity infrastructure with the electricity infrastructure of Western and Northern Europe; the development of the electricity market and participation in the creation of a common Baltic and European electricity market; and the integration of the Lithuanian and continental European electricity systems in synchronous operation. As part of the synchronisation programme with continental European grids, the Company is implementing 20 projects of strategic importance approved by the Government of the Republic of Lithuania.

By systematically carrying out its day-to-day functions, ensuring uninterrupted and smooth operation of the electricity transmission system, and implementing projects of national importance, the company aims to create value for its customers.

Litgrid ensures the reliability of the transmission network to ensure that electricity is always supplied to electricity consumers and that in the event of a fault, it is repaired as quickly as possible.

Services provided by Litgrid:

- **Electricity transmission over high voltage (110-400 kV) electrical installations.** Electricity transmission service means transmission of electricity over high voltage (330 and 110 kV) electrical installations. The transmission system operator (TSO) transmits electricity from producers to consumers that are connected to the transmission network, and to the operators of the distribution networks. The main activities of the TSO include the management of the high voltage electricity transmission network and securing reliable, effective, high-quality, transparent and safe transmission of electricity.
- **System services.** To maintain reliable system functioning, Litgrid purchases from energy generating companies the services for the capacity reserve assurance at the electricity generation facilities, reactive power and voltage management, and emergency, disruption prevention and response services, and provides consumers with system services. The capacity reserve is needed when electricity production suddenly and unexpectedly falls or its consumption increases.
- **Trade in imbalance and balancing electricity.** Litgrid ensures a balance between production and consumption. Imbalance electricity means electricity consumed or generated without compliance to the electricity consumption or generation schedules. Litgrid organises trade in imbalance electricity, buys and sells imbalance electricity that is necessary to ensure the country's electricity production and consumption balance. Balancing electricity is electricity that is bought and/or sold on instruction of the transmission system operator as electricity necessary for performing the function of balancing the country's electricity consumption and production. Litgrid organises trading in balancing electricity by auction. Balancing energy suppliers and transmission system operators of other countries, who are technically able to change electricity production and

consumption modes in a prompt manner, and who have respective contracts with Litgrid participate in the auction.

- **Services under public service obligation (PSO) scheme.** These are the services that ensure and enhance the national energy security and promote integration and use of electricity produced from renewable energy sources. The list of PSO services, their providers and procedures for the provision of PSO services are approved by the Government of the Republic of Lithuania, or an institution authorised by it, having regard to the public interests in the electricity sector. PSO funds are funds that are paid to the providers of PSO services.

Litgrid provides the following PSO services:

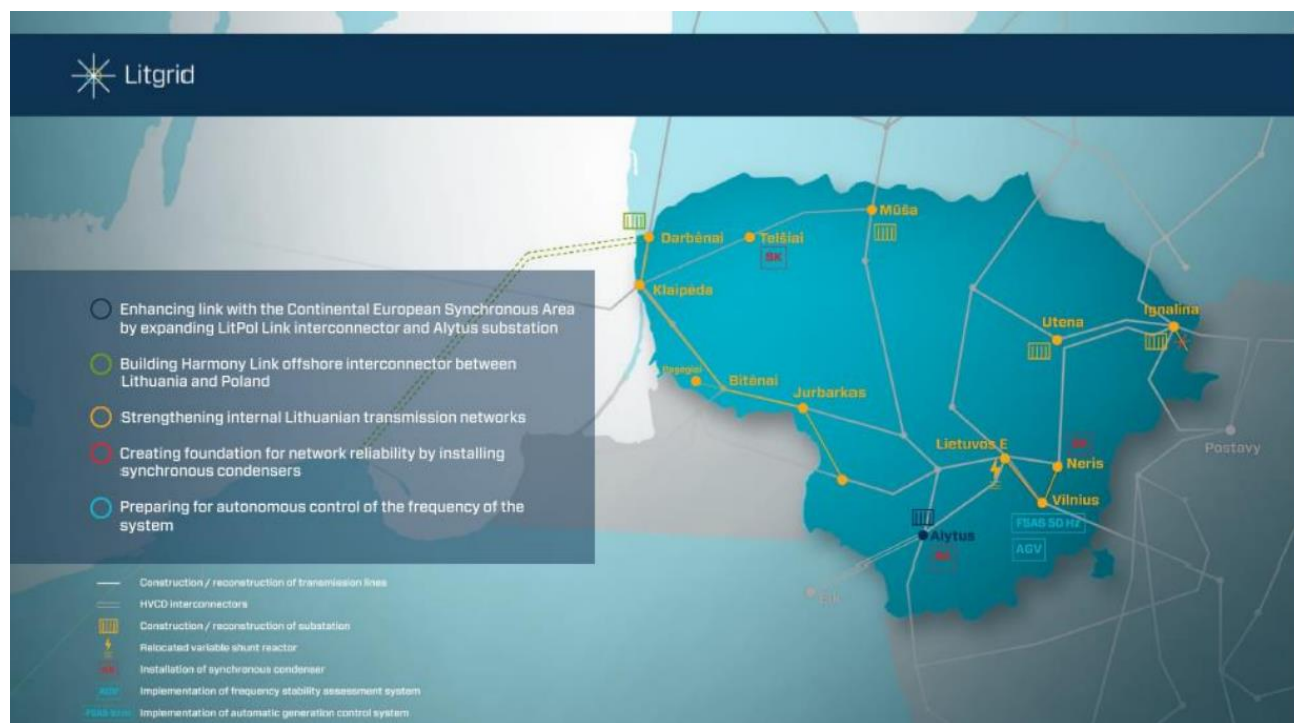
- o connection of power generation equipment that uses wind, biomass, solar energy, or hydropower to the transmission network as well as the transmission network's optimisation, development and/or reconstruction related to the acceptance and transmission of electricity generated by producers that use renewable energy sources.
- o balancing of electricity produced from renewable energy sources.
- o Issuance and withdrawal of guarantees of origin. Guarantee of Origin means a certificate proving that energy is produced from renewable sources. Renewable Guarantee of Origin means a guarantee of origin to certify the origin and quantity of electricity. A guarantee of origin is proof that all or part of the energy has been produced from renewable energy sources. A guarantee of origin for efficient cogeneration, designed to confirm the origin and quantity of electricity produced by a high-efficiency cogeneration process.

Litgrid's direct customers are electricity transmission network users and suppliers of imbalance and balancing electricity.

Transmission network users:

- Distribution network operators ESO and private limited liability company Dainavos elektra, UAB;
- electricity consumers whose electricity installations are connected to the electricity transmission network and who purchase electricity for consumption.
- electricity producers connected to the transmission grid.

Balancing and regulating electricity suppliers mean electricity generating and supplying entities.



Key financial indicators of Litgrid:

	JAN-JUN 2022	JAN-JUN 2021	Change	
			+/-	%
Revenue, thousand EUR	144 686	111 187	33 681	30.3%
EBITDA ¹ , thousand EUR	134	31 813	-31 679	-99.6%
Net profit, thousand EUR	-9 240	17 375	-26 615	-153.2%
Assets, thousand EUR	485 441	408 046	77 395	19.0%
Number of employees	369	318	51	16.0%

1) EBITDA = profit (loss) before tax + finance costs – finance income + depreciation and amortization charges + impairment charges (including a negative revaluation of non-current tangible assets) + asset write-offs

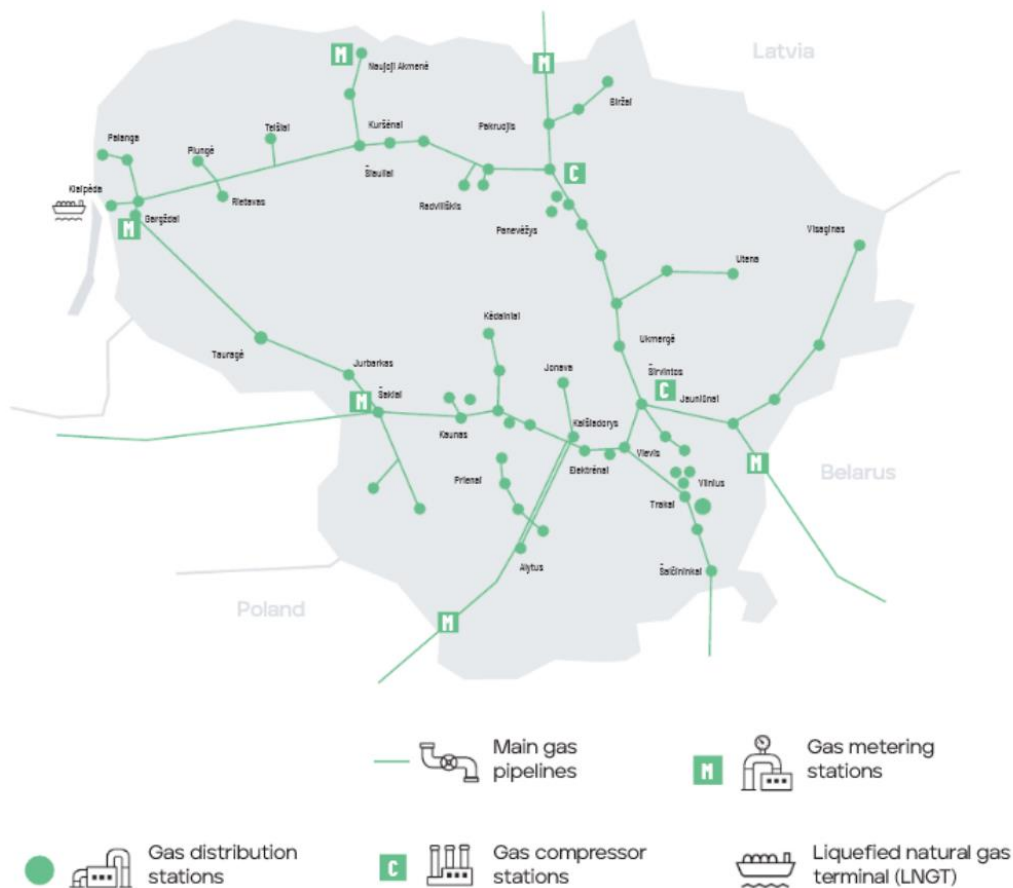
1.3. AMBER GRID

Amber Grid, the Lithuanian gas transmission system operator, ensures the reliable and secure transmission of natural gas to customers through high-pressure pipelines. The company is responsible for the operation, maintenance and development of the network of Lithuania's gas transmission infrastructure, which consists of nearly 2,300 kilometres of gas pipelines, and two gas compressor stations.

Lithuania's well-developed gas transmission infrastructure is convenient for transporting large volumes of energy to the Baltic States and Finland. The company has implemented the strategic energy project GIPL (Gas Interconnection Poland-Lithuania). The international pipeline interconnector, which became

operational on 1 May 2022, not only linked the Polish and Lithuanian gas transmission systems, but also the Baltic and Finnish gas markets with the rest of the European Union. In order to achieve the goals of decarbonisation of the gas sector, Amber Grid is active in finding new technological and market solutions and creating the conditions to adapt the gas transmission system to transport green gas, including hydrogen. Amber Grid also manages the national register of guarantees of origin for gas produced from renewable energy sources (RES).

Gas transmission system in Lithuania



Amber Grid provides system users, other operators and participants of the gas market with natural gas transmission services in the territory of Lithuania: it transmits gas to domestic consumers, as well as transports natural gas to Latvia and Kaliningrad District of the Russian Federation. Gas is fed into the system via the LNG terminal in Klaipėda and gas entry points from Belarus and Latvia. From 1 April 2022, On Lithuania's initiative, gas from Russia will no longer be supplied for domestic needs.

Amber Grid is responsible for balancing gas flows in the transmission system and administering the LNG terminal, its infrastructure, the installation of the interconnector, and the funds to compensate for fixed operating costs and the nominated supplier's reasonable costs of supplying the necessary volume of liquefied natural gas. The Company is actively working with its partners to create conditions for the

efficient functioning of the natural gas market, to increase the competitiveness and liquidity of the gas market, and to ensure attractive conditions for customers to operate on the natural gas market.

Amber Grid administers the national register of guarantees of origin for gas produced from renewable energy sources, i.e. it provides the functions of issuing, transferring and withdrawing guarantees of origin, supervising and controlling the use of guarantees of origin, and of recognising guarantees of origin issued in other countries in Lithuania. Green gas is produced from biomass and other RES. The guarantee of origin is granted for one unit of energy - one megawatt-hour (MWh) delivered to the gas transmission and distribution network. The system of guarantees of origin allows the origin of the biogas produced to be identified, recorded and monitored, and consumers of this fuel can be assured that the gas they consume has been produced from renewable energy sources.

The customers of Amber Grid are the major Lithuanian companies of electricity, district heating generation as well as industrial companies, and the medium-sized Lithuanian business companies, including energy and natural gas supply companies of the Baltic states and the third countries to which the services of natural gas transmission are rendered.

Customers of the Register of Guarantees of Origin for Gas Produced from Renewable Energy Sources are gas producers, gas suppliers, operators of gas transmission systems and gas distribution networks, and other market participants who intend to obtain or already have guarantees of origin.

The Company provides the following services to system users, other operators and gas market participants:

- Gas transmission within the territory of Lithuania;
- balancing gas flows in the transmission system;
- Administration of the funds allocated for the Klaipėda LNG terminal, its infrastructure, the installation of the interconnector and the fixed operating costs, as well as for the reimbursement of the designated supplier's reasonable costs for the supply of the necessary volume of liquefied natural gas;
- administration of the register of guarantees of origin for gas produced from renewable energy sources.

The Company provides the following services to system users, other operators and gas market participants:

- Natural gas transmission within the territory of Lithuania;
- balancing natural gas flows in the transmission system;
- Administration of the funds allocated for the compensation of the reasonable costs of the Klaipėda liquefied natural gas (LNG) terminal, its infrastructure, the installation of the interconnector and the fixed operating costs, as well as for the compensation of the reasonable costs of the supply of the minimum volume of LNG by the designated supplier since 2016;
- administration of the register of guarantees of origin for gas produced from renewable energy sources.

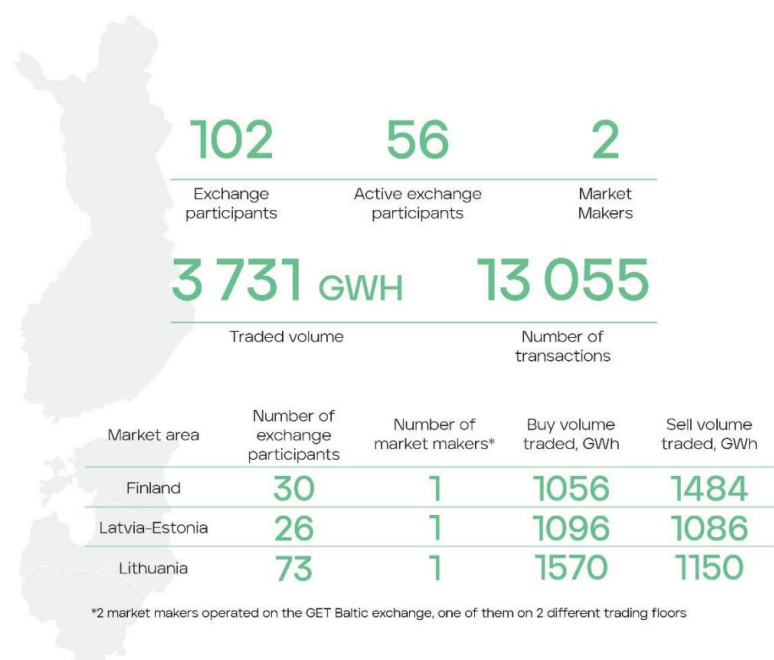
As at 30 June 2022, Amber Grid's services were used by 119 system users (to compare with 106 users in 2021).

GET Baltic

Amber Grid holds 100% of shares of GET Baltic UAB. GET Baltic is a company licensed as a natural gas market operator and organises and develops natural gas trading on the gas exchanges in Lithuania, Latvia, Estonia and Finland. The company operates an electronic trading system for short-term and long-term trading of natural gas products on the Lithuanian, Latvian, Estonian and Finnish market areas. By developing solutions tailored to natural gas trading, GET Baltic aims to increase liquidity, competitiveness and transparency of the wholesale natural gas market in the Baltic States and Finland. Following the establishment of a market area in Finland, GET Baltic will provide a bundled capacity allocation service to Gasgrid Finland Oy, the Finnish transmission system operator, there from 2020. This has facilitated price convergence in the region and facilitated cross-border trade between the Finnish and Baltic natural gas markets.

GET Baltic's activities in the first half of 2022:

- Trade turnover was 3.7 TWh, down 19% compared to the first half of 2021;
- 13,100 transactions, an increase of 10% compared to the first half of 2021;
- 42% of the total volume of gas traded was purchased in Lithuania (1.6 GWh), 29% on the joint Latvian-Estonian market area (1.1 GWh) and 28% in Finland (1.06 GWh);
- The Finnish market area has seen a rapid increase in sales compared to the same period last year, with a 66% increase in natural gas sales this year (H1 2021: 0.9 GWh; H1 2022: 1.5 GWh);
- The cheapest transaction was recorded in February at EUR 70/MWh and the most expensive in June at EUR 200/MWh.



Key financial indicators of Amber Grid group:

	JAN-JUN 2022	JAN-JUN 2021	Change	
			+/-	%
Revenue, thousand EUR	56 497	31 625	24 872	78.6%
EBITDA ¹ , thousand EUR	15 519	17 755	-2 236	-12.6%
Net profit, thousand EUR	7 470	12 482	-5 012	-40.2%
Assets, thousand EUR	383 411	329 268	54 143	16.4%
Number of employees	334	326	8	2,5%

1) EBITDA = profit (loss) before tax + finance costs – finance income + depreciation and amortization charges + impairment charges (including a negative revaluation of non-current tangible assets) + asset write-offs

1.4. BALTPOOL

Baltpool, the operator of the exchange for the energy resources and trade in timber, organises trade, i.e. creates equal conditions for market participants to acquire biofuel and timber under competitive terms and thus ensure the maximum benefit to the consumers and return to the state. The company also organises heat auctions and manages funds for PSO services in the electricity sector.

The target set for the company is to create equal conditions for market participants to purchase biofuel, timber and thermal energy under competitive conditions and thus create conditions for the formation of prices that reflect the relationship between supply and demand. The objective of the administration of the PSO services funds is to ensure transparent administration of the PSO services funds in strict compliance with the statutory requirements.

The Biofuel Exchange currently has more than 500 participants from Lithuania, Latvia, Estonia, Poland, Sweden and Denmark.

Baltpool's main customers by activities performed:

- The key customers **in the activity of the biofuel exchange** are the biofuel buyers (district heating companies, independent heat generating entities and other companies using in their activity the biofuel products traded in the exchange) and biofuel suppliers (manufacturers and suppliers of wood pellets and chips).
- Timber sellers, specifically the State Forestry Enterprise and its territorial subdivisions, are the key customers **in the activity of timber auction organising**. Timber buyers are the companies using timber products in their activity: from timber processing companies to biofuel supply companies.
- The most important customers **in the activity of heat auction organising** are heat supply companies, which are obliged to buy the necessary quantity of heat from independent heat suppliers at heat auctions and independent heat suppliers connected to the heat supply systems and sell heat at the auction.

- The customers in the activity of administration of the PSO funds are the electricity consumers, which as per the valid legal regulation must pay the PSO funds for the electricity consumed by them. The PSO funds are collected from the electricity consumers connected to the distribution network through the distribution network operator. The consumers connected to the networks managed by the transmission system operator transfer the PSO funds directly to the administrator. The energy companies which in accordance with the legal acts render the services of public interest also are the customers of the company, i.e., the services such as generation of electricity from renewable energy sources, the services of electricity generation which is necessary for the ensuring security of electricity supply, and other services stipulated in the description of the procedure of rendering the services of public interest in the electricity sector.

Key performance indicators of Baltpool:

	JAN-JUN 2022	JAN-JUN 2021	Change	
			+/-	&
Revenue, thousand EUR	450	666	-216	-32.4%
EBITDA ¹ , thousand EUR	-191	123	-314	-255.3%
Net profit, thousand EUR	-217	90	-307	-341.1%
Assets, thousand EUR	138 434	48 211	90 223	187.1%
Number of employees	18	17	1	5.6%

1) EBITDA = profit (loss) before tax + finance costs – finance income + depreciation and amortization charges + impairment charges (including a negative revaluation of non-current tangible assets) + asset write-offs

1.5. TETAS

The main activity of Tetas is construction and repair of electrical equipment up to 400 kV. The company also performs construction works: constructs and installs building structures, installs electricity supply and distribution equipment, builds electrical networks, performs the installation of electrical engineering systems for buildings.

In addition, TETAS UAB carries out the installation of fiber-optic cable engineering infrastructure, and has started providing photovoltaic power plant design services and installation works.

The company has a division providing design services, ensuring the provision of high intellectual and value-added services. The Company also provides the market with unique testing and diagnostic services for electrical equipment.

Tetas is one of the companies carrying out the construction of the Physical Barrier on the Lithuanian border with Belarus. By the end of April 2022, the company has built the barrier on the most important sections of the project's approximately 100-kilometre-long first phase. By September 2022, the company will construct the barrier in another 100 kilometres of the second phase of the project.

Key performance indicators of Tetras:

	JAN-JUN 2022	JAN-JUN 2021	Change	
			+/-	%
Revenue, thousand EUR	45 930	12 370	33 560	271,3%
EBITDA ¹ , thousand EUR	265	805	-540	-67,1%
Net profit, thousand EUR	-353	185	-538	-290,8%
Assets, thousand EUR	28 442	11 536	16 906	146,5%
Number of employees	520	394	126	32,0%

1) EBITDA = profit (loss) before tax + finance costs – finance income + depreciation and amortization charges + impairment charges (including a negative revaluation of non-current tangible assets) + asset write-offs

1.6. ENERGY CELLS

Launched in early 2021, Energy Cells will install energy storage facilities with a total combined capacity of at least 200 megawatts and 200 megawatt hours by the end of 2022, in line with the concept of the project, which is in the interest of national security.

These facilities will serve as an instant reserve to ensure the reliable, stable and consumer-friendly operation of Lithuania's electricity system until synchronisation with the continental European grid and, in the future, for the integration of rapidly growing renewable energy sources.

The Government of the Republic of Lithuania has appointed Energy Cells as the operator of the isolated emergency reserve for Lithuania and entrusted it with the management of the electricity storage system.

The new energy storage facilities will use climate-neutral technologies. This will contribute to the country's climate change mitigation goals by reducing the need for the services of generators using conventional energy sources to operate the transmission system.

Key performance indicators of Energy Cells:

	JAN-JUN 2022	JAN-JUN 2021	Change	
			+/-	%
Revenue, thousand EUR	0	0	0	-
EBITDA ¹ , thousand EUR	-273	-171	102	59.6%
Net profit, thousand EUR	-277	-178	99	55.6%
Assets, thousand EUR	26 249	421	25 828	6134.9%
Number of employees	37	11	26	70.3%

1) EBITDA = profit (loss) before tax + finance costs – finance income + depreciation and amortization charges + impairment charges (including a negative revaluation of non-current tangible assets) + asset write-offs

2. OPERATING AND REGULATORY ENVIRONMENT

Europe's biggest challenge for the first half of 2022 is record high electricity and gas prices. The main drivers of electricity price increases are high gas prices and the uncertain gas supply situation in Europe. As Europe faces gas shortages due to the actions of Russia, alternative sources of gas supply and other energy sources for electricity generation are being sought.

High electricity prices prevail in countries where fossil fuel generation dominates. The Baltic Sea region and Norway have lower prices. The high price differentials in the region are due to insufficient capacity between the northern and southern trading zones, especially in Scandinavia, where the northern zones are dominated by low consumption and where most of the generation from hydropower and other renewable sources is concentrated. In contrast, the south of Sweden and Norway has the highest consumption and is dominated by export links to continental Europe

Already in autumn 2021, gas prices started to rise, passing the €100/MWh mark in the last days of December, i.e., 14 times increase in gas prices compared to mid-2020. Towards the end of spring 2022, the gas market normalised and prices started to fall, but the price dynamics changed abruptly because of the Russia's military action in Ukraine that began on 24th of February.

Across Europe, gas prices have reached record levels due to the high uncertainty of gas supplies from Russia and the diversification of Europe's import sources from Russian pipeline gas to liquefied natural gas imports. Ultra-high gas prices in Europe and the Baltic States have remained throughout the first half of 2022 since the start of the Russian invasion of Ukraine.

Electricity and natural gas transmission activities carried out by EPSO-G Group companies and the activities of the operators of energy resources and gas markets are licensed. The licenses grant exclusive rights to render the services of transmission and market operators in the territory of the Republic of Lithuania.

The operators of electricity and natural gas transmission systems, which are part of EPSO-G Group companies, are exclusive in Lithuania entitled to provide these services. They operate under the conditions of a natural monopoly and therefore prices of their activities are state regulated. The tariffs charged for the energy resources belonging to EPSO-G Group and set by gas market operators on trading exchanges are coordinated with the regulatory authority.

The regulatory function and the supervision of the performance of the licensed activity in Lithuania is carried out by the National Energy Regulatory Council (hereinafter - the Council or the NERC).

The financial performance of regulated EPSO-G Group companies, the allocation of necessary operating costs, investments to ensure the reliability of electricity and gas transmission systems, as well as the possibility of financing strategic projects with own or borrowed funds depend directly on the decisions taken by the regulatory authority.

The prices of the transmission of electricity and natural gas are regulated by establishing price and / or revenue caps. The permitted level of income consists of the reasonable required costs, including a return on investment that meets the criterion of reasonableness. The specific service prices that are within the established revenue caps are set by the service providers (operators), while the Council after verification and establishment that they have been calculated in accordance with the NERC pricing and / or tariff

requirements set out in the methodologies (procedures) of operators for calculating prices and / or revenue caps and that they do not discriminate against consumers and are not erroneous, shall approve them.

The price and / or revenue caps of electricity and natural gas transmission are set for the regulatory period of five years (the period duration may be changed by a reasoned decision of the NERC). They may be adjusted in the presence of significant changes of one or several factors, in accordance to which they were established, including the factors of the scope of services, inflation, taxes and other objective factors independent of the operators. The caps of the electricity transmission prices may be adjusted maximum twice a year, while the caps of natural gas prices - once a year.

On 1 January 2022, the transmission prices for electricity and natural gas transmission set by the transmission system operators and approved by the Council, as well as Litgrid's ancillary services acquisition component to the transmission service price (prior to the amendments to the Law on Energy, which became effective on 1 January 2022 - the system services price) (hereinafter referred to as the ancillary services price) for 2022 came into force. The Baltpool biofuel trading fee established by NERC in August 2020, applicable as from 1 September 2020, shall also apply for 2022, extending the application of the price rate, which was applicable before 1 September 2020, only after conversion into other units of energy, as well as other Baltpool rates. The GET Baltic natural gas exchange tariffs agreed with NERC in December 2015 were also in force. For Amber Grid, the revenue cap for 2021 and the prices for 2022 were adjusted, while for Litgrid the price cap for the new regulatory period 2022-2026 and the prices for 2022 were adjusted.

Price rates of the regulated activities of Amber Grid and Litgrid:

The average price of transmission services charged by Amber Grid to Lithuanian consumers in 2022 is one-third or 29% lower compared to the average price charged in 2021 (1.40 Eur/MWh), which is 1 Eur/MWh. The lowest price charged to consumers in 2022 is mainly due to the return on investment for the period of 2019-2020, which is higher than the one set by the Council. The prices for gas transmission services in 2022 were also influenced by the public consultation on the transmission pricing methodology to be applied in 2022-2023, which took place between December 2020 and February 2021, the results of Amber Grid's survey on the commercial use of the GIPL interconnection in 2020, and the launch of the GIPL interconnection in 2022.

Litgrid's average electricity transmission service price of 0.684 ct/kWh, approved for 1 January 2022, is 5.1% lower than in 2021 (0.721 ct/kWh). This change is mainly driven by the forecasted (compared to the 2021 price forecast) electricity transmission volumes to Lithuanian consumers, which are around 10% higher than the 2021 price forecast (a factor that reduces the price cap). It was also influenced by (1) Litgrid's higher return on investment in 2018-2020 than the one set by the Council (a factor reducing the price cap), (2) the level of allowed revenues for 2022 includes changes in the projected costs of the new regulatory period of 2022-2026 of Litgrid: higher forecast costs for technological needs due to the situation in the electricity markets (a factor increasing the price cap), a decrease in the return on investment (WACC) due to the application of the new WACC methodology as from 2022 as well as a decrease in the situation in the financial markets, from 5.34% (2021) to 4.03% (2022) (a factor decreasing the price cap), and other changes in costs.

Litgrid's undifferentiated (average) price for ancillary services - applicable from 1 January 2022 to 31 July 2022 - decreased by 22.7% to 0.589 ct/kWh (compared to 0.762 ct/kWh in 2021). The main reasons for

the change in this price were a forecast increase of around 10% in the amount of ancillary services to be provided (compared to the forecast for the 2021 ancillary services price), and a forecast decrease in the cost of ancillary services of around 15% for 2022 (compared to the 2021 price), mainly due to the lower cost of ensuring the isolated operation of the electricity system and the lower cost of the ancillary services in 2020 (compared to the forecast for the 2020 ancillary services price).

As of 1 August 2022, the non-differentiated (average) price of Litgrid's ancillary services, as approved by the Council Decision of 31 May 2022 and set by Litgrid's Board of Directors, came into force at the rate of 1.723 cents/kWh. The price was recalculated (increased) during the year due to the additional costs of Ignitis gamyba AB related to the purchase of additional gas required to ensure the additional (system) service of the isolated operation of the power system.

On 31 May 2022, the Council approved the natural gas transmission service prices set by the Board of Amber Grid, which will enter into force on 1 January 2023.

It has been confirmed that the average price of gas transmission services for Lithuanian consumers in 2023 will increase by 39% compared to the average price in 2022, and will return to the level of 2021 (when it was 1.40 Eur/MWh). The change in the price in 2023 is due to the Council's approval of an almost 59% increase in the cap on the revenue from natural gas transmission activities for 2023, which is mainly due to the increase in the transmission system's technological costs as a result of the significant increase in gas prices. It was also influenced by lower adjustments returned to the market for excess revenues collected in 2021 and higher compensation to Poland for the implementation of the GIPL project of common interest. The relatively moderate (compared to the revenue cap) price change in 2023 is due to the opening of the new gas interconnector between Lithuania and Poland (GIPL) and to the strong regional demand for access to Lithuania's gas transmission system due to the war in Ukraine caused by Russia and the higher gas flows expected in 2023.

In view of the ongoing discussions between the national authorities of Lithuania, Latvia, Estonia and Finland, the responsible ministries and transmission system operators, with a view to the establishment of a common tariff area between Lithuania and FINESTLAT (Latvia, Estonia and Finland) and the introduction of the Inter-TSO Compensation (ITC) mechanism from 1 October 2023 to 2024, the changes in Amber Grid's transmission price structure are possible. If a decision on the establishment of a common tariff area and the introduction of the ITC mechanism is taken, the related public consultation would be published at a later stage.

Litgrid's cap on electricity transmission revenues and prices will be adjusted and differentiated electricity transmission prices for 2023 will be set by 31 October, and the cap on ancillary services revenues and prices for 2023 will be set by 20 October (in accordance with the Law on Electricity).

The following Baltpool and GET Baltic tariffs (excluding VAT) have been continued and/or introduced from 2022:

• **Baltpool regulated/licensed activities:**

- In 2022, the biofuel exchange trading fee for transactions where biofuel is supplied in Lithuania is EUR 41.27 per 1000 MWh (excluding VAT). This price, set by a decision adopted by the NERC in August 2020 and applicable as from 1 September 2020, corresponds to a price of EUR

0.48/tonne applicable until 1 September 2020, when it was extended as from 1 September 2020, and converted into other units, i.e. MWh;

- Timber exchange fee of 0.12% of the value of timber sales and purchases made in EMPS (Electronic Timber Trading System) in 2022;
- as of 1 December 2021, the heat auction segment trading fee of EUR 15.65 per 1000 MWh for the specified amount of heat entered into force;
- From 15 January 2022, the fee of the settlement system for fuel from renewable energy sources (FRES) of EUR 0.017 per thousand FRES settlement units (new Baltpool activities were launched - administration of the FRES system) was applied.

• **Baltpool's unregulated activities:**

- The fee of trading on the biomass exchange in 2022 when biofuels are supplied outside Lithuania - 0.5% of the transaction value.

• **GET Baltic:**

- Annual membership fee for 2022 - fixed fee for a calendar year is EUR 5,000/year for Plan No. 1 and EUR 0/year for Plan No. 2;
- Variable trading fee in 2022 for the amount of a product purchased and/or sold on the exchange is EUR 0.08/ MWh for Plan No. 1 and EUR 0.12/MWh for Plan No. 2 (the above fees are the fees approved by the decision of the NERC as of December 2015, applicable from 2016).

Detailed information on the fees of other services provided by GET Baltic (including REMIT data provision services, data exchange services, etc.) is published on GET Baltic's website: https://www.getbaltic.com/wp-content/uploads/GET-Baltic-paslaug%C5%B3-%C4%AFkainiai_20220701.pdf.

Energy cells:

The activities of Energy cells, as the designated storage system operator (hereinafter - DSO), during the period of the DSO designation - until the interconnection of the electricity system of the Republic of Lithuania with the electricity grids of continental Europe (until the completion of the synchronisation project), including the prices of the services are regulated by the state. The cost of the isolated operation reserve service to be provided by Energy Cells is to be included in the price of Litgrid's ancillary services. The relevant decisions on the price of the isolated operation reserve service and its inclusion in the price of Litgrid's ancillary services are expected to be taken by NERC in the second half of 2022, in accordance with the applicable legislation.

Other:

- In early June 2022, NERC approved an updated description of Litgrid's Procedures for the Use of Electricity Transmission Networks by Electricity Producers (hereinafter "PETA"), which aims to improve the clarity of the procedures for the reservation of capacity on electricity networks (e.g., by clarifying the cases in which the Letter of Intent and the reservation of capacity and capacity are invalidated and by specifying that the Pre-Conditions for Pre-existing Connections and the Letter of Intent are not transferable and by adding exemptions for when the transfer is possible).

In the context of the so-called RES "breakthrough package", PETA is furthermore planned to be revised and submitted to NERC for coordination in the third quarter of 2022;

- Contracts with service providers signed in June and July 2022 for work on linking the electricity balancing markets and the development of a new balance service management system.
- In Q1-2022, the methodology for reserving electricity capacity for balancing purposes, the market concept for the Automatic Frequency Restoration Reserve (aFRR) market, and the rules for the Baltic electricity balancing capacity market were prepared. A public consultation on these is planned for the second half of 2022;
- from 1 June 2022 The Baltic electricity transmission system operators have terminated their contracts with the party responsible for the balance of electricity - Inter RAO Lietuva.

3. OPERATIONAL STRATEGY AND GOALS

The EPSO-G Strategy 2030, adopted in 2021 and updated annually, defines the Group's vision, mission, values, strategic directions, objectives and expected financial and other performance indicators until 2030. These elements enable the EPSO-G Group to ensure sustainable and efficient energy exchanges and to fulfil its mission for the identified key stakeholders - consumers, producers and suppliers, the founder, society and employees (each other). The strategy was developed in the context of the letter on the State's objectives and expectations for EPSO-G, which was approved by the Minister of Energy on 3 May 2021.

3.1. Mission, vision and values

EPSO-G plays a key role in ensuring a streamlined and secure Lithuania's transition to the energy system integrating high-volume RES, enabling decarbonisation of the sector, initiating system interconnection projects and facilitating climate-neutral energy exchange.

EPSO-G vision – to enable the security, integration and transformation of the Lithuanian energy sector.

EPSO-G mission – to enable a sustainable and efficient energy exchange.

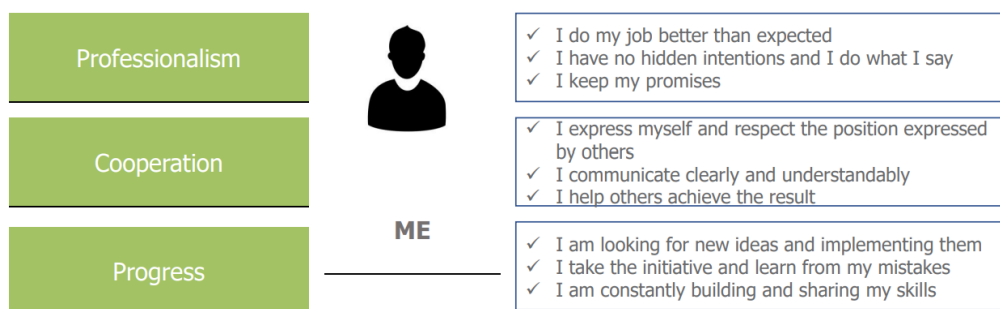
Implementation of the mission, pursuit of the vision and all activities of EPSO-G Group are based on the fundamental human and professional values: professionalism, cooperation, and progress.

EPSO-G values:

Professionalism- we strive for every employee in the group to be recognized and be able to grow as a professional in their field of activity. We understand what an important role professional knowledge, hands-on experience, and continuous learning play in terms of the results of the Group and ensuring continuity of activity.

Cooperation - we emphasize sincere and constructive cooperation with each other which makes it possible to pursue the goals set in a concerted manner.

Progress - openness to new business practices and ideas promotes the creation, renewal, implementation of meaningful changes and leads us forward.



3.2. Operational strategy

EPSO-G's activities are seen through the platform's business model with the following key features: enabled value-creating interactions between suppliers and consumers; an open, participatory infrastructure for those interactions and common rules. Therefore, the Group's activities create a sustainable, transparent ecosystem based on uniform standards, which facilitates the exchange between producers/suppliers and consumers and creates value for society through the empowerment of sustainable energy choices and its contribution to the country's competitiveness.

EPSO-G mission - to enable a sustainable and efficient energy exchange. To carry out its mission, EPSO-G undertakes the following:

- **For consumers** – to develop a reliable and transparent platform offering a wide range of energy purchasing options at competitive prices;
- **For producers and suppliers** - to develop a reliable and transparent platform for the easy and fast sale of energy products in a liquid market;
- **For the founder** - to ensure a balanced and integrated energy exchange system;
- **For society** – to promote climate-neutral energy choices in pursuit of Lithuania's long-term economic competitiveness;
- **For each other** – to build an open and progressive team living up to the energy of the future.

EPSO-G vision - to enable the security, integration and transformation of the Lithuanian energy sector. Accordingly, the directions for the implementation of the vision till 2030 are as follows:

- **For consumers** – a consumer-oriented organization creating new opportunities;
- **For producers and suppliers** – a developed liquid regional market and an infrastructure attractive for investment in energy production;
- **For the founder** – an integrated development of the Lithuanian energy system;
- **For the society** – targeted reduction of the environmental impact of activities and energy systems adapted to the decarbonization of the energy sector;
- **For each other** – recognized regional future energy leaders.

3.3. Progress in implementing the strategy

For consumers: a consumer-oriented organization to create new opportunities.

The strategy aims to create a common natural gas transmission tariff zone for Lithuania, Poland, Latvia, Estonia and Finland to ensure competitive natural gas prices. Lithuania continues to engage in discussions with its regional partners with a view to achieving the participation of all countries in the common gas market on mutually beneficial and balanced terms. If agreements are reached between the countries of the region, Lithuania will join the FINESTLAT (Finland, Estonia and Latvia) tariff area in 2023-2024.

The consistent expansion of the commercialisation of the GIPL point and the improvement of the pricing of the GIPL entry-exit point are also expected to bring significant benefits to Lithuania and the whole East Baltic region. The interconnector has been physically operational since the planned date (1 May 2022) and is used for gas transport in both directions. In June, GIPL utilisation rates increased: 1 TWh of gas was transported to Poland (0.5 TWh in May), and 0.5 TWh was transported from Poland to Lithuania (0.03 TWh in May). Capacity was booked through monthly, daily and current daily products. An annual (15 years ahead) capacity auction was also held at the beginning of July and GIPL capacity was booked for the coming gas year. It should be noted that the 2024 pricing, including the issue of discounts at the GIPL point, is expected to be consulted (if necessary) in Q4 2022, when it will be possible to take stock of actual GIPL usage in 2022.

Given consumer demand for energy choice, including from RES, it is important to create a wide range of options for trading certificates of origin. The national registers of guarantees of origin for electricity and gas produced from RES are managed by Litgrid and Amber Grid respectively. The latter continues to participate in the international project REGATRACE (REnewable GAs TRAdE CEntre in Europe) to establish a European scheme for the operation of a registry of guarantees of origin for biomethane and other renewable gases and to stimulate the development of the green gas production and market, which is scheduled to end in November 2022. The Baltic Gas TSOs have decided to continue their work on the harmonization of the rules for the exchange of Guarantees of Origin (GOs), which has started in the region, through the Association of Issuing Bodies.

For producers and suppliers: a developed liquid regional market and an infrastructure attractive for investment in energy production

Over the next decade, the set strategy will aim at maintaining a high level of reliability in transmission systems and digitizing technological assets. This is relevant for all participants of the platform, the key stakeholders identified. Accordingly, we see transmission reliability indicators annually set by the NERC as strategic KPIs. In the electricity sector, the AIT (average interruption time) in the first half of 2022 was 0.28 minutes and the ENS (energy not transmitted) was 8.241 MWh. The National Energy Regulatory Board has set the AIT for the whole year at 0.934 minutes and the ENS at 27.251 MWh. In the gas sector, there were no unplanned outages in the first half of the year due to operator liability.

An ambitious vision developed by the National Energy Independence Strategy (NEIS) foresees 45% of RES in final electricity consumption by 2030. According to Litgrid's updated ten-year network development plan for 2022-2031, with the expansion of renewable energy sources and more ambitious RES development targets, the share of RES in consumption is expected to reach around 94% in 2031. If

the national RES development targets of 7 GW (3.6 GW onshore wind, 1.4 GW offshore wind in the Baltic Sea, 2 GW solar) are successfully met, Lithuania's deficit balance would become surplus. Therefore, much attention is being paid to assessing the adaptability of the grid to the integration of renewable energy sources and the deployment of energy storage technologies.

The 200 MW energy storage system project, scheduled for completion later this year, will also contribute to a smoother integration of RES, with the main objective of ensuring the national security of the electricity system at the start of its operation, and of providing flexibility and other services in the later phase, after 2025.

For society: targeted reduction of the environmental impact of activities and energy systems adapted to the decarbonization of the energy sector

The Group's goal by 2030 is to reduce the environmental impact of activities by 2/3. This year, an analysis of the significance of impacts at EPSO-G Group and Group company level has been carried out, a final GHG inventory report has been prepared, and recommended measures have been put in place to reduce emissions from the Group's operations to the target level. Following the inventory, the Group's companies started to prepare mitigation plans, focusing first on GHG emission reduction measures for the most significant emission sources. A Group-wide Supplier Code of Conduct is also being prepared, which will define the main environmental, social, business ethics and anti-corruption requirements that suppliers and sub-suppliers of the EPSO-G Group will be required to comply with.

For each other: recognized regional future energy leaders

The EPSO-G Group having an extensive know-how on international projects employs a large number of highly qualified staff. The development of a sustainable employer-employee partnership aims to strengthen and further nurture corporate governance and energy competencies that will be relevant to the strategic goals relating to the implementation of strategic projects under the NEIS, decarbonisation, cross-sectoral integration of energy systems, to become and remain competitive in order to significantly increase the share of the Group's revenue from unregulated activities and the expansion of foreign markets. This year saw the launch of a review of the remuneration and motivation system, a study of organisational culture and the development of a programme for cultural change in EPSO-G.

The Group aims to increase the percentage of revenues from non-regulated activities and foreign markets in its revenue structure, with a target of 24.8% in 2022 (half-year result: 13.3%).

For the founder: an integrated development of the entire Lithuanian energy system

We believe that the Group's companies play an important role in enabling the smooth transformation of Lithuania's energy sector into a green energy system. In the first half of the year, the preparation of the Lithuanian Hydrogen Roadmap to 2050 and the Development Plan was completed. Together with the Baltic and Finnish gas transmission system operators, the Group company Amber Grid prepared last year a research and development plan to identify the technical feasibility and required investments for the

transport of hydrogen and the hydrogen-gas mixture in the region, with the first phase to start by the end of 2022.

Promoting the integration of the different sectors is an important aspect of the Group's strategy to achieve an optimal balancing of the system. A pilot demonstration project was initiated with partners to integrate the power-to-heat sector - study contract signed in the first half of the year and project plan prepared and approved.

3.4. Operational and financial goals

Based on the operational directions stated in the Shareholder's Letter of Expectations and approved in the strategy of EPSO-G, the Board set the following operational goals for the holding company for 2022.

Operational goals of EPSO-G for 2022

No.	Annual goal	Indicator forecast to be achieved	Weight of the goal (%)	Units of measure
1.	Management of the implementation of strategic projects of the Group companies	<ol style="list-style-type: none"> 1) Signature of the contract for the procurement of the Harmony link cable - weight 20% 2) Timely implementation of the guidelines and completions for the synchronisation with CEN program projects - weight 50% 3) Timely implementation of the electricity storage facilities (200 MW) project – weight 15% 4) Commercial use of the GIPL project - weight 15% 	20%	%
2.	Implementation of the project for installation of physical barrier on the border with Belarus in the planned capacity	Completion of the project on September 1 - signing of the completion act between the State Border Guard Service under the Ministry of Interior of the Republic of Lithuania and EPSO-G.	10%	%
3.	Strengthening the reliable operation of the electricity system of the Republic of Lithuania	<ol style="list-style-type: none"> 1) Preparation and implementation of a test plan for isolated operation of the power system of the Republic of Lithuania - weight 70% 2) Preparation for an initial test of isolated operation of the Baltic power systems - weight 10% 3) An initiated desynchronisation readiness project to ensure the implementation of the necessary technical measures - weight 20% 	20%	%

4.	Enabling energy transformation	<ol style="list-style-type: none"> 1) Preparation of the Lithuanian energy transformation study - weight 40% 2) Implementation of the first offshore wind farm project according to a plan agreed with the shareholder – weight 40% 3) Preparation of a roadmap and development plan for hydrogen development in Lithuania - weight 20% 	20%	%
5.	Increasing the value of the holding company	<ol style="list-style-type: none"> 1) Sustainability practices implemented at Group level, covering environmental, social and governance areas - weight 10% 2) Sustainable solution regarding the repayment of debt to Ignitis Group - weight 20% 3) Implementation of the action plan for the renewed corporate model - weight 20% 4) Preparation of a strategy and action plan for the development of unregulated activities - weight 50% 	20	%
6.	Creating an open and progressive team	<ol style="list-style-type: none"> 1) Implementation of the cultural change programme in EPSO-G Group – weight 50% 2) Revision of the remuneration and motivation system of the Group employees - weight 50% 	10	%

The Chief Executive Officer of EPSO-G is accountable to the Board for the achievement of the goals set. The Company's financial and non-financial goals are identical to those of the CEO of EPSO-G.

The Board of the holding company annually evaluates the achievement of the goals set. The result determines the amount of the variable pay component of remuneration, which does not exceed the proportion established in the remuneration policy.

3.5. Transmission network development

Whilst respecting the right of stakeholders to assess in advance the impact of projects developed in the near environment on their economic and social interests, the companies of EPSO-G Group, which are the transmission system operators, annually update and publish ten-year network development plans.

3.5.1. Electricity transmission network development plan

In the first half of 2022, Litgrid updated the Development Plan for the 400-110 kV Networks of the Lithuanian Power System 2022-2031. It contains forecasts of electricity capacity and energy consumption needs, power plant (generation facility) capacities, an assessment of the adequacy of the electricity system, forecasts of the electricity market and system power capacities and energy balances, as well as information on the electricity transmission network, its development and rehabilitation, innovations being introduced and planned investments.

The Ten-Year Transmission Network Development Plan provides the following:

- Investments required for the development of the electricity transmission network may total to around EUR 2 billion for 2022-2031. More than half of the planned investments will be devoted to the efficient development and systematic renewal of the network, to physical and information security, to the development of information systems and to research and innovation. The other part of the investment (around 40%) will be for the implementation of strategic national projects. The implementation of the projects foreseen in the ten-year network development plan will result in a reliable and stable operation of the Lithuanian EES, even distribution of power flows in the eastern and western directions of the Lithuanian EES, maintenance of the power quality and system reliability indicators (AIT and END) at the set level, and the existing age of the transmission network, while allowing for a greater integration of RES;
- During the preparation for connection to Europe, synchronization-related projects will be completed: the construction of the submarine electricity link with Poland Harmony Link; in addition, internal electricity transmission lines with the length of around 430 km will be built, two new 330 kV switchgears, new synchronous compensators, and EES frequency stability assessment, automatic generation control systems, Statera and others will be installed;
- In addition to the network's development to ensure connection to Europe, Litgrid plans to construct more than 300 km of new lines in order to secure reliability of the electricity network. The construction of the new 330 kV power transmission line Darbėnai-Mūša-Panevėžys will account for most of this length. This line is needed to assess the security aspects of the Lithuanian EES in the scenarios of emergency synchronous operation with Poland or isolated operation, especially after desynchronisation and disconnection of all lines with Russia and Belarus, the need to connect the eastern and western parts of Lithuania's EES in order to increase national energy security, to enable the integration of offshore wind and onshore RES, the potential of which is particularly high in the western part of the system, and to maintain and increase the level of integration in the electricity market with Latvia. It is also planned to complete, continue or start the reconstruction of about 116 330-110 kV substations between 2022 and 2031;
- It is projected that the final electricity consumption will increase by 4% annually on average over the upcoming ten years and will reach 18.7 TWh in 2034 (2021: 12.8 TWh). The biggest increases in electricity demand over the next decade will come from the electrification of the transport sector

(in particular the electrification of railways, the development of electric vehicles, and the increase in the number of heat pumps) and the electrolysis (hydrogen production) industry, which is projected to increase the curve of electricity consumption by as much as 13% in 2030;

- The number of electric cars may total to around 280 thousand in 2031 in the country, and they will consume around 600 Gwh of electricity per year. By comparison, at the end of 2021, there were about 4,841 electric vehicles in Lithuania. According to Litgrid, the increasing number of EVs will not cause any problems for the transmission system, as the transmission system will be ready for it;

Litgrid's Ten-Year Electricity Transmission Network Development Plan is available at Litgrid's [website](#).

3.5.2 Gas Transmission Network Development Plan

In June 2022 m. Amber Grid has prepared and submitted to NERC a Network Development Plan for 2022-2031. The ten-year plan estimates that:

- the value of investments in development projects of the gas transmission network in the next decade will amount to EUR 264 million.
- Lithuania's gas consumption is projected to remain stable over the next ten years, and there is an opportunity to transport gas in new directions through a gas pipeline between Poland and Lithuania.
- Given the geopolitical situation, Russia's acts of war in Ukraine, the resulting Western sanctions and Russia's refusal of natural gas, gas flows through the Klaipėda LNG terminal and the cross-border interconnection points with Latvia and Poland are expected to intensify.
- The Network Development Plan sets out the main directions for the development of the transmission system, including a focus on innovation and green energy development.

More information on the planned investments will be available on the Company's website as soon as the NERC approves the plan (until then, the document is available in [Public consultations section on the website of NERC](#)).

4. OVERVIEW OF ACTIVITIES

4.1. Significant events during the reporting period

January

On 6 January 2022, Rolandas Zukas, CEO of EPSO-G, has left the Group. The Board of Directors appointed Algirdas Juozaponis, the company's Chief Financial Officer, as interim CEO.

On 27 January 2022, the Coordination Committee of the Connecting Europe Facility (CEF) of the European Union's Infrastructure network fund has awarded top marks to the joint application of the Lithuanian, Latvian, Estonian and Polish TSOs, paving the way for the largest possible funding of €170 million. This funding will ensure the continued smooth implementation of key infrastructure projects and allow the Baltic electricity systems to start operating independently on the same frequency as Poland and other continental European countries as early as 2025.

On 27 January 2022, Litgrid has completed testing of the first 1 MW battery connected to the electricity transmission grid in the Baltic States. The data collected during the tests is important for preparing the Lithuanian electricity transmission grid for synchronisation with continental European grids, ensuring system reliability and the rapid development of renewable energy in the country.

February

On 1 February 2022, Amber Grid has launched the selection of a strategic partner for its subsidiary's regional gas exchange GET Baltic. The aim of the partnership is to exploit the potential of the opening European gas market and to enable GET Baltic to offer its customers the most advanced gas trading solutions.

On 10 February 2022, Amber Grid has signed a EUR 2.8 million contract with MT Group, the winner of the public tender, for the reconstruction of the Kiemėnai Gas Metering Station, one of the ELLI project's contract works.

On 28 February 2022, Robertas Vyšniauskas, an independent member of EPSO-G's Board, has been elected Chairman of the Board. Gediminas Almantas, the current Chairman of the Board, will continue to serve on the Board until the end of its term in 2023.

March

On 2 March 2022, Litgrid and other Baltic transmission network operators have taken the decision to reduce commercial flows from Russian networks. The operation of the electricity system will be ensured by domestic generation in Lithuania and imports from strategic partners in the European Union through existing interconnections with Sweden, Poland and Latvia.

On 31 March 2022, EPSO-G repaid the balance of €84 million of its debt to Ignitis Group ahead of schedule, thus fulfilling its obligations in exchange for shares in the transmission operator Litgrid. Previously, the final repayment of the debt was scheduled for autumn 2022.

April

On 2 April 2022, Lithuania's gas transmission system started operating without Russian gas imports at the beginning of April.

On 11 April 2022, Tetas, the energy infrastructure development and maintenance company, has announced the selection of its CEO. The selection follows the resignation of the company's previous CEO, Gediminas Mažeika, who left the company.

On 15 April 2022 Energy cells has been awarded €87.6 million in funding. The funding comes under the European Union's (EU) Recovery and Resilience Facility (RRF).

On 26 April 2022, Moody's Investors Service has assigned EPSO-G a Baa1 credit rating with a stable outlook.

May

On 5 May 2022, the Lithuanian-Polish gas pipeline GIPL was officially launched, breaking the energy isolation of the Baltic States and Finland and integrating the countries into the EU's gas network.

On 9 May 2022, EPSO-G has announced the appointment of Ramūnas Abazorius, Braitin Fund Manager and Head of Akmenės Free Economic Zone Management, and Tomas Daukantas, Head of the Legal and Personnel Group at the Ministry of Energy, as new members of the Board of Directors. Both new Board members were appointed following the selection process announced earlier this year for the positions of independent and shareholder delegate.

On 18 May 2022, at the first board meeting of Energy Cells, Viktoras Baltuškonis, a member of the board delegated by EPSO-G, was elected the chairman of the board. The Energy cells Board, which started its work in April, also includes Darius Klimašauskas, an independent member of the Board, and Dovilė Kapačinskaitė, who was elected to the position of civil servant member of the Board.

On 23 May 2022, Nord Pool, the electricity exchange operator, has decided to suspend the trading of Russian electricity by companies of the Inter RAO group, which are the only ones importing electricity from Russia to the Baltic States. Since then, Russian electricity is no longer imported to Lithuania.

June

On 1 June 2022, EPSO-G launched a sustainability-related bond issue, raising €75 million. This is the first sustainability-related bond issue in the Baltics. The five-year bonds were purchased by institutional investors from Lithuania, Latvia, Estonia and Sweden. The European Bank for Reconstruction and Development bought almost a third of the issue for EUR 22.5 million.

On 15 June 2022, Sustainability-related bonds issued by EPSO-G have been listed on Nasdaq's Baltic Debt Securities List. This is the first sustainability-related bond issue in the Baltics.

On 29 June 2022, Energy cells started the installation of the first battery parks in the Baltic States with the burial of a symbolic capsule. Preliminary construction work has started on the substations in Vilnius, Šiauliai, Alytus and Utena, and most of the system's storage equipment has already arrived in Lithuania.

Important events following the reporting period

July

On 1 July 2022, The Board of EPSO-G has appointed Mindaugas Keizeris as the new CEO of the Group, who will take up his office on 22 August. The new EPSO-G CEO will continue the implementation of the Group's long-term strategy and the strengthening of Lithuania's energy independence as set out in the strategy.

On 11 July 2022, Ramūnas Papinigis has joined Tetas as CEO.

On 12 July, 2022 EPSO-G Group companies Amber Grid, Litgrid and Tetas have signed a cooperation agreement with Lithuanian universities and colleges and have allocated more than EUR 100,000 for scholarships for engineering students. The aim of this step is to address the issue of attracting specialists needed for the transformation of the Lithuanian energy sector. Companies estimate that the need for energy engineering specialists will more than triple by 2030.

4.2. Performance indicators

In the first half of 2022, the activities of the EPSO-G Group were significantly affected by the particularly rapid rise in energy prices and the geopolitical situation related to the war in Ukraine.

In the first half of 2022, 5,306 gigawatt hours (GWh) of electricity were transmitted through the country's high-voltage transmission networks to meet the needs of the country's residents and businesses, a decrease of 1.5% compared to the same period last year.

In the first half of this year, the AIT (average interruption time) indicator was 0.26 minutes and the ENS indicator was 8.241 MWh, compared to 2.823 MWh last year. The National Energy Regulatory Council has set the AIT for the whole year at 0.934 minutes and the ENS at 27.251 MWh.

The overall availability of the interconnectors with Sweden (NordBalt) and Poland (LitPol Link) in the first half of the year was 100% and 96.7% respectively. The main contributor to the unavailability of LitPol Link was the planned work on one of the main synchronisation projects with the continental European grids - the extension and adaptation of the link with Poland to synchronous operation.

Key performance indicators of the EPSO-G Group:

Performance indicators	JAN-JUN 2022	JAN-JUN 2021	Change		JAN-JUN 2020
			+/-	%	
Electricity					
Quantity of electricity transmitted, GWh	5 306	5 385	-79	-1.5%	4 932
ENS (electricity not supplied due to interruptions), MWh *	8,241	2,823			4,052
AIT (average interruption time), min. *	0,264	0,099			1,138
Availability of NordBalt, % **	100%	98%			95%
Availability of LitPol Link, % **	97%	82%			98%
Natural gas					
Quantity of gas transported to the domestic exit point, GWh	9 564	14 707	-5 143	-35.0%	12 556
Quantity of gas transported to adjacent transmission systems, GWh***	22 715	14 371	8 344	58.1%	14 877
Turnover of the natural gas exchange, GWh	3 721	4 559	-838	-18.4%	3 854
Biofuel					
Quantity of biofuel traded on the energy exchange, GWh	2 719	2 232	487	21.8%	2 631

* Only for the reasons falling within the responsibility of the operator and for unidentified reasons.

** Overall availability of the LPL/NB interconnection - availability of the interconnection on both the Lithuanian and the other side

*** Transmission systems of Latvia and the Kaliningrad Region of the Russian Federation.

In the first half of the year, 9.6 TWh of gas was transported to the internal release point for Lithuanian consumers. Compared to the same period in 2021, when 14.7 TWh of gas was transported, the transmission volumes decreased by 35%.

In the first half of the year, 7.8 TWh of gas was transferred from the Lithuanian transmission system to Latvia via the Kiemėnai gas metering station, which is 14 times more than in the first half of 2021 (0.55 TWh).

In the first half of the year, 1.5 TWh of gas was transferred from the Lithuanian transmission system to Poland via the Santaka gas metering station, which became operational this year. During the reporting period, 13.3 TWh of gas was transported to the Russian Kaliningrad region (13.8 TWh in the corresponding period in 2021).

In the first half of the year, 13 TWh of natural gas was injected from the Klaipėda LNG terminal into the gas transmission system operated by Amber Grid for consumers in Lithuania and EU countries (Latvia, Estonia, Finland), 2.5 TWh was transported from Latvia to Lithuania, 0.5 TWh was transported from Poland to Lithuania, and 3.1 TWh from Belarus. The Klaipėda LNG terminal supplied 68.1% of the total required gas to consumers in Lithuania and other EU countries.

The trading turnover of Amber Grid's subsidiary, the gas exchange GET Baltic, reached 3.7 TWh in the first half of the year. Compared to the first half of 2021, the trading volume decreased by 18%. In total, 13,000 transactions were made, or 10% more than in the same period last year.

In 2022, centralised Lithuanian heating companies, independent heat producers and industrial companies purchased 2,719 GWh of biofuels on the Baltpool energy exchange. This is an increase of 21.8% compared to the same period in 2021.

4.3 Financial indicators

Financial indicators, thousand EUR	JAN-JUN 2022	JAN-JUN 2021	Change		JAN-JUN 2020
			+/-	%	
Revenue	243 739	150 866	92 873	61,6%	132 446
Operating expenses	247 799	119 988	127 811	106,5%	112 628
EBITDA ¹	13 659	48 422	-34 763	-71,8%	36 961
Net profit	-4 514	27 953	-32 467	-116,1%	19 580
Assets	1 007 641	785 296	222 345	28,3%	707 791
Non-current assets	669 519	627 027	42 492	6,8%	599 443
Current assets	338 122	158 269	179 853	113,6%	108 348
Equity	265 773	259 852	5 921	2,3%	212 533
Liabilities	741 868	525 444	216 424	41,2%	495 258
Net debt	122 667	301 063	-178 396	-59,3%	336 964
Financial ratios					
EBITDA margin ³	5.6%	32.1%			27.9%
Total assets turnover ratio ⁴	24.2%	19.2%			18.7%
Net debt to equity ratio	46.2%	115.9%			158.5%
Equity to assets ratio	26.4%	33.1%			30.0%

1) EBITDA = profit/(loss) before tax + finance costs – finance income + depreciation and amortisation expenses + impairment expenses of assets (including a negative revaluation of property, plant and equipment) + write-offs of assets

2) Net debt = non-current borrowings + current borrowings + lease liabilities + liability to Ignitis UAB for the acquisition of shares of Litgrid AB – short-term investments – term deposits – cash and cash equivalents

3) EBITDA margin = EBITDA / Revenue

4) Total assets turnover = revenue/assets

Revenue

In the first half of 2022, the consolidated revenues of the EPSO-G Group increased by 61.5% compared to the same period in 2021, from EUR 150.9 million. to EUR 243.7 million.

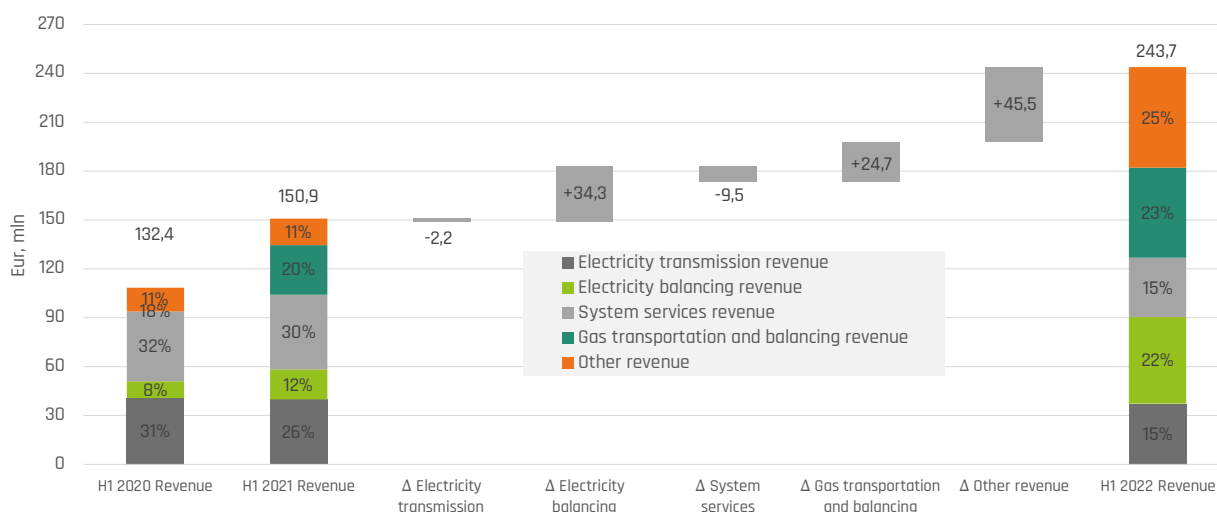
Transmission revenues decreased by 5.6% to €37.5 million compared to the first half of 2021. The decrease in revenue was due to a 4.2% decrease in the average actual transmission price and a 1.5% decrease in the volume of electricity transmitted, which amounted to 5 306 million kWh.

Imbalance and balancing electricity revenues increased 2.8 times to €53 million on the back of 3.1 times increase in the average selling price and a 9.1% decrease in sales volumes.

In the first half of 2022, the Group's revenues related to natural gas transmission amounted to EUR 56.5 million, an increase of 78.6% compared to the first half of 2021. Transmission services for the transport of natural gas generated revenues of EUR 29.3 million (EUR 27.1 million in the first half of 2021). The dramatic increase in revenues was driven by revenues from system balancing products, which amounted to €25.9 million in H1 2022 (€3.4 million in H1 2021, an increase of 7.5 times). Both balancing volumes and gas prices increased. With the interruption of natural gas imports from Russia, the Klaipėda LNG terminal has become the main entry point for gas in the Baltic region, resulting in a redistribution of flows. More gas is transported towards Latvia and, from May 2022, towards Poland. Transporting gas to adjacent transmission systems has increased revenues and changed their structure.

Revenues from balancing, natural gas exchange activities and LNG terminal administration also increased compared to the first half of 2021. Balancing revenues increased due to higher gas prices and GET Baltic's continued successful trading on the natural gas exchange and all its markets.

Other income of the Group amounted to EUR 61.7 million or 25.3% of total consolidated income. Of this, EUR 33.6 million is attributable to the revenue from the construction of the physical barrier by Tetras.

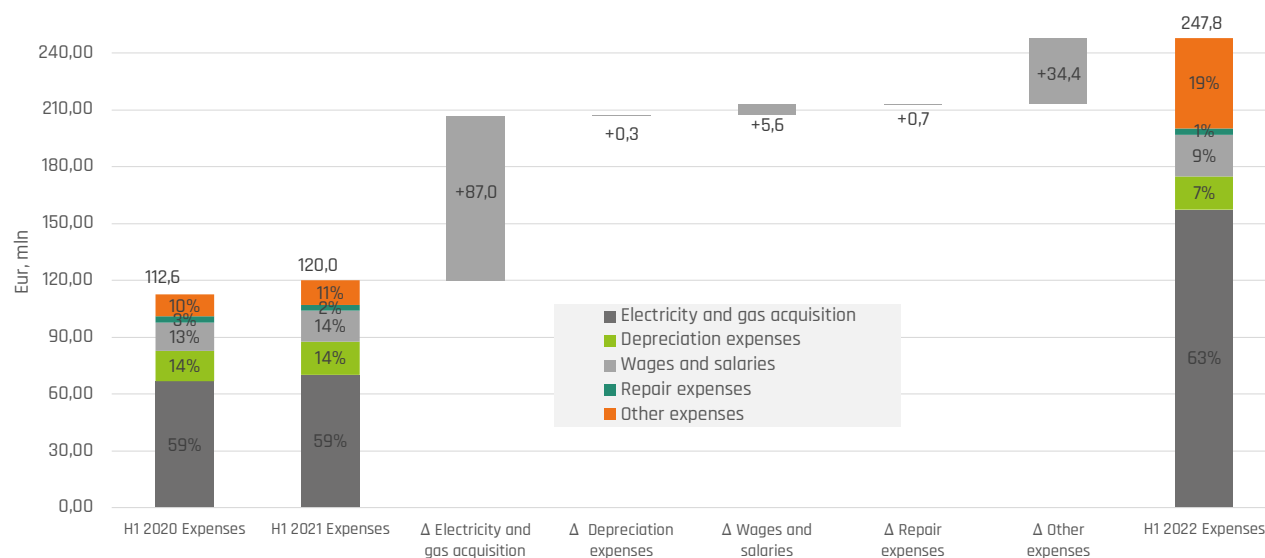


Operating expenses

The Group's operating expenses for the first six months of 2022 amounted to EUR 247.8 million. Compared to the same period in 2021, costs were EUR 120 million or 106.5% higher.

The largest share of operating costs and the most significant overall increase was attributable to the purchase of energy resources and related services, which amounted to EUR 157.2 million or 63.4% of the total. The cost of purchasing electricity and related services amounted to EUR 128.8 million, an increase of 94.2% compared to the first half of 2021. Natural gas costs amounted to EUR 28.4 million. Compared to the first half of 2021, gas costs increased by a factor of 7.2 due to higher gas prices and increased balancing volumes. The Company purchased natural gas for technological needs, balancing of system users and other gas market participants, gas flow and technical balancing.

Depreciation and amortisation costs amounted to EUR 17.6 million, wages and related costs amounted to EUR 22.2 million, repairs and maintenance costs amounted to EUR 3.3 million, telecommunication and IT costs amounted to EUR 2.3 million, the cost of the construction of a physical barrier by Tet amounted to EUR 32.2 million, and the remainder amounted to EUR - 13 million.



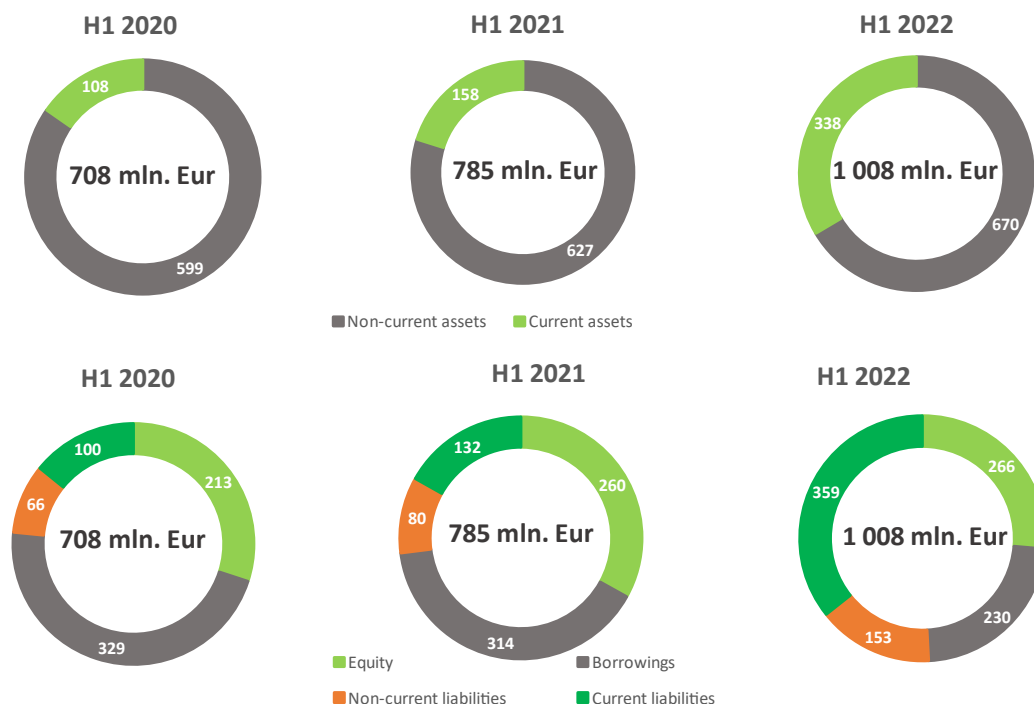
Results of operations

The Group's operating earnings before interest, tax, depreciation and amortisation (EBITDA) in the first half of 2022 amounted to EUR 13.7 million. Compared to the same period in 2021, EBITDA decreased by 71.8%. The EBITDA margin was 5.6 per cent (32.1 per cent in the same period in 2021).

The main reason for the Group's EBITDA decrease was a 106.5% increase in the cost of natural gas and electricity transmission and related services. Compared to the corresponding period in 2021, they increased by €127.8 million from €120 million to €247.8 million.

In the first six months of 2022, EPSO-G posted a consolidated net loss of EUR 4.5 million. In the same period of 2021, a net profit of EUR 48.4 million was generated.

Financial statement



30 June 2022 The Group's assets amounted to EUR 1,007.6 million and the Group's non-current assets amounted to EUR 669.5 million, accounting for 66% of the Group's total assets. Shareholders' equity in the Group's assets amounted to 26 per cent, rising to EUR 266 million.

At the end of the first half of 2022, the Group's financial liabilities amounted to EUR 230 million and cash and cash equivalents amounted to EUR 117 million.

The net financial debt to equity ratio was 46.2%, i.e., a decrease of 69.7% points during the year due to the early repayment of a portion of the 2022 loan to AB Ignitis Group and a more efficient use of funds for short-term intercompany financing.

Investments

In the first half of 2022, the transmission system operator Litgrid's investments (works carried out and assets acquired irrespective of payment terms) amounted to EUR 10.5 million, of which 46% for the implementation of strategic and nationally important electricity projects and 54% for the reconstruction and development of the transmission network and for the company's operational support.

In the same period, Amber Grid invested EUR 3.8 million in the gas transmission system. The largest part of the investments was for modernisation and reconstruction of the managed infrastructure, while the rest was for new construction. The investments in the first half of 2022 do not include the CBCA contribution payable of EUR 27,045 thousand recorded as fixed assets. This contribution is expected to be paid in 2023.

4.4 Research and development activities

Innovation and constant learning

The goals of the National Energy Independence Strategy for the integration of renewable energy sources and the ongoing Baltic synchronization project with the continental European network, as well as regional gas market integration processes, invites EPSO-G Group companies to search for new innovative solutions for the reliable operation of the Lithuanian energy system at present and in the future. Research and studies, planning and implementation of innovation activities encourage the companies of the Group to increase the efficiency of their activities by applying new methods, tools, and good practices.

In carrying out these activities, EPSO-G Group companies follow the Guidelines of Scientific Research, Experimental Development and Innovative Activities (hereinafter - GSREDIA) in order to ensure continuity, effectiveness, competitiveness of the activities of the Group companies, creation of competitive conditions, significant contribution into implementation of the National Energy Independence Strategy, and creation of added value to the society through research, innovations and new solutions.

GSREDIA determine common concepts of scientific research, experimental development, innovations and innovative activities applicable to the entire group EPSO-G, common performance directions and priorities, classification principles and recommendations for operators of transmission system regarding funds attributable to the GSREDIA activities not covered by the regulated activities.

Guidelines and roadmap for hydrogen development in Lithuania

As Lithuania moves towards a rapid transition to renewable energy, the first national hydrogen sector development study was completed in the first half of 2022. It shows that Lithuania has the potential to become a significant player in the development and transport of hydrogen resources in Europe. Following a detailed analysis of the situation, independent foreign experts say that Lithuania has the necessary capabilities to organise hydrogen production, storage, transmission and export. Experts identify the development of renewable electricity capacity in Lithuania and surrounding markets as one of the most important conditions for creating a hydrogen economy. They stress that once hydrogen production capacity is in place, the gas transmission system could become the main transport network for green hydrogen gas in the region and in Lithuania itself. This was also the recommendation of the experts who carried out the study, who said that the gas transmission system operator Amber Grid should develop a hydrogen network in Lithuania in preparation for transporting surplus energy to hydrogen consumption centres in Europe, thereby decarbonising the industrial, transport and energy sectors.

Joint Baltic Operators Study with Japanese operator TEPCO Power Grid

In 2022, Litgrid, the Lithuanian electricity transmission system operator, is continuing its cooperation with TEPCO Power Grid, a Japanese energy company, and is conducting a study to assess the possible different grid configurations for offshore wind integration, their technical parameters, the new market opportunities, and the socio-economic benefits of such projects. In order to make offshore wind integration technologically advanced and cost-effective.

Experimental project "Installation of a battery energy storage system in the Lithuanian electricity system"

A project by Litgrid, the Lithuanian electricity transmission system operator, the first 1 MW battery connected to the electricity grid in the Baltic States, has received international acclaim. It was among the finalists in the "Outstanding Project" category of Europe's largest renewable energy awards, The Smarter E Award. The innovative battery was connected to the grid at the Vilnius substation at the end of last year, and Litgrid specialists successfully completed the testing of the installation this year. They confirmed that the 1 MW battery with a capacity of 1 MWh can contribute to the management of power system parameters. With the successful completion of the testing, Litgrid is opening up the infrastructure of the pilot 1 MW Battery Energy Storage System (BESS) to science, business, manufacturers and the wider market. Creating an open and transparent model for the use of the 1 MW battery for new, innovative projects. Invites you to use the company's innovation platform to test your innovative idea in a joint innovation project.

REGATRACE

Amber Grid is authorised to administer the national register of guarantees of origin for gas produced from RES, i.e., to provide the functions of issuing, transferring and cancelling guarantees of origin, supervising and controlling the use of guarantees of origin, and to recognise guarantees of origin issued in other countries in Lithuania. This system is useful for energy consumers wishing to use environmentally friendly fuels produced in Lithuania or another EU country. In cooperation with other countries' designated bodies and organisations in the renewable gas sector, the company is successfully continuing its activities in the EU Horizon 2020 Research and Innovation Programme-funded REGATRACE (Renewable GAs TRAded Centre in Europe) project, which is aimed at establishing a European scheme for the operation of a register of origin for biomethane and other renewable gases and at stimulating the development of the production of and the market for green gas. All actions foreseen in the REGATRACE project plan have been implemented on time and to the extent foreseen: a final seminar for Lithuanian biomethane market participants has been organised, a vision and strategic directions for the development of the Lithuanian biomethane sector have been adopted, a draft action plan up to 2030 has been prepared, and the guidelines for the viability assessment of biomethane investment projects have been presented and adapted to the Lithuanian market.

POWER TO HEAT

In order to ensure the rapid transition of the Lithuanian economy to renewable energy and green transformation in different sectors of the country's economy, and to meet the ambition of the National Energy Independence Strategy to become an energy sustainable and self-sufficient country by 2050, EPSO-G, together with Vilniaus Šilumos Tinklai and Litgrid, has signed a co-operation agreement and initiated a pilot project "Power to Heat Salininkai". This is the first project of its kind in Lithuania to enable a heat system to actively participate in the balancing market by providing system services to the electricity grid, thus reducing heat production costs.

4.5. Membership in organizations

In 2022, EPSO-G holding company and transmission system operators have been actively involved in national and international organisations and associations, such as the European Network of Transmission System Operators for Electricity (ENTSO-E) and the European Network of Transmission System Operators for Gas (ENTSO-G), the Central Association of Energy Partners in Europe (CEEP), as well as in the activities of other associations of electricity undertakings.

Memberships of EPSO-G Group companies:

Organisation	Representing company	Link	Organisation description
Bioenergy Europe	Baltpool	www.bioenergyeur ope.org	The association bringing together national bioenergy associations and bioenergy companies based in Europe, as well as academic and research institutions in Europe.
Central Europe Energy Partners (CEEP)	EPSO-G	www.ceep.be	The association bringing together the companies of energy and energy-intensive sectors of the Central Europe
International Council on Large Electric Systems (CIGRE)	Litgrid	www.cigre.org	Global non-profit organization, the scope of the activities, of which includes the technical and economic aspects of the electrical grid, as well as the environmental and regulatory aspects.
Lithuania's National Energy Association (NLEA)	EPSO-G Amber Grid Litgrid	www.nlea.lt	The association bringing together Lithuanian companies operating in the electricity and natural gas sectors, as well as scientific establishments.
ENTSO-E	Litgrid	www.entsoe.eu	The organisation bringing together European electricity transmission system operators.
ENTSO-G	Amber Grid	www.entsog.eu	The organisation bringing together European natural gas transmission system operators.
European Renewable Gas Registry	Amber Grid	www.ergar.org	An organization with the objective to develop trade in guarantees of origin for gas produced from renewable energy sources among countries.
EASEE-gas	Amber Grid	www.easee- gas.eu	The association established to develop and promote simplified and streamlined physical transportation and trade of gas throughout Europe.

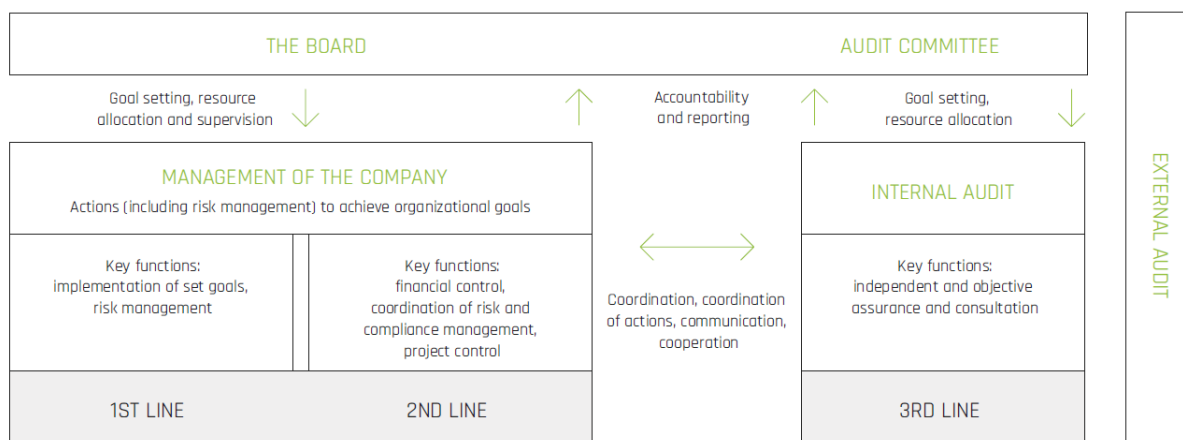
Infobalt	EPSO-G Amber Grid Litgrid	www.infobalt.lt	DigiTech Sector association to create the best conditions for technology application, market development and export. EnergyTech Digital, a group set up by Infobalt and EPSO-G group companies to promote the wider use of digital technologies in the energy sector.
FIF Marketing	Baltpool	-	-
Polish-Lithuanian Chamber of Commerce	Amber Grid, Litgrid	www.plcc.lt	The organisation seeking to improve economic cooperation between Lithuania and Poland.
Lithuanian Project Management Association	EPSO-G	www.ipma.lt	The association bringing together project management professionals.
Lithuanian Hydrogen Platform	Amber Grid, EPSO-G	-	It is a format of cooperation bringing together representatives of the country's scientific institutions, business and the public sector for the common goal - to seek for the development of hydrogen technologies in the country.
Lithuanian Hydrogen Energy Association	Amber Grid	www.h2lt.eu	The association uniting the country's scientists and business organizations that participates in the formation of national, regional and EU policies and objectives, including the preparation of the strategy and action plan for the development of hydrogen in the legislative process regulating the Lithuanian hydrogen energy sector.
Lithuanian LNG platform	Amber Grid	www.h2lt.eu	The Platform partners aim to promote the use of LNG as a new, cleaner and quieter fuel in the transport, industrial and other sectors of the economy and to create a common information and working platform for all potential LNG market players.
Personalo valdymo profesionalų asociacija (PVPA)	EPSO-G	www.pvpa.lt	An association uniting personnel management professionals.
Europos švaraus vandenilio aljansas (European Green Hydrogen Alliance)	Amber Grid	www.ech2a.eu	An alliance for the development of hydrogen technology in Europe.
Intelligent Energy Lab	EPSO-G	www.iel.lt	Intelligent Energy Lab is an open platform operating in Vilnius with companies, universities, institutes, and associations cooperating on innovation.

4.6 Transactions with related parties

During the reporting period, EPSO-G followed the Policy of Transactions with Related Parties. It establishes the supervision and disclosure procedures of the transactions carried out by EPSO-G Group companies with related parties that allow assessing properly the conflicts of interests related to such transactions and minimizing possible negative consequences of such transactions to the companies, minority shareholders and unrelated persons. This document is published on EPSO-G website, in the menu item Operating Policies.

5. RISK MANAGEMENT AND AUDIT

EPSO-G consistently holds the view that in the course of the implementation of the operating strategy proper risk management is a prerequisite for increasing the efficiency of subsidiaries, quality of management, safe environment for the employees, and in creating the trust of the stakeholders in the Group companies.



1st line includes the executives and employees of EPSO-G identifying and managing operational risk in the daily activities.

2nd line secures the functions of EPSO-G with the responsibility of forecasting risk:

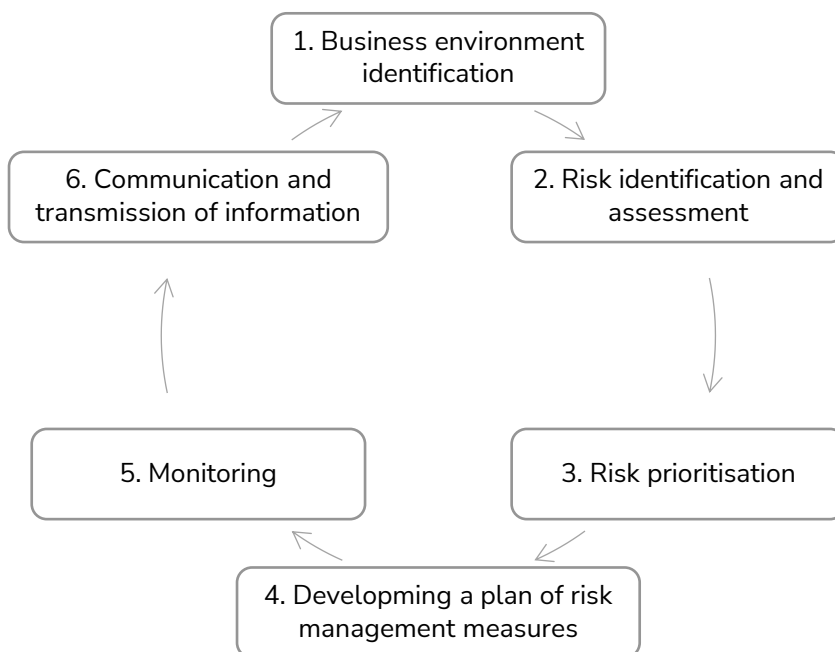
- The function of financial control includes the responsibility for the continuous control of the financial results of the Group;
- The function of risk management includes the responsibility for the creating and coordinating of the risk management system of the Group. This function summarizes the main risk areas of all companies of the Group and coordinates the implementation of their actions of management;
- The function of compliance management includes coordination and improvement of the Group's compliance management system. This function helps to ensure compliance in a coordinated manner in the priority areas where the non-compliance could have the greatest impact on the Group companies concerned or on the Group as a whole;
- The data protection function includes the ongoing monitoring of the functioning of personal data protection measures.

3rd line includes the responsibility for the independent and objective assurance and consultations on the applicability and effectiveness of the organisation's management and risk management (including internal control), and supports the implementation of the organisation's strategy and promotes and contributes to continuous improvement. The Centralized Internal Audit Unit provides an assessment to the Board performing supervisory functions and the Audit Committee, whether the first two lines adequately perform their functions. In accordance with the laws, the annual financial statements of EPSO-G Group companies are audited by independent audit firms of external audit. The companies of external audit are elected by the General Meetings of Shareholders of the Group companies.

5.1 Risk management system

EPSO-G understands risk management as a structured approach to uncertainties management by methodologically evaluating risk effect and probability, and by applying the proper measures of management.

EPSO-G Group followed the Group's Risk Management Policy and Risk Management Methodology. They imbedded a uniform risk management system that is based on common principles and meeting good practice according to COSO ERM (Committee of Sponsoring Organisations of the Treadway Commission Enterprise Risk Management) methodology and standards applicable in the international practice.



All Group companies have joined the Risk Management Policy of EPSO-G and, by using the Risk Management Methodology of the Group, have identified the risks relevant to them, assessed them, set risk monitoring indicators, as well as made plans for managing these risks that were approved at the Boards of the Company groups.

The Group companies identified operational risks, assessed them, set risk monitoring indicators and provided risk management measures.

After assessing the risks identified and managed in the Group companies and their level (impact on the Company's activities as well as on EPSO-G Group as a whole), the Board of EPSO-G approved EPSO-G group-level risk list.

In each quarter, the Audit Committee of EPSO-G had assessed the changes in the key risk indicators of each company of the Group, the effectiveness of risk management and presented its conclusions and recommendations to the Boards of the companies.

The following key risks identified in the strategy of the Group's operations were included in the group-level risk lists:

- **Risk of breaching regulatory requirements for key activities**

The prices of electricity and natural gas transmission and related services are regulated, the price caps are set by the NERC. These decisions directly affect the performance of the EPSO-G Group companies and the funds they allocate to essential operating costs, investments to maintain the reliability of the transmission network, and the ability to finance strategic projects with own or borrowed funds. In order to manage the risk of non-compliance with the regulatory requirements for its main activities, the Group monitored the legislation being drafted and/or amended by the VERT and other authorities governing the regulated activities, and provided the EPSO-G Group with its position on the draft legislation.

- **Business transparency risk**

EPSO-G Group implements the projects of the regional and national significance. These are major investment projects. Their success depends on the awareness, trust and support of the shareholders, partners, controlling and regulating institutions and the people of Lithuania. Accordingly, much attention is paid by EPSO-G in its activities to the supervision of procurement (including public procurement) procedures and the prevention of corruption. As of 1 January 2020, the Law on the Harmonisation of Public and Private Interests came into force, requiring the directors and members of the collegial bodies of all companies managed by EPSO-G to declare their interests publicly. The requirements of the law have been implemented to a greater extent than the statutory requirements on the basis of a policy on the management of interests of the members of the collective bodies of the EPSO-G group of companies, managers and employees.

During the reporting period, the companies of EPSO-G Group purposefully focused on the intolerance of corruption, protection of family members, relatives, friends, or any other forms of trading in influence, and consistent and systematic implementation of the prevention of conflicts of interest between the Company and private interests. The companies of the Group encourage the employees and other interest holders to report directly or anonymously possible violations, unethical or unfair behaviour by trust line at pranesk@epsog.lt without fear of any negative consequences or directly to the Special Investigation Service of the Republic of Lithuania (SIS).

- **Risk of lack of relevant qualification employees, employee turnover and motivation**

EPSO-G Group companies are facing the emerging labour market challenges, the competition for highly qualified professionals, who can contribute to the implementation of projects of strategic importance to the Lithuanian state.

To manage the risk of lack of relevant qualification employees, employee turnover and motivation, EPSO-G Group companies applied a uniform Employee Remuneration Policy during the reporting period; an independent annual analysis of remuneration and market trends, and an analysis of the reasons for leaving employment identified by job leavers were performed; rotation plans for critical positions in the companies of the Group were drawn up and actions provided for therein were taken to minimize this risk.

- **Risk of non-compliance with occupational safety requirements**

Litgrid, Amber Grid and Tetas held by the Group places great emphasis on occupational safety. Occupational risk assessment plans are prepared. Workplaces, work equipment, technological processes with the highest level of work safety risk are identified. Work safety days are organized in the departments. There is cooperation with customers as work safety partners to achieve effective work safety control and a higher work safety culture. Attention is paid to preventive check-ups of occupational safety.

- **Information security (cyber security) risk**

EPSO-G and its subsidiaries Litgrid and Amber Grid are companies crucial for the national security. They manage facilities and assets important for national security as well. The information and data managed by the Group companies are of strategic importance for the national security of Lithuania, therefore, loss of such information and / or data, illegal change or disclosure, damage thereof, or termination of the data flow which is necessary for a secure operation of transmission systems may cause disturbances of the activities of EPSO-G Group companies, cause damage to other natural persons and legal entities.

In order to prevent cyber incidents, threats to the information systems of EPSO-G Group companies, their physical protection and security management systems are regularly assessed, existing security measures, systems and/or tools are constantly updated and new ones are introduced to comply with the strict requirements of the EU and the Republic of Lithuania's legislation on information security. EPSO-G staff actively participate in cyber security exercises to train how to manage and respond to cyber incidents against critical information systems and networks and to ensure the functioning of their services.

- **Technological risk**

One of the most important functions and responsibilities of EPSO-G Group companies is to ensure secure, reliable, and efficient operation of natural gas and electricity transmission systems.

One of the most important functions and responsibilities of EPSO-G Group companies is to ensure secure, reliable, and efficient operation of natural gas and electricity transmission systems. Continuous monitoring of the systems is carried out to avoid disruptions in the operation of the transmission systems, maintenance plans are drawn up accordingly, and the necessary new investments in upgrading the network are planned in time.

- **Project management and control risk**

EPSO-G Group companies are implementing complex, large-scale projects included in strategic planning documents at the national level, which are crucial for the development of Lithuania's energy system, the smooth integration of RES and the creation of additional opportunities for market participants to choose climate-neutral energy. To this end, the Group has established a centralised ePMO (enterprise project management office) within the Group, and project management processes and control mechanism are being improved and standardised. A strong focus is placed on the control of strategic projects, with regular monitoring of strategic projects through the Strategic Project Monitoring Committee (SPMC) and the status of strategic projects being discussed in detail at regular intervals in the EPSO-G Board.

The group-level risk list also included the most important risks related to the achievement of the objectives of the Group's business strategy:

- **Risk in prices in the gas and electricity sectors**

Risk is managed through proactive cooperation with the National Energy Regulatory Council (NERC), participation in joint meetings with the Ministry of Energy, the European Commission and representatives of other Baltic TSOs in order to reach common solutions.

- **Debt repayment risk**

Consultations on possible solutions were carried out to manage the risk of EPSO-G repaying its debt to Ignitis Group, UAN.

- **Risk of the Group's revenue from unregulated activities and foreign markets**

By managing this group-level risk, Baltpool, Tetas, and GET Baltic apply management tools such as diversification of customers, activities, markets, sales analysis and other measures to ensure the achievement of the objectives of the sales plans in the Lithuanian and foreign markets.

COVID-19 risk management and coordination within the Group.

In the first half of the year, in all Group companies, new business continuity and prevention measures were continued, implemented, revised and planned. Designated staff were responsible for monitoring and providing information, ensuring continuity of service for critical functions and for the departments and staff managing the companies' main systems. Remote working tools were used and information on preventive measures was disseminated to staff.

Litgrid and Amber Grid have put in place additional organisational measures in the system control centres, technical and back-up measures were installed in the system control centres in case of a virus spread.

5.2. Information on the Compliance Management Process

In 2020, EPSO-G's Board of Directors has approved the Compliance Management Policy and the Compliance Management Methodology that implements it. The aim of these documents is to establish and maintain a uniform compliance management system across the Group that would:

- Enable to protect the Group companies from financial or reputational damage that may result from behaviour that does not meet internal and external requirements;
- Enable to manage the risks of non-compliance and mitigate their impact and / or likelihood of occurrence;
- encourage the Group's employees to work in accordance with the set requirements and to justify their application on the Group's values.

As the implementation of the Compliance Management Process is based on a risk-based approach, the focus and additional resources are allocated to the priority areas approved by the Group's Boards of Directors, where material non-compliance and risks of non-compliance arise or are likely to arise, and

therefore only these areas will be subject to the Compliance Management Process. Priority areas include the regulatory areas of independence and unbundling of TSOs, procurement, protection of personal data, regulation of non-disclosed information, mandatory disclosure of information to the public and prevention of corruption.

In the first half of 2022, compliance management processes were launched in the priority areas of Tetas (Personal Data Protection and Competition) and Baltpool (Mandatory Publication and Reporting of Accounting, Financial Information and Information on the Administration of VIAP Funds, and Mandatory Publication and Reporting of Information related to the Performance of the Functions of an Operator of an Exchange and Administrator of Other Trading/Accounting Systems), and the implementation of the compliance work in the areas of Amber Grid, EPSO-G, and Litgrid continues.

5.3. Information on the internal audit

The internal audit mission of EPSO-G is to create added value for all the companies of the Group and to contribute to the achievement of their operational objectives by systematically and comprehensively assessing and helping to improve the effectiveness of management, risk management, and control processes. These functions are implemented through an independent and objective assurance and advisory activity.

In order to ensure transparency and efficiency of operations, a centralized Internal Audit Unit operates in EPSO-G Group companies. The Unit carries out the functions assigned at the Group level and is directly accountable to the EPSO-G Board, the majority of which are independent members.

The auditors of the holding company EPSO-G are not subordinate to the administration of a company audited. This creates better preconditions for identifying possible deficiencies in order to eliminate them and to highlight the areas for increasing efficiency.

The staff members of the Unit carry out internal audits and monitor on a regular basis the way the recommendations are implemented, as well how the other deficiencies related to the internal control, which have been identified by the external auditors, regulatory authority and the public control institutions, are corrected.

In the first half of 2022, the activities of EPSO-G's centralised internal audit unit covered the following areas, which were selected on the basis of a risk assessment, the prioritisation of the companies and processes to be audited, and approved in the EPSO-G Board's internal audit action plan:

- Assessment of the EPSO-G Group's achievement of its annual goals;
- Assessment of project management quality;
- Assessment of the effectiveness of the risk management process;
- Assessment of the control of acquisitions (procurements).

During the reporting period, the focus was also on monitoring the implementation by companies of internal audit recommendations and assessing the impact of the actions implemented.

Internal audit findings along with recommendations for areas subject to improvement are submitted to the management of the audited companies and the Boards of the companies of the Group, as well as to the Board and Audit Committee of EPSO-G.

5.4 Information on the external audit

The interim six-month financial statements and the interim consolidated report for 2022 have not been audited. The 2021 financial statements of the EPSO-G Group were audited by PricewaterhouseCoopers, UAB.

Information on the external audit firms of EPSO-G Group companies:

Company	Firm that will perform the audit of the financial statements 2022	Remuneration for the audit firm for the audit of the financial statements 2022, EUR (VAT excluded)	Firm that performed the audit of the financial statements 2021
EPSO-G		25 570	
Litgrid		70 010	
Amber Grid	PricewaterhouseCoopers, UAB	50 490	PricewaterhouseCoopers, UAB
Tetas		26 180	
Baltpool		14 960	
Get Baltic		13 090	
Energy cells		8 100	

In the first half of 2022, PricewaterhouseCoopers UAB provided non-audit services for EUR 25,000 (VAT excluded).

6. SHAREHOLDERS AND DIVIDENDS

6.1. Shareholders

The Republic of Lithuania is the sole shareholder of EPSO-G (100% of the shares). The property and non-property rights of the shareholder, in accordance with Clause 2.3 of the Resolution No 826 On the Establishment of a Private Limited Liability Company and Investment of State-Owned Capital of the Government of the Republic of Lithuania of 4 July 2012, are implemented by the Ministry of Energy of the Republic of Lithuania represented by the Minister of Energy of the Republic of Lithuania.

On 23 May 2022, the share capital of EPSO-G increased to EUR 189,631,000 and is divided into 653,900,00 ordinary registered uncertificated shares of a nominal value of EUR 0.29 each. All shares are fully paid.

Shareholder of the company	Number of shares	Nominal value per share, EUR	Share capital, EUR	Shareholding (%)
The Republic of Lithuania represented by the Ministry of Energy of the Republic of Lithuania	653 900 000	0.29	189 631 000	100

„Restrictions on the transfer of securities other than those stipulated in the legal acts are not applied for the shares of EPSO-G. Neither EPSO-G nor the companies of the Group have issued the convertible securities. EPSO-G has not acquired own shares. EPSO-G has neither acquired nor transferred own shares during the reporting period. The subsidiaries of the Company have not acquired the shares of the Company either. The shareholder of EPSO-G does not have special rights of control other than those stipulated by the legal acts of the Republic of Lithuania.

Shares of EPSO-G's subsidiaries Litgrid and Amber Grid are traded on Nasdaq Vilnius stock exchange:

Company	ISIN code	Securities	Trading list	Securities manager
LITGRID AB	LT0000128415	LGD1L	BALTIC SECONDARY	AB SEB bankas
AB Amber Grid	LT0000128696	AMG1L	BALTIC SECONDARY LIST	AB SEB bankas

Securities of other companies controlled by EPSO-G are not traded on the stock exchange.

6.2. Dividends

On the basis of the decision of the Government of the Republic of Lithuania, until 2022, EPSO-G must pay to the state budget dividends equal to 0.5% of profit available for direct distribution.

This was decided in view of the necessity to allocate sufficient funds for the settlement of financial liability of EUR 217 million to state-owned company Ignitis Grupė (former name Lietuvos Energija) for shares of subsidiary Litgrid.

On the basis of the resolution of the Government of the Republic of Lithuania, in 2022 EPSO-G paid directly to the state budget dividends of EUR 845,039.21 for the year 2021 (EUR 777 thousand for the year 2020) at the same time ensuring a sustainable financial position of the Group.

6.3. Dividend policy

The Dividend Policy of EPSO-G that governs the procedure of determining the dividend amount, pay-out and publication on dividends for all companies forming the Group, establishes clear guidelines of expected return on equity and return on investment for the existing and potential shareholders while at the same time ensuring a sustainable long-lasting growth of corporate value, timely implementation of strategic projects that are of great importance for the country, thereby gradually strengthening confidence in the entire energy transmission and exchange Group of companies.

The Dividend Policy of EPSO-G directly links the amount of payable dividends with the efficiency of use of the company's equity - the bigger benefit is created by the company for the shareholder, the bigger share of profit it may allocate for the further development and implementation of other important projects.

The Dividend Policy is published on the EPSO-G website in the menu item [Operating Policies](#).

6.4. Ratings

Moody's Investors Service has assigned a credit rating of Baa1 with a stable outlook. The high investment grade rating reflects the strong financial position of the state-owned group, its relatively low debt levels and the fact that the majority of its revenues are derived from its regulated transmission network activities.

More information available in the [Moody's report](#) and [Moody's notification](#).

7. GOVERNANCE REPORT

During the reporting period, the corporate governance of the EPSO-G management company was carried out in accordance with the Guidelines on Corporate Governance of the EPSO-G Group adopted by decision of the sole shareholder on 24 April 2018. It sets out the corporate governance principles, the organisational model, the governance structure, the reporting and the systems of supervision and control of performance that are common to the Group as a whole.

The holding company EPSO-G adhered to the following key corporate governance principles:

- Operational transparency,
- Separation of state ownership and regulatory functions,
- Certainty and sustainability of objectives,
- Proper realization of the shareholders' rights,
- Compliance with the legislative requirements and best practice standards,
- Operational efficiency, sustainability, and competitiveness,
- Responsibility and accountability of the management and supervisory bodies to the shareholders.

EPSO-G observes good governance practices outlined in the recommendations of good governance published by the Organization for Economic Cooperation and Development (OECD), the recommendations of the United Nations and NASDAQ Baltic stock exchange, other internationally recognized standards, and the recommendations of good governance, the main objective of which is to ensure that the state-owned enterprises are managed in an efficient and transparent manner.

7.1 The Articles of Association of EPSO-G

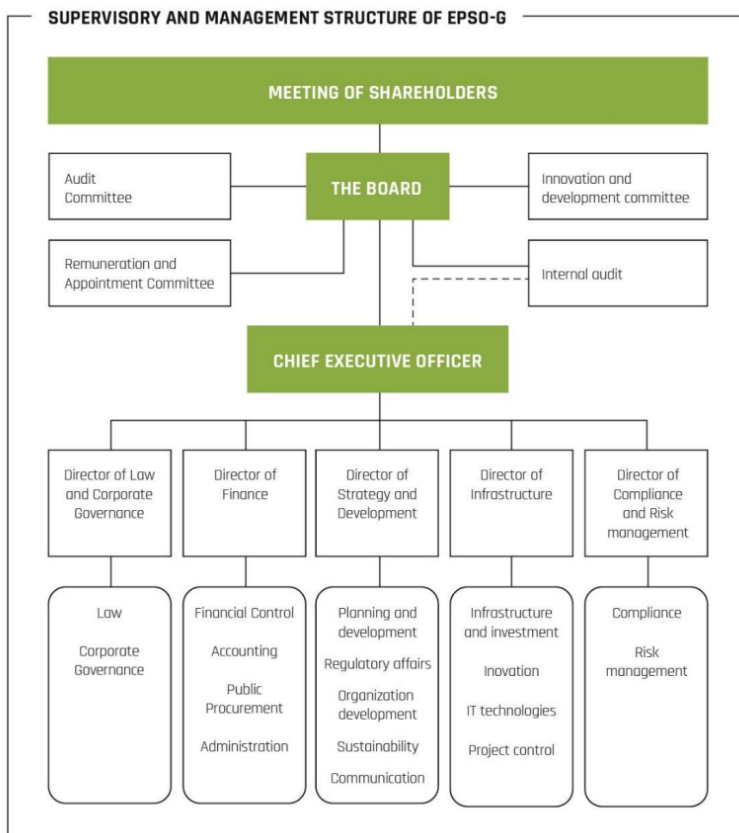
On 23 May 2022, a new version of the Articles of Association of the EPSO-G holding company was registered in the Register of Legal Entities, increasing EPSO-G's capital to EUR 189,631,000. In this version of the Articles of Association, the values (amounts) of the transactions to be decided by the Board of Directors, as referred to in points 43 (iv-ix) and 49 (iv-v), have been changed from 1/20 of the Company's share capital to EUR 3 million, other minor adjustments have also been made.

The Articles of Association of EPSO-G are available at the website: www.epsog.lt, in the menu item Corporate Governance.

EPSO-G's articles of association may be amended by a decision of the general meeting of shareholders adopted by a vote of not less than 2/3 of the total number of votes attaching to all the shares held by the shareholders present at the general meeting, except for the exceptions provided for by law.

7.2 Supervisory and management system and functions of EPSO-G

EPSO-G's management, supervisory and organisational structure ensures optimal organisation, accountability, process efficiency and responsibility.



EPSO-G Group's corporate governance documentation system consists of the following:

- „Corporate Governance Guidelines of EPSO-G Group companies;
- Articles of Association of the holding company EPSO-G and its subsidiaries;
- Corporate Governance Policy;
- Rules of Procedures of the Board of EPSO-G;
- Regulations of the Audit Committee of EPSO-G;
- Regulations of the Remuneration and Nomination Committee;
- Regulations of the Innovation and Development Committee;
- Approved corporate governance documents of the Group companies;
- Documents of the Group companies approved on the basis of corporate governance documents.

All the above documents are available at the website of the holding company EPSO-G: www.epsog.lt.

7.3. General Meeting of Shareholders of EPSO-G

The rights and obligations of the sole shareholder of the holding company EPSO-G are implemented by the Ministry of Energy of the Republic of Lithuania.

„The sole shareholder of EPSO-G:

- Adopts decisions on strategic issues of operational activities;
- Approves key operational guidelines (guidelines for corporate governance, collegiate body remuneration, etc.).

During the reporting period, EPSO-G’s sole shareholder took the following key decisions:

Date	Key decisions
14 March 2022	Approved the new wording of the Articles of Association of EPSO-G UAB
24 March 2022	Approved the new version of the Guidelines for determining the remuneration for service on the corporate bodies of EPSO-G UAB and EPSO-G UAB and set the remuneration for the members of the Board of Directors (chairman) and the members of the Audit Committee (chairman) referred to in the Guidelines. Set operating budgets for the Board and the Audit Committee for 2022.
27 April 2022	Approved the set of EPSO-G’s consolidated and company’s financial statements 2021. Approved the decision on profit distribution. Increased the authorised capital of UAB EPSO-G and approved a new version of the Articles of Association of UAB EPSO-G. Elected Ramūnas Abazorius to the Board until the end of the current term of office.
6 May 2022	Elected Tomas Daukantas to the Board until the end of the current term of office.
9 June 2022	Elected Tomas Daukantas to the Audit Committee until the end of the current term of office.

7.4. The Board of EPSO-G

According to the current version of the Articles of Association of EPSO-G, the Board consists of 5 (five) members appointed by the sole shareholder of EPSO-G for a term of 4 (four) years with regard to the recommendations of the Remuneration and Nomination Committee.

The continuous term of office of a member of the Board shall not exceed 2 (two) consecutive terms, i.e., no more than 8 (eight) consecutive years. Members of the Board are elected in accordance with The Selection Description of a List of Candidates to the Board of the State or Municipal Enterprise and the Candidates to the Board of the State or Municipal Enterprise for the Selection of a Collegial Supervisory

or Management Body Elected by the General Meeting of Shareholders, approved by the Resolution No 631 of the Government of the Republic of Lithuania of 17 June 2015.

The Board of EPSO-G:

- Forms a common corporate governance policy of the Group companies;
- Is responsible for the organizational and systematic development and management of the Group within the scope of its competence;
- Carries out the monitoring of the implementation of the activities of the Group companies, their strategies, operational objectives and plans, the documents approved by the Board and other decisions in the Group companies;
- Carries out the supervision and control of the management of the strategic projects carried out by the Group companies that are included in the national energy strategy, the projects of particular national interest, the economic projects of great state importance;
- Performs supervisory functions as provided for in the Law on Companies of the Republic of Lithuania.

During the reporting period, 15 meetings of the Board were held in which 3 decisions were adopted by a written vote.

The composition of the Board of EPSO-G at the end of the reporting period:

Full Name	Position held	Term of office	Other positions	Education
Robertas Vyšniauskas	Independent member, chairman	From 20 March 2019	CEO of Valstybės Investicinis Kapitalas, UAB; the member of the Board of Vilnius Vystymo Kompanija UAB; Lecturer at Vilnius University; corporate governance, legal and tax consultant.	Mykolas Romeris University, Master Degree of Law.
Gediminas Almantas	Independent member	From 20 March 2019	Member of the Board of the State Enterpriser Lietuvos Oro uostai, Member of the Compliance and Mediation Committee of the International Federation of Red Cross and Red Crescent Societies; Member of the Procurement and Investment Policy Committee of the Lithuanian National Radio and Television; Chairman of the Lithuanian Red Cross Society; Chair of the Board of the Open Lithuania Foundation	Vilnius University, Master Degree of Law; University of Bern, Switzerland, Master Degree of Law; Copenhagen Business School, Ethics of Business Negotiation, PhD in Industry.

Dainius Bražiūnas	Member	From 20 March 2019	Ministry of Energy of the Republic of Lithuania, Head of the Energy Security Group; the member of the Board of Klaipėdos Nafta AB; Head of the Association Koturnos, member of the Board of the 599th association of owners of a multi-apartment building,	Vilnius Gediminas Technical University, Bachelor in Energy Sciences
Tomas Daukantas	Member	From 6 May 2022	Ministry of Energy of the Republic of Lithuania, Head of Legal and Personnel Group.	Mykolas Romeris University, Master Degree of Law.
Ramūnas Abazorius	Independent member	From 6 May 2022 until 16 July 2022	BRAITIN Fund Manager, Director of Akmenė Free Economic Zone Management	Vilnius University, Master Degree in Finance

* Gediminas Karalius, a member of the Board delegated by the Ministry of Energy, has resigned as of 20 April 2022.

Attendance at Board meetings in the first half of 2022 and substantive decisions taken (attendance/number of meetings to attend):

Robertas Vyšniauskas	Gediminas Almantas	Dainius Bražiūnas	Tomas Daukantas	Ramūnas Abazorius	Gediminas Karalius
15/15	15/15	15/15	4/4	5/5	10/10

Decisions taken by the EPSO-G Board in the first half of 2022:

JAN 2022	FEB 2022	MAR 2022	APR 2022	MAY 2022	JUN 2022
<p>01-06 Rolandas Zukas was dismissed from the position of Chief Executive Officer of the Company, Algirdas Juozaponis was appointed as interim Chief Executive Officer of the Company.</p> <p>01-14 Decisions were taken to approve EPSO-G's 2022 operational objectives, to approve the Group's strategy until 2030, and to approve EPSO-G's budget for 2022.</p> <p>01-27 Decision on voting at the Extraordinary General Meeting of LITGRID AB shareholders adopted, updated organisational structure of EPSO-G and list of positions approved</p>	<p>02-24 The updated organisational structure and list of posts of EPSO-G are approved.</p> <p>02-25 Robertas Vyšniauskas was elected Chairman of the Company's Board of Directors; the Report on the Implementation of the Company's 2021 Operational Objectives was approved; the new version of the UAB EPSO-G Group's Corruption Prevention Policy was approved; and the material terms and conditions of the agreements on lending and borrowing between UAB EPSO-G and its subsidiaries were approved.</p>	<p>03-03 A decision is adopted concerning restrictions on the supply of materials, services and equipment from the Russian Federation and the Republic of Belarus.</p>	<p>04-07 Proposed candidates for the Boards of LITGRID AB and Amber Grid AB.</p> <p>04-13 Report on the implementation of the Group's 2030 Strategy was approved. Voting at ordinary shareholders' meetings of subsidiaries is decided. Decisions on the independence of the members of the EPSO-G Management Board.</p> <p>04-19 Approval of the Company's and the consolidated annual financial statements, convening of the Ordinary General Meeting of Shareholders.</p> <p>04-29 Decision to approve the allocation of the total variable remuneration for the 2021 performance of EPSO-G UAB staff</p>	<p>05-27 The commencement of the Company's bond offer was decided and the preliminary prospectus was approved. Appointment of members of the Innovation and Development Committee. The updated organisational structure and list of posts of EPSO-G are approved. Updated support policy of the UAB EPSO-G Group approved.</p>	<p>06-01 A decision was made regarding the release of the Company's bond issue.</p> <p>06-10 A decision was made regarding voting at the ordinary general meetings of shareholders of LITGRID AB, AB "Amber Grid", BALTPOOL UAB, UAB "TETAS" and Energy cells, UAB controlled by UAB "EPSO-G".</p>

7.5. Remuneration and Nomination Committee of EPSO-G (RNC)

Under the current Articles of Association of EPSO-G, the Remuneration and Nomination Committee shall be composed of at least 3 (three) members appointed by the Board for a period of up to 4 (four) years by a reasoned decision. The nomination of members of the Remuneration and Nomination Committee ensures that this Committee has at least 1 (one) independent member. The continuous term of office of a member of the Remuneration and Nomination Committee shall not exceed two consecutive terms of office.

The Remuneration and Nomination Committee of EPSO-G:

- Assists in carrying out the selections of candidates to the members of the bodies in all companies of the Group;
- Provides the companies of the Group with recommendations regarding the nomination of the members of the management bodies, entry into contracts with them and setting remuneration;
- Provides recommendations regarding the documents of the corporate governance of the Group of remuneration of the employees of the collegiate bodies, the companies of the Group, assessment of their activities;
- Provides recommendations on the Group's collegial bodies, management, executives, and planning system of substitutions of critical positions.

9 (nine) meetings of the Remuneration and Nomination Committees were held during the reporting period.

The composition of the Remuneration and Nomination Committee of EPSO-G at the end of the reporting period

Full name	Position held	Term of office	Other positions	Education
Jolita Lauciuvienė	Independent member, Chair	From 20 May 2019	Personalo Vertė Verslui UAB, Director	Vilnius University, Master of Economics; Lithuanian University of Educational Sciences, Bachelor of Psychological Sciences.
Gediminas Almantas	Independent member	From 29 March 2019	Member of the Board of the State Enterpriser Lietuvos Oro uostai, Member of the Compliance and Mediation Committee of the International Federation of Red Cross and Red Crescent Societies; Member of the Procurement and Investment Policy Committee of the Lithuanian National Radio and Television; Chairman of the Lithuanian Red Cross Society; Chair of the Board of the Open Lithuania Foundation.	Vilnius University, Master Degree of Law; University of Bern, Switzerland, Master Degree of Law; Copenhagen Business School, Ethics of Business Negotiation, PhD in Industry.

Dainius Bražiūnas	Member	From 29 March 2019	Lietuvos Respublikos energetikos Ministry of Energy of the Republic of Lithuania, Head of the Energy Security Group; the member of the Board of Klaipėdos Nafta AB; Head of the Association Koturnos, member of the Board of the 599th association of owners of a multi-apartment building.	Vilnius Gediminas Technical University, Bachelor in Energy Sciences.
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Attendance and key decisions of the Remuneration and Nomination Committee during the 1st half of 2022:

Jolita Lauciuvienė	Gediminas Almantas	Dainius Bražiūnas
9/9	9/9	8/9

In 2022, one of the key areas of focus of the Remuneration and Appointments Committee is the conceptual review of the EPSO-G Group's remuneration system, and as a result of this, both the Committee and the EPSO-G Group companies have been working on the improvement of the remuneration system since April 2022 (analysis of the new remuneration system, proposals, discussions, meetings etc.).

Key decisions of the Remuneration and Nomination Committee during the 1st half of 2022:

FEB 2022	MAR 2022	APR 2022	MAY 2022	JUN 2022
<p>9 February</p> <p>The report on the implementation of the RNC 2021 Action Plan was approved; the selection of Energy Cells Board members was carried out.</p>	<p>9 March, 10 March</p> <p>Common areas of improvement for EPSO-G in 2022 were approved.;</p> <p>Decisions on recommendations to the General Meeting of Shareholders of LITGRID, Amber Grid and Energy cells on the nominees to be nominated as members of the Board of Directors of the aforementioned companies;</p> <p>Decision adopted on the recommendation to the EPSO-G Management Board concerning candidates for the post of Director-General of EPSO-G.</p>	<p>6 April, 11 April, 28 April</p> <p>Decisions adopted on recommendations to the General Meeting of Shareholders of EPSO-G on the candidates to be nominated to the Board of Directors of EPSO-G;</p> <p>Decision adopted on the conduct of the selection of the CEO of TETAS.</p>	<p>4 May; 23 May</p> <p>Decisions taken on the independence of the members of the RNC;</p> <p>Decision adopted on the recommendation to the Board of TETAS on the candidate for the position of the CEO of TETAS;</p> <p>Updated draft remuneration policies for CEOs and Board members of LITGRID and Amber Grid approved.</p>	<p>8 June</p> <p>Decision adopted on the recommendation to the Board of EPSO-G concerning candidates for the position of the CEO of EPSO-G.</p>

7.6. Audit Committee of EPSO-G (AC)

According to the current version of the Articles of Association of EPSO-G, the Audit Committee shall be composed of at least 3 (three) members appointed by the sole shareholder of EPSO-G for a maximum period of 4 (four) years, subject to the recommendations of the Remuneration and Nomination Committee (if any). The continuous term of office of a member of the Audit Committee shall not exceed 2 (two) consecutive terms. Only an independent member may be elected to chair the Audit Committee.

During the reporting period, the Audit Committee had two in- dependent members, Mr. Gediminas Šiušas and Mr. Robertas Vyšniauskas, as well as Mr. Gediminas Karalius (until 19/04/2022) and Mr. Tomas Daukantas (from 09/06/2022), members of the EPSO-G Board nominated by the Ministry of Energy.

The Audit Committee of EPSO-G:

- Carries out the monitoring of the preparation and auditing of the financial statements of the Group companies;
- Is responsible for the ensuring of the observance of the independence and objectivity principles by the auditors of the Group companies and of audit firms;
- Is responsible for the monitoring of effectiveness of the internal control of the Group companies, compliance and risk management, and internal audit systems, activity processes;
- Is responsible for the control of provision of non-audit services by the auditor of the Group companies and / or audit firm; evaluates the transactions concluded by the Group companies, the shares of which are admitted to trading on a regulated market, with the parties concerned.

13 meetings of the Audit Committee took place during the reporting period.

The composition of the Audit Committee of EPSO-G at the end of the reporting period:

Full name	Position held	Term of office	Other positions	Education
Gediminas Šiušas	Independent member, Chair	From 22/10/2020	Convera Lithuania UAB, Head of Accounting	Stockholm School of Economics in Riga, Bachelor of Economics and Business Administration; Vilnius University, Bachelor of Management and Business Administration; Vilnius University, Master Degree of Economics
Robertas Vyšniauskas	Independent member	From 22/10/2020	CEO of Valstybės Investicinis Kapitalas, UAB; the member of the Board of Vilniaus Vystymo Kompanija UAB; Lecturer at Vilnius University; corporate governance, legal and tax consultant.	Mykolas Romeris University, Master Degree of Law.

Tomas Daukantas	Member	From 09/06/202	Ministry of Energy of the Republic of Lithuania, Head of Legal and Personnel Group.	Mykolas Romeris University, Master Degree of Law.
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Attendance of the Audit Committee during the 1st half of 2022:

Gediminas Šiušas	Robertas Vyšniauskas	Gediminas Karalius (until 19/04/2022)	Tomas Daukantas (from 09/06/2022)
13/13	13/13	8/9	2/2

Key decisions of the Audit Committee during the 1st half of 2022:

JAN 2022	FEB 2022	MAR 2022	APR 2022	MAY 2022	JUN 2022
<p>11 January Opinion on the amendment of Litgrid's related party transaction EPSO-G approved.</p> <p>24 January The list of Group level risks for 2022 approved Two recommendations to the boards of Litgrid and Amber Grid on their risk management approved.</p>	<p>3 February Opinion on the amendment of Litgrid's transaction with its related party AB Ignitis gamyba approved.</p> <p>22 February Opinion approved on the amendment of Amber Grid's transaction with related party Tetas Opinion approved on the amendment of Amber Grid's transaction with related party EPSO-G. Opinion approved on GET Baltic's transaction with Amber Grid related party EPSO-G. New version of the Group's Prevention of Corruption Policy approved. The new version of Litgrid's 2022 risk list and management measures plan approved.</p>	<p>7 March Conclusions on the financial statements of Tetas and Energy cells for 2021 approved</p> <p>16 March Conclusions on the 2021 financial statements of GET Baltic and Baltpool approved</p> <p>18 March Conclusions on the separate and consolidated financial statements of Amber Grid and Litgrid for 2021 approved</p>	<p>11 April The process of auditing EPSO-G's separate and consolidated financial statements for 2021 is discussed in detail with representatives of the audit firm</p> <p>15 April Conclusion on EPSO-G's separate and consolidated financial statements for 2021 approved</p>	<p>23 May Approved recommendation to Amber Grid, BALTPOOL, Tetas, GET Baltic and Energy cells to select Pricewaterhouse Coopers, UAB for the audit of their 2022 financial statements. Opinion on Litgrid's transaction with related party EPSO-G approved.</p>	<p>13 June The new version of Litgrid's 2022 risk list and management measures plan was approved. Recommendation to Litgrid and EPSO-G to appoint Pricewaterhouse Coopers, UAB for the audit of their 2022 financial statements approved.</p> <p>27 June Internal investigation initiated to assess anonymous information received regarding materials used in the Physical Barrier project</p>

7.7. Innovation and Development Committee (IDC)

In line with the Articles of Association of EPSO-G, the EPSO-G Board has the right to set up temporal (ad hoc) or permanent specialized committees tasked with examining and making proposals and recommendations on areas and issues falling within the competence of such committees to the EPSO-G Board or other bodies of the Group or Group companies in order to ensure an effective internal control system and operational risk management at the Group level. The Innovation and Development Committee was set up by the decision of the Board of EPSO-G in 2019.

The Innovation and Development Committee is an advisory body to the EPSO-G Board on innovation, development and efficiency. It acts in the same way as the Audit Committee and the Remuneration and Nomination Committee - at the Group level, i.e. may submit conclusions, opinions, recommendations and proposals to the Board of the competent Group company on issues related to the functions and responsibilities of the Innovation and Development Committee.

The Board approves and amends the regulations and the action plan of the Innovation and Development Committee, and forms tasks for the Committee.

The purpose of forming the Innovation and Development Committee: (i) increasing focus on innovations, search for new activities of the Group, operational efficiency; (ii) synergies of innovative ideas at the Group level and coordination of innovation directions; (iii) greater engagement of independent members of the Board in the activities of the Group, use of their knowledge and experience; (iv) the members of the Innovation and Development Committee shall act as ambassadors for innovation, development and efficiency in the Group companies.

Composition of the Innovation and Development Committee and its changes during the reporting period:

Full name	Position held	Term of office	Other positions	Education
Sigitas Žutautas	Independent member, Chair *	From 29/11/2019	Independent member of the Board of Amber Grid AB, Consultant to financial technology start-ups	Vilnius University, Bachelor of Economics and Banking, Master of Accounting and Auditing. Baltic Institute of Corporate Governance, studies of a professional board member
Artūras Vilimas	Independent member	From 01/06/2020	Independent member of the Board of Litgrid	Kaunas University of Technology (KTU), Engineering Degree

Gediminas Mikaliūnas	Independent member	From 01/06/2020 until 31/05/2022	Independent member of the Board of Baltpool UAB, Head of Automation and Transformation of IT Operations at Barclays IT	Baltic Management Institute, Executive MBA programme; Vilnius University, Master of Information Technology
Nedas Karklius	Independent member	From 01/03/2021	Independent member of the Board of Tetras UAB; the car wash franchise owner and CEO of Švaros Broliai UAB; the owner and CEO of Ultraprojektai UAB.	Baltic Institute of Corporate Governance (BICG), the Board Member Education program; Baltic Management Institute (BMI), Master's studies in Management; Vilnius University, Master of Law; Kaunas University of Technology (KTU), Master of Management.
Vytautas Vorobjovas	Independent member	From 01/06/2022	Independent Member of the Board of Baltpool UAB, Managing Partner of Dotcon UAB, Managing Partner of AMZ CREW	Vilnius University, Bachelor of Political Sciences
Ramūnas Abazorius		From 01/06/2022 until 16/07/2022	BRAITIN Fund Manager, Director of Akmenė Free Economic Zone Management UAB	Vilnius University, Master Degree in Finances

* He has been Chair of the Innovation and Development Committee since 6 January 2020 and was re-elected on 17 June 2020

Attendance of the Innovation and Development Committee during the 1st half of 2022:

Sigitas Žutautas	Artūras Vilimas	Gediminas Mikaliūnas	Nedas Karklius	Vytautas Vorobjovas	Ramūnas Abazorius
6/6	6/6	5/5	6/6	1/1	1/1

Key decisions of the Innovation and Development Committee in 2022:

FEB 2022	MAR 2022	APR 2022	MAY 2022	JUN 2022
<p>17 February</p> <p>Discussed the updating of the IT Functional Business Plan for 2022.</p> <p>Discussed a model for promoting the development of RES and business development ideas to facilitate the development of RES.</p>	<p>16 March</p> <p>Discussed the need for a change in the system of incentives for innovation and developed recommendations for incentives for innovation projects.</p> <p>Discussed the results of Litgrid's 1MW BEKS project and the vision for further use of the battery in technological research.</p> <p>Discussed prospects for the development of the Group's non-regulated activities.</p> <p>31 March</p> <p>Decision adopted on a recommendation to companies on incentives for innovation projects</p>	<p>20 April</p> <p>Initial strategy for unregulated activities discussed.</p> <p>Revised status report on the portfolio of innovation projects.</p>	<p>25 May</p> <p>The outcome of the companies' cooperation session discussed.</p> <p>The draft RES platform discussed.</p>	<p>15 June</p> <p>Decision adopted on updating the provisions of the Innovation and Development Committee.</p> <p>The need for partnerships with business, science and other institutions discussed.</p> <p>The context for the management of information on external funding instruments and the current situation discussed</p>

7.8. Chief Executive Officer

The Chief Executive Officer of EPSO-G is appointed by the Board of the Company taking into account the recommendations of the Remuneration and Nomination Committee. The Chief Executive Officer is accountable to the Board.

Mr. Juozaponis is the CFO of EPSO-G, and since January 2022, the acting CEO of the holding company EPSO-G. He took office after Mr. Rolandas Zukas, the former head of EPSO-G, resigned from the position of the CEO. Mr. A. Juozaponis will hold this position until 22 August, when Mr. Mindaugas Keizeris begins takes over his office as the new head of the company.

The competence of the CEO does not differ from the competence of the head of the company established by the Law on Companies, except for the additional competence provided for in the Articles of Association.

Chief Executive Officer of EPSO-G:

- Organizes and controls the implementation of the Group's operational strategy;
- Organizes and controls the implementation of the Group's operational strategy and ensures the implementation of the Company's strategy, which is a part of the Group's strategy, and the implementation of the decisions of the General Meeting of Shareholders and the Board of the Company;

- Controls the activities of the subsidiaries, makes suggestions and conclusions to the EPSO-G Board regarding the organization of the Group's activities and development thereof;
- Organizes and ensures the monitoring of the implementation of the strategy, long-term (strategic), short-term (tactical) objectives of the subsidiaries, the activities assessment, makes suggestions to the EPSO-G Board regarding the improvement of activities;
- etc.

7.9 Additional information on the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, and the Head of the Internal Audit:

Mr. Robertas Vyšniauskas (Chair of the Board) Mr. Vyšniauskas holds the position of the Chair of the EPSO-G Board from February 2022. Mr. Vyšniauskas also holds the position of the General Manager at the company Valstybės Investicinis Kapitalas (State Investment Capital), is the member of the Board of the company Vilniaus Vystymo Kompanija (Vilnius Development Company), and is a consultant in the field of corporate governance, law and taxes.

Mr. Gediminas Almantas (Chair of the Board until February 2022) – Mr. Almantas held the position of the Chairman of the Board of EPSO-G from 30 March 2019. Mr. Almantas is an independent member of the Board of the state enterprise Lithuanian Airports, the member of the Compliance and Mediation Committee of the International Federation of Red Cross and Red Crescent Societies, the Chairman of the Lithuanian Red Cross Society and the Chairman of the Board of the Open Lithuania Foundation, the member of the Procurement and Investment Policy Committee of the Lithuanian National Radio and Television.

Acting Chief Executive Officer Mr. Algirdas Juozaponis holds this position from 3 January 2022. Mr. Juozaponis is the Chief Financial Officer of EPSO-G UAB from 15 October 2015, the member of the Board of Litgrid AB from 20 April 2020 and the Chair of the Board from 18 August 2020. Mr. Juozaponis holds a Master's degree in Banking from Vilnius University, he is a professional member of the Board of the Baltic Institute of Corporate Governance.

Mr. Žydrūnas Augutis (Chief Financial Officer) - Mr. Augutis has more than 20 years of experience in financial accounting and taxation and holds the position of the Chief Financial Officer of EPSO-G from 29 April 2019. Before joining EPSO-G, he held the position of the Chief Financial Officer of the subsidiary Litgrid for two years, was the head of the Accounting Department of Lietuvos Dujos AB (following the separation of the transmission activities from it, Amber Grid was established). In 2017-2019, Mr. Augutis was a member of the Board of EPSO-G's subsidiary TETAS. Mr. Augutis holds a Master's degree in Accounting and Auditing in Economics from Vilnius University.

Ms. Rasa Juodelytė (Head of Internal Audit) holds the position of the Head of the EPSO-G Centralised Internal Audit Unit from 2 January 2017. Before starting to serve in this position, she was responsible for the Internal Audit Unit's activities at the subsidiary Litgrid for four years; she held the same position at the international company of wholesale and retail trade in petroleum products. Ms. Juodelytė holds a Master's degree in Accounting and Auditing from Vilnius University.

The CVs of the members of the Board, the Committees and the Chief Executive Officer of the Company are published on the website of EPSO-G at www.epsog.lt.

7.10 Operating policies

Good governance practices in EPSO-G Group were implemented during the reporting period through the application and continuous targeted improvement of the operating policies approved by the Board, applicable to all the Group companies.

The operating policies of EPSO-G Group are intended to implement a consistent and effective organizational management system helping the employees in successful implementation of important strategic projects and transparent and effective benefit creation for both the people of the country and the business.

To ensure the efficiency of the operating policies, all companies of the Group annually report on the progress of implementation of the operating policies to the Board of the holding company EPSO-G.

In order to meet the objectives set out in the Letter of Expectations of the Shareholder, EPSO-G holding company has established guiding principles and, where appropriate, specific rules in the following areas of activity at Group level.

On 25 February 2022, the EPSO-G Board updated the Group's anti-corruption policy. The changes include a zero tolerance approach to corruption, a commitment that only persons of good repute can be employees of Group companies, the registration of gifts in accordance with the procedures established by the companies, a new section in the Policy on the Helpline and the protection of reporting persons.

On 27 May 2022, the EPSO-G Board updated the Group's Policy for the Provision of Support. The draft policy simplifies the principles for providing support, while maintaining the principles of transparency and openness. The updated policy does away with the provision that the share of profits to be allocated to support by Group companies must be determined by the Ordinary General Meeting of Shareholders. Decisions on the overall level and direction of the Support would be taken by the Boards of Directors of the Group companies, in accordance with the procedures laid down by law and the requirements of the maximum amount of support allowed. The executives of the Group company, implementing the decisions of the Board of Directors, ensuring the requirements of this Policy, the Law on Charity and Support of the Republic of Lithuania and other legal acts, would take decisions on the specific amount of support to be granted to beneficiaries.

Policies or summaries of policies are available on the EPSO-G website at www.epsog.lt under the section 'Operational policies'.

7.11 Functional area governance

In 2022, the holding company EPSO-G continued to employ a functional leadership model that, based on international practice, creates the greatest value for the Group companies. In application of the functional leadership model, the holding company EPSO-G:

- Mostly focuses on operational efficiency, shared resources, and centralized services;
- Allocates resources and enhances competence for key, long-term value creation activities - strategy development, investment management, and innovation;
- Defines the policies of the Group companies, standardizes the core processes of the Group;
- Promotes the sharing of good practices among the patronized companies and supports initiatives to improve performance.

7.12 Self-assessment and results of the activities of the collegial supervisory and management bodies

With respect to the guidelines prepared by the Remuneration and Appointment Committee, at the beginning of 2022, the governing bodies of the holding company EPSO-G and its subsidiaries carried out the self-assessment of their activities of 2021.

The summarized assessments of the members of each collegial body were discussed during the meeting of each collegial body. The fields of activity to be improved were identified and the directions for improvement of the operational processes were established by drawing up a coherent plan of actions and tasks.

Having analysed the self-assessment results of the Boards and advisory committees of the companies within the holding company EPSO-G, the Remuneration and Appointment Committee identified that the key areas for improvement is the enhancement of cooperation between the collegial bodies of the companies of the EPSO-G group.

7.13 Information on compliance with the Code of Conduct

The holding company EPSO-G complies with the provisions of the Corporate Governance Code of the Companies listed on NASDAQ OMX Vilnius (available at: www.nasdaqbaltic.com). The Code applies to the extent that the Articles of Association of the Company do not provide otherwise. The Company discloses its compliance with the provisions of the Corporate Governance Code in its Annual Report and by a separate report on its website under the section 'Objectives and Accountability'.

7.14 Information on Compliance with Transparency Guidelines

The EPSO Group complies with Resolution No 1052 of the Government of 14 July 2010 On the Approval of the Description of the Guidelines for Ensuring the Transparency of the Activities of State-Owned Enterprises (the "Transparency Guidelines"). The application of the Transparency Guidelines is mandatory for the holding company EPSO-G as it is a company controlled by the State, categorized as a major company in accordance with the Law on Financial Reporting of the Republic of Lithuania.

In order to ensure compliance with the Transparency Guidelines at the EPSO-G Group, the Business Transparency and Communication Policy is effective at the Group, which considers in detail the requirements set forth in the Transparency Guidelines, and defines their applicability to the companies of the group.

The implementation of the Transparency Guidelines is largely ensured through disclosure of information in the annual report and on the official websites, where information is disclosed in the format that is acceptable and comprehensible to the stakeholders.

Structured information on the implementation of the Transparency Guidelines is presented in Annex 1 to the annual report and by a separate report on its website under the section 'Objectives and Accountability'.

8. REPORT ON THE IMPLEMENTATION OF THE REMUNERATION POLICY

We create an open, progressive organization guided by the objectives of sustainable development, where the professional partnership between an employer and employees prevails, where everyone has opportunities for self-realization, grows together with the organization and is able to take responsibility for their decisions and actions.

When implementing the strategic and business goals set by the shareholder, we seek to attract and retain competent, responsible professionals following the provisions of the Group's Code of Conduct and reaching their targeted goals.

We constantly foster employee improvement and upgrade of their skills. We pay much attention to the development of managerial competencies.

We set goals related to the strategy for employees and evaluate their achievement. We encourage all employees to propose and implement innovations in their activities: from innovative work methods and tools that facilitate everyday processes to breakthrough innovations that lead to new activities.

We operate efficiently, ensure optimal operating costs and investments based on the best possible cost-benefit ratio, and we are responsible in managing the remuneration budget. We pay employees a performance-based salary, offer incentives for achieving goals that require additional efforts.

8.1 Formation and monitoring of the Remuneration and Nomination Policy

The Board of the Company is responsible for the implementation and supervision of the Remuneration Policy and Selection Policy of EPSO-G.

In order to ensure the proper formulation, monitoring and management of the remuneration fund, EPSO-G Group has a three-member Remuneration and Nomination Committee, the majority of which are independent members.

When performing this function, the Remuneration and Nomination Committee of EPSO-G:

- Provides recommendations regarding the terms and conditions of the contracts entered into with the members of the Board and / or heads, including the maximum amount of the remuneration for these persons, the maximum annual operating budget for their remuneration;
- Prepares the main criteria of the assessment of the activities of the heads of the companies of EPSO-G Group and the remuneration guidelines applicable when establishing the remuneration for the activities in the Board, the Remuneration and Nomination Committee, the Audit Committee, other specialized committees, if any are formed, of the subsidiaries of the Company and the Group. The committee reviews their implementation at least once a year;
- Makes suggestions to the management bodies regarding the individual salaries for the management personnel and the members of bodies in order they would meet the remuneration guidelines and the assessment of the activities of these persons;
- When performing this function, the Remuneration and Nomination Committee is informed about the total remuneration received by the management personnel and the members of the bodies from the other related companies;
- Ensures that the individual salaries paid to the management personnel and/or to the members of the governing body would be in proportion with the salary of other management personnel of the

Company and/or of the Group companies or of the members of the bodies and of other employees of the subsidiaries of the Company and/or the Group companies;

- Provides recommendations regarding the policy established
- by the Board of payment for the work of the heads,
- deputy heads and other management personnel of the subsidiaries and sub-subsidiaries of the Company, also regarding the review of the policy and its implementation at least once a year;;
- Monitors and provides conclusions on how the Company and the companies of EPSO-G Group comply with the valid provisions concerning the publication of information related to salaries;
- Provides the management personnel of the companies and/or the members of the bodies the general recommendations regarding an amount and structure of the salaries of these employees and/or members of bodies, also the recommendations to monitor an amount and structure of their salaries based on the information provided by the Company and the subsidiaries of the Group companies;
- Collects and systematises all information collected and received in the spheres of its competence, and on the basis of such information provides recommendations to the relevant body of the Group companies and, when necessary, directly to the Supervisory Board;
- Once a year the Remuneration and Nomination Committee reports in writing to the Board about its activities covering one calendar year.

The Board and other bodies of the Company and / or of the subsidiaries of the Group companies shall have the right to apply to the Remuneration and Nomination Committee and to provide conclusions on the specific issues raised by them if such the issues fall within the Competence of the Remuneration and Nomination Committee.

8.2 Remuneration Policy

The uniform remuneration policy based on the principles of responsibility and accountability has been introduced in the companies of EPSO-G Group. The aim of the policy: effective management of the salary costs of the Group and creation of motivational incentives in order an amount of salary would depend directly on the implementation of the objectives pursued by the Company and each employee.

This means that the performance of the employee is considered when determining the remuneration. therefore, the remuneration of the employees of EPSO-G consists of two components, i.e. fixed and variable. The component depends on the responsibility level related to the position held, which is determined according to the methodology applied in the international practice. The variable pay component of remuneration is paid when the individual objectives established during the annual assessment are achieved and the companies report to the shareholder and the Board for the chievement of the annual objectives of the company.

Based on international good governance practice, the Remuneration Policy of EPSO-G is approved or changed by the Board only after the Remuneration and Nomination Committee, which includes independent members, provides its recommendations.

All companies of the Group are subject to the same principles of the Remuneration Policy:

- The identical principles of the Remuneration Policy are applied for all employees (including executives).
- The remuneration fund is approved by the Boards of the companies. The Remuneration and Nomination Committee monitors whether there is a balanced control of salary costs with motivation of the employees who are properly performing their duties.
- The remuneration of the executives and employees of EPSO-G consists of two components: fixed and variable.
- The fixed component depends on the level of responsibility of the position. It is determined according to a methodology recognized and widely used in international practice.
- The variable pay component is paid when individual goals set during the annual performance assessment are attained, and the company reports to the Board for the achievement of annual goals.
- Annual goals for executives and employees are set in accordance with the Employee Performance Assessment Policy of EPSO-G Group companies.
- The variable pay component of remuneration is not paid if performance results do not meet the expectations according to the established evaluation criteria and the financial results are assessed as unsatisfactory,
- The variable pay component of remuneration is not a bonus. It cannot exceed 20-30 percent of the fixed component of remuneration.
- The amount of variable pay component of remuneration is estimated in the company's budget and recorded in the financial result, which is audited and made public.
- The variable pay component of remuneration of the company's CEO depends on the implementation of the goals set out in the company's strategy, which are announced publicly on the company's website.
- The variable pay component of remuneration is not paid to members of the collegial bodies.
- Severance pays for executives and employees do not exceed amounts other than that established by the legal acts of the Republic of Lithuania.
- It is provided that performance of particular importance not foreseen for in the employee's annual targets may, in exceptional cases, be subject to an incentive payment not exceeding the amount specified in the policy. The relevant board of the Group company must be informed on the above at its next meeting.
- Prior agreements on severance pays, except for company directors whose terms of employment are determined by the Board, are not concluded.
- Severance pays are paid to employees in accordance with the procedure laid down in the Labour Code of the Republic of Lithuania and in employment contracts.
- The Remuneration Policy does not provide for any remuneration by granting a CEO, a member of the collegial body or an employee the right to the shares, stock options or the right to receive remuneration based on changes in share prices other financial instruments.
- The companies of EPSO-G Group reward their employees in non-financial form in order to promote their engagement and loyalty. Indirect reward includes events for the employees, recognition and appreciation for very good performance.

In order to ensure the effectiveness of the Remuneration Policy, the fixed and variable pay components of remuneration are made public by groups of posts. This creates assumptions for the companies of EPSO-G Group to adequately remunerate the employees, who reach the objectives and exceed expectations, on the basis of the average market value.

The assessment of the competitiveness of companies and employees' remuneration is based on market research data. In the preparation of the Remuneration Policy of EPSO-G, the services of external consultants were not used.

8.2 Selection Policy

When forming boards or collegiate supervisory and management bodies, we aim to create the right mix of knowledge, skills and experience among their members. We apply high standards of values, professionalism and integrity to all levels of staff, and excellent leadership skills to managers. We select staff and members of governing bodies on the basis of the following guiding principles:

- Transparency - selections are carried out in a transparent manner, giving all candidates equal access to the requirements of the post for which they are being selected.
- Objectivity - all candidates are assessed impartially in terms of their knowledge, professional experience, competencies and values, selecting the best candidates who meet the requirements of the post and the Group's values.
- Non-discrimination - implemented without discrimination between candidates on the basis of their gender, nationality, social status, political opinions and other differences.
- Confidentiality - selections are carried out with respect for the confidentiality of all candidates and the legal requirements for the protection of their personal data during and after the selection process.
- Zero tolerance of nepotism and cronyism - family members, relatives and friends are not considered for selection.

8.3 Employee performance assessment

Employee performance assessment is one of the most important conditions of management and effective leadership that helps achieving the objectives of EPSO-G Group companies and creating a positive relationship between the leaders and their subordinates, allows planning employee careers, increasing their motivation and engagement.

An annual performance review is a performance assessment tool ensuring that personal objectives of EPSO-G employees are tailored to the objectives of the Company. The performance review is intended to discuss and set measurable, time-defined and motivating objectives for the employees.

The annual and interim performance reviews are intended to assess the achievement of objectives set for an employee of EPSO-G and to set the new ones, forms a feedback culture between a leader and a subordinate. The need for the employee's competence development and further professional growth, and career opportunities are discussed during the review as well.

In the companies of EPSO-G Group, individual objectives are discussed with each employee and set annually. Their implementation has a direct impact on the variable pay component, which also depends on the overall achievement of the Company's objectives.

8.4 Employees

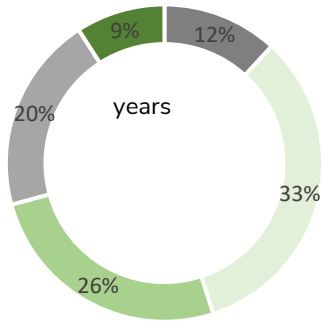
Number of employees in EPSO-G Group companies and separate companies

	As at 30 June 2022.	As at 31 December 2021
Company group	1361	1278
EPSO-G	83	74
Amber Grid	327	324
Litgrid	369	335
Tetas	520	498
Baltpool	18	19
GET Baltic	7	8
Energy Cells	37	20

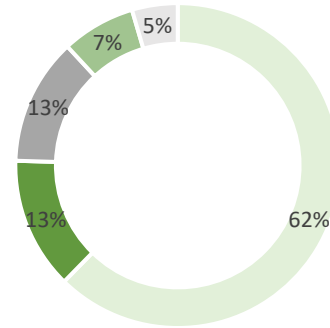
Distribution of employees by position groups as of 30 June 2022



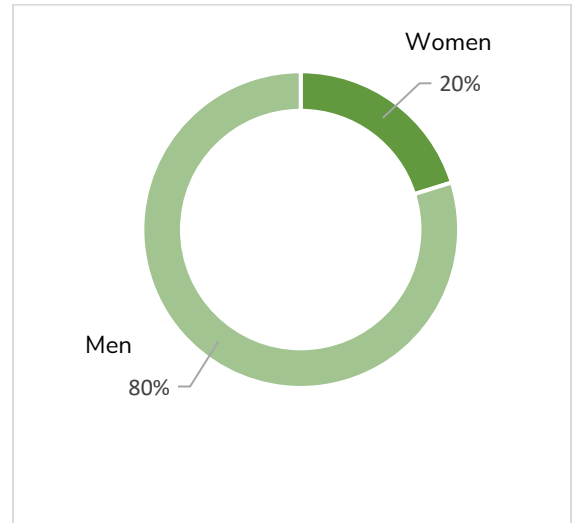
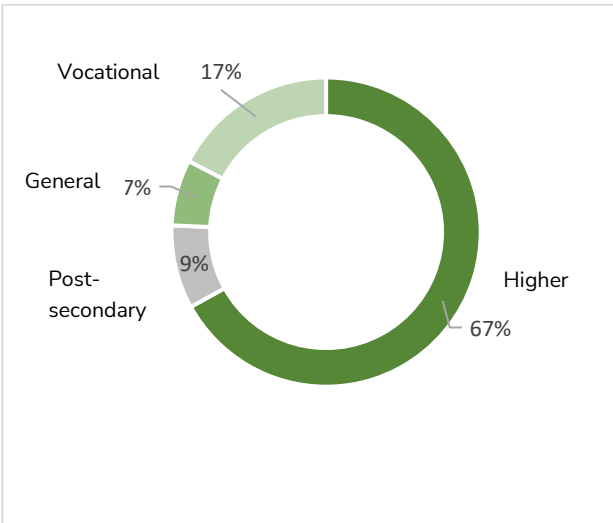
Distribution of employees by service record, age, education, gender as of 30 June 2022 (%)



■ < 20-30 years
 ■ 30-40 years
 ■ 40 - 50 years
■ 50 - 60 years
 ■ > 60 years



■ < 5 years
 ■ 5-10 years
■ 10-20 years
 ■ 20-30 years
■ > 30 years



8.6. Information on remuneration

As of 30 June 2022, EPSO-G Group had 1,361 employees (as at 31 December 2021: 1,278 employees). Wage Guarantee Fund of EPSO-G Group for six months of 2021 was EUR 27,711 thousand (six months period of 2021: EUR 16,379 thousand).

Information on the monthly pay of the first six months of 2022

Monthly pay by category of employees	Group		Company	
	Number of employees (at the end of the period)	Average monthly pay	Number of employees (at the end of the period)	Average monthly pay
CEO	7	9 254	1	8 068
Senior management	24	7 679	4	8 601
Middle-level management	140	4 841	18	5 819
Specialists	782	2 792	60	3 498
Workers	408	1 571	-	
Total	1 361	2 738	83	4 484
Wage Guarantee Fund, thousand EUR		21 711		2 000

Information on the holding company EPSO-G's fixed and variable pay components

Monthly pay by category of employees	Average relative number of employees	Average monthly pay, EUR	Variable pay component for results achieved in 2020
CEO	1	8 068	-
Senior management	4	6 898	1 703
Middle-level management	18	4 843	976
Specialists	60	3 339	159
Total	83	4 018	466

8.7 Information on remuneration of collegial members

The members of EPSO-G's supervisory and management bodies are appointed for the term of office of four years. Civil contracts detailing their responsibilities, duties, rights and functions are concluded with them.

On 24 March 2022, the following amounts of remuneration were set for independent members of the Board (before taxes), in accordance with the EPSO-G Remuneration Guidelines approved by the sole shareholder of the holding company, the Ministry of Energy:

Chair of the Board - 1/3MA(GD)*

Member of the Board - 1/4MA(GD)*

Chair of the Audit Committee and Remuneration and Nomination Committee - 1/3MA(GD)* minus EUR 400

Member of Audit Committee and Remuneration and Nomination Committee of the Group - 1/4MA(GD)* minus EUR 400

Chair of the Innovation and Development Committee of the Group – equals to the amount of pay of the member of the Board of the company within the Group, which nominates the member

Member of the Innovation and Development Committee of the Group - equals to the amount of pay of the member of the Board of the company within the Group, which nominates the member minus EUR 400

**MA(GD) means monthly pay of the CEO of the Company, including fixed and variable components*

The variable pay component is not paid to members of the collegial bodies.

In cases, where a member of the Board also carries out their activities in a committee of the Board, the monthly pay shall be accumulated, i.e., such member of the Board shall be remunerated both for their activities in the Board and in the committee of the group.

The members of the Board of EPSO-G, appointed by the sole shareholder, the Ministry of Energy, are not remunerated under a civil contract of a member of the Board.

The remuneration for the execution of the rights and obligations of the shareholder in the subsidiaries in accordance with the civil contract of a member of the Board is not paid also to members of the Board who are appointed by the holding company EPSO-G as the largest shareholder. This principle is applicable for the subsidiaries appointing members to their subsidiaries.

The contracts entered into with the members of supervisory and management bodies do not grant any rights to the shares of the companies of EPSO-G Group, other forms of remuneration or additional benefits. The contracts do not provide for any severance pays and notice periods.

Information on activities and pay-outs for collegial members of the holding company EPSO-G's supervisory and management bodies:

	As of 30 June 2022	As of 30 June 2021
Number of meetings of collegial supervisory and management bodies	43	39
Number of meetings of collegial supervisory and management bodies	75	47

Information on individual pay-outs for collegial members of supervisory and management bodies

Full name of the member	As of 30 June 2022	As of 30 June 2021
Robertas Vyšniauskas	22 423	10 500
Gediminas Almantas	20 149	12 900
Tomas Tumėnas	-	10 500
Dainius Bražiūnas	-	
Gediminas Karalius	-	-
Gediminas Šiušas	12 337	6 600
Ramūnas Abazorius	7 619	
Tomas Daukantas		
Jolita Lauciuvienė	12 337	6 600

8.7 LEGAL DISPUTES AND UNCERTAINTIES

Information on legal disputes and uncertainties is disclosed in the annual financial statements.

8.8 INFORMATION ON SPECIAL OBLIGATIONS

PSO funds administration activities

The company Baltpool, which is part of EPSO-G Group, under the Resolution No 1338 On the Appointment of the Administrator of Funds of Public Service Obligations in the Power Sector of the Government of the Republic of Lithuania of 7 November 2012 was appointed to implement the special obligation to perform the functions of the administrator of funds of public service obligations (PSO) in the power sector.

In performing this function, Baltpool collects, pays and administers PSO funds in accordance with the procedure established by legislation. The costs of PSO funds administration in accordance with the procedure established by legislation are reimbursed from the PSO funds budget not from the state budget.

As from 1 April 2019, PSO price differentiation system was introduced, which will be applied until 31 December 2028. Entities using large amounts of electricity (≥ 1 GWh per year), having concluded contracts with Baltpool, which performs the functions of the PSO funds administrator, and meeting the requirements established by legal acts, will be able to reimburse 85% of the PSO price paid during the previous calendar year for the amount of electricity exceeding 1 GWh, intended to promote electricity production from renewable energy sources. Power-intensive entities undertake to invest at least 75% of the reimbursable part of the PSO price in the implementation of the best energy efficiency measures.

Detailed information and PSO reports are published on Baltpool's [website](#).

Implementation of the functions of the project executor for the installation of a physical barrier at the border with Belarus

Upon the implementation of the Law on the Installation of a Physical Barrier on the Territory of the Republic of Lithuania at the EU External Border with the Republic of Belarus (hereinafter - the Law on the Physical Barrier of the RL), under the Resolution No 680 On the Implementation of the Law on the Installation of a Physical Barrier on the Territory of the Republic of Lithuania at the EU External Border with the Republic of Belarus of the Government of the Republic of Lithuania of 23 August 2021, EPSO-G UAB has been assigned a special obligation, i.e. to perform the functions of the executor of the project for the installation of a physical barrier, as defined in Paragraph 1 of Article 2 of the Law on the Physical Barrier of the RL (hereinafter - the physical barrier).

Detailed information on the physical barrier project, related project objectives, and key events during the reporting period is provided on EPSO-G's [website](#).

9. SUSTAINABILITY

EPSO-G plays a key role in ensuring Lithuania's smooth and reliable transition to an energy system integrating large amounts of Renewable Energy Sources (RES), enabling decarbonisation of the sector, initiating system interconnection projects, and facilitating the exchange of climate-neutral energy.

The goal of EPSO-G sustainable business is to implement the transformation of the energy sector, striking a sustainable balance between environmental, social, and economic objectives, thereby contributing to the creation of a climate-neutral economy.

EPSO-G believes that sustainability principles must be integrated into the activities and processes of all Group companies. As a manager of strategically important energy infrastructure, EPSO-G aims to contribute to the implementation of the commitments on climate change and the environment set out in the Paris Agreement, the European Green Deal, the National Energy Independence Strategy, and the National Climate Change Management Agenda.

The main directions of sustainable development of EPSO-G stem from the activities defined in the Group's long-term strategy until 2030.

EPSO-G also aims to contribute directly to the United Nations Sustainable Development Goals by focusing on ensuring access to affordable clean and modern energy, combating climate change, developing modern infrastructure and innovation, creation of safe and decent working conditions, worker well-being and a sustainable supply chain.

9.1 Sustainability directions and long-term goals

EPSO-G's key sustainability objectives have been identified through an assessment of the main environmental, social and economic impacts of the Group's businesses, as well as the actions set out in the Group's long-term business strategy, which will contribute to the transformation of the energy sector and to the transition towards climate-neutral energy generation.



9.2 Sustainability initiatives and interim results

During the reporting period, the EPSO-G Group launched initiatives aimed at achieving its long-term sustainability objectives. The following initiatives, covering environmental, social and governance areas, will be detailed in the EPSO-G Group's Sustainability Report for 2022.

Environmental area:

- A greenhouse gas (GHG) inventory has been carried out for all companies in the EPSO-G group (excluding Energy cells), estimating data for the period 2019-2021. This inventory was used as a basis for the preparation of GHG reduction plans.
- Litgrid has started the implementation of an ISO 14001-compliant management system, which will help to ensure quality management of the company's environmental impact.
- As Lithuania strives for a rapid transition to renewable energy, the first national hydrogen sector development study, coordinated by the Lithuanian gas transmission system operator Amber Grid and the EPSO-G group of companies, was finalised and publicly presented in June 2022.
- During the reporting period, no significant environmental incidents occurred in EPSO-G Group companies.

Social area:

- During the reporting period, there were no cases of human rights violations or discrimination in the activities of EPSO-G Group companies.
- during the reporting period, no serious or fatal accidents occurred in the activities of EPSO-G Group companies, their contractors and subcontractors.

Governance area:

- EPSO-G carried out a stakeholder assessment of the relevance of all sustainability topics relevant to companies' operations. The survey, conducted in early 2022, involved 645 respondents, including employees, suppliers, customers, business partners, local communities, associations, trade unions, the Ministry of Energy, investors, and the Group's managers and board members.
- Green criteria are introduced in public procurement. EPSO-G estimates that during the reporting period, green procurement in the Group's companies accounted on average for more than 50% of all public procurement carried out during the period.
- EPSO-G understands the reliability of electricity and gas transmission networks to mean that they are available 24/7 without disruption. The National Energy Regulatory Council has set Litgrid's annual ENS at 27.251 MWh and AIT at 0.934 min for 2022. Amber Grid's operations have been set to have a total number of unplanned outages due to the operator's responsibility and a total duration of unplanned outages due to the operator's responsibility of 0.

Litgrid's reliability indicators for the electricity transmission network in the reporting period were as follows:

- ENS (Energy not supplied due to disconnection) - 8.241 MWh (1st half of 2021: 2.823 MWh);
- AIT (Average interruption time) - 0.264 min. (1st half of 2021: 0.099 min.).

Amber Grid's natural gas transmission network reliability indicators in the reporting period were as follows:

- Number of unplanned interruptions due to operator liability - 0 (1st half of 2021: 0);
- Total duration of unplanned outages due to operator liability - 0 (1st half of 2021: 0).

- During the reporting period, no cases of corruption were reported in EPSO-G Group companies.

9.3 Sustainability Implementation and management

EPSO-G and its group companies see sustainable development as an integral and inseparable part of their activities. EPSO-G develops implementation plans to implement the sustainability principles, integrates the principles into the business plans of group companies, coordinates the implementation of the environmental impact and GHG emission reduction and sustainability objectives for group companies.

EPSO-G undertakes to review the environmental, socio-economic impacts and sustainability priority themes with group companies on a regular basis, but at least once every two years. Long-term sustainable development goals are integrated into EPSO-G operational strategy until 2030 approved by the Board.

The Group has in place the following sustainability management-related policies:

- Corporate Governance Policy. Its purpose is to ensure good corporate governance practices within the Group by establishing uniform corporate governance principles across the group and ensuring interaction between the parent company and other group companies.
- Sustainability Policy. It defines the key directions and principles for the sustainability development that would guide activities of group companies and create a progressive organisational culture. Managers of group companies and those responsible for overseeing the functional area of sustainability are responsible for the implementation of this policy.
- Occupational Safety and Health policy. It defines the general principles of occupational safety and health in EPSO-G and the main guidelines for its implementation. The aim of the policy is to ensure the health of employees in the workplace and to create a healthy, safe and efficient working environment.
- Equal Opportunities Policy. It defines the key principles applied at the level of group companies to ensure that equal opportunities and non-discrimination are respected in all areas of employment relationship. Managers of group companies are responsible for the implementation of provisions of this policy in each company of the group.
- Environmental Policy. It defines the key principles in the area of environmental protection applied across the group, with the aim of minimising the environmental impact of its activities and implementing a culture based on the principles of sustainable development in the group and its environment.
- Transparency and Communication Policy. It aims to facilitate more effective interaction with each other and with external stakeholders: the public, shareholders, market regulators, etc.
- Corruption Prevention Policy. It aims to set the key principles and requirements for the prevention of corruption within the group and the guidelines for ensuring compliance with these principles and requirements, the implementation of which enable and facilitate the implementation of the highest standards of transparent business conduct.
- Remuneration, Performance Review and Training Policy. The aim is to establish clear and transparent principles of remuneration of the group employees for their work and the employee remuneration system based on these principles, in order to effectively manage remuneration expenses and to provide motivational incentives for employees to achieve the objectives set for the organisation.
- Interest Management Policy. It aims to establish, at the group level, the interest management system that is unified and in line with best practices, to ensure objective and impartial decision making within the group

companies, as well as to create the zero-corruption environment and to increase confidence in the activities of group companies.

- Interest Management Policy. It aims to establish, at the group level, the interest management system that is unified and in line with best practices, to ensure objective and impartial decision making within the group companies, as well as to create the zero-corruption environment and to increase confidence in the activities of group companies.
- Technological Asset Development and Exploitation Policy. Its aim is to consistently implement cost-benefit principles for the management and development of electricity and natural gas infrastructure, to introduce advanced technologies, and to manage and develop energy transmission infrastructure in a socially responsible manner, considering occupational health and safety and environmental requirements.
- Donations Policy. It aims to ensure that the donations are public and do not call into question their appropriateness and the transparency of the process of their granting.
- Code of Conduct. Its purpose is to establish uniform general guidelines for conduct in dealing and cooperating with internal and external stakeholders: service users, contractors, business partners, shareholders, public authorities and municipal bodies, the public, etc. The provisions of the code are based not only on the employer's duty, but also on the employee's personal awareness that good conduct enhances the reputation and value of the company, as well as the group as a whole, and reduces the probability of reputational risk. The provisions of the code are directly derived from the group values, leadership principles and complement the related operational policies.