EPSOG 2023
Annual Report

Consolidated Annual Report, Consolidated and the Company's Financial Statements Prepared in Accordance with the International Financial Reporting Standards as Adopted by the European Union, for the Year Ended 31 December 2023

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CHAIRMAN’S STATEMENT

Dear all,

Tectonic shifts across the globe demand us to be responsive and adaptive to a dynamic environment. Last year, we placed greater emphasis on strengthening Lithuania’s energy security. The date on which the electricity grid of all three Baltic States will implement synchronisation with Western Europe has been officially announced, the winner of first Baltic offshore wind farm tender has been announced, and the integration into European Green Hydrogen Network has been initiated.

Late last year, a critical phase was reached that will help shape the energy future. Together with international consultancy DNV and in partnership with the Ministry of Energy, Lithuanian industry, energy companies and experts, we have developed a transformation study, i.e. scenarios for the future, which will guide us on our path to Lithuania’s energy independence. This study will be used by the Ministry of Energy in updating the Lithuanian Energy Independence Strategy (NEIS), the long-term strategies of the EPSO-G Group and its companies, and in modelling the main transformation scenarios for the LT100 Study.

Last year, we focused our efforts at streamlining and developing our business. We have entered into an important strategic partnership agreement: European Energy Exchange (EEX), the leading energy exchange, acquired a 66% shareholding in a regional gas exchange GET Baltic from the Group company Amber Grid. Amber Grid holds the remaining 34% of the shares. The main objective of the transaction is to strengthen the Baltic and Finnish gas markets and foster integration into the pan-European gas trading markets, ensuring greater liquidity and more competitive gas prices.

The EPSO-G’s sustainability-linked bond issue has received international recognition. Such first-ever issue in the Baltic States was recognised as the most important event on the Baltic capital market at the Nasdaq Baltic Market Awards in New York. This puts on an even stronger path of sustainable development and the achievement of climate impact reduction targets set.

The shareholder's expectation is that the Group will become an energy competence hub. Thus, last year we continued our efforts to strengthen the maturity of the organisational culture and to foster pride in working on energy projects of common Lithuanian interest. Global energy transformation also calls us to change. We have therefore strengthened functional governance, increased the Group’s integrity through functions, and enhanced cooperation. The Group companies are in the process of reviewing competences of their Boards.

The EPSO-G Group companies continued to strengthen Lithuania’s energy security by supporting their colleagues in Ukraine. Some companies engaged in delivery of infrastructure much needed in a war-torn country, while teams in other companies introduced a smaller-scale initiatives. I am particularly proud of the personal initiatives of our employees to help Ukraine.

I extend sincere thanks to all the employees of the EPSO-G Group companies who focus daily efforts on strengthening Lithuania’s energy independence and ensuring energy security.

Robertas Vyšniauskas,
Chairman of the Board of EPSO-G

CEO'S STATEMENT

Dear all,

2023 was a year of adaptation to a dynamic environment for the EPSO-G Group, Lithuania and our entire region. We focused on energy security by implementing strategic projects, taking historic steps in the offshore energy development, boosting domestic electricity generation from renewable energy sources to record levels, and outlining the directions for Lithuania's Energy Vision to 2050.

An important milestone has been reached on the synchronisation of the electricity grid of Baltic States with Western Europe by February 2025. Already in April, the isolated operation of the Lithuanian electricity system was successfully tested, confirming the electricity system's ability to operate independently in isolated mode and connect to the Continental European electricity network. The country received a critical equipment ensuring system reliability: synchronous condensers of several hundred tons have been successfully delivered and are being installed at the Telšiai and Alytus substations. Later on, the Baltic electricity transmission grid operators signed an agreement with the Heads of Government on the synchronisation date. All the steps of the synchronisation project continue to forge a strong path towards Lithuania's energy independence.

The largest grid-integrated energy storage system in Europe was launched in 2023 to ensure the country's energy security. The Group company Energy Cells provides isolated operating reserve service ensuring the Lithuania's energy system security at a capacity of 200 MW. After the completion of the synchronisation project battery parks will also speed up the smooth integration of solar and wind power plants into the overall system.

Domestic electricity generation is boosted by the active development of renewable energy sources (RES). At the end of 2023, the capacity of solar and wind power plants connected to the grid exceeded 2.3 GW, or 50% more than in 2022. Last year, the largest solar farm in the Baltics with permitted generation capacity of 65 MW was connected to Litgrid's transmission grid. In 2023, electricity generation in Lithuania grew by one third, which was the highest volume since 2010, and RES plants reached record levels by generating 67% of the country's total electricity. The development of RES does not stop there: at the end of 2023, Litgrid had letters of intent signed with the developers for 3.5 GW wind farms, and 3.9 GW solar farms. Given the existing commitments of developers and the projected RES development in ESO's distribution grid, the total RES volumes can reach 10-12 GW by 2030.

Lithuania is also starting to embrace offshore wind energy: the developer of a 700 MW wind farm in the Baltic Sea was announce in 2023. The second tender was announced in January 2024. These projects will enhance the country's energy security, while offshore wind farms alone will be able to meet up to half of Lithuania's current energy needs.

While natural gas consumption in Lithuania continues to decline, international gas flows are growing. Biogas has been fed into the transmission grid, marking a historic event for Lithuania. In the near future, volumes of these RES are expected to increase in the transmission grid.

Lithuania is making proactive steps to engage in the Green Hydrogen Programme and become part of the European Green Hydrogen Network. Pre-Feasibility Study for the Nordic-Baltic Hydrogen Corridor has been launched with help from the Group company Amber Grid and other regional natural gas TSOs. The goal of the Nordic-Baltic Hydrogen Corridor project is to create the connection between green energy production regions in Northern Europe with the main consumption centres in Central Europe.

The success of the Group's stock exchanges has also been of great importance to Lithuanian citizens and businesses. We brought about changes to strengthen the companies which are important for the energy industry. Last year, the turnover of Baltpool biomass exchange nearly tripled.

Launched last year, the strategic partnership has created more and better services for market participants: in May 2023, a 66% shareholding in a regional gas exchange GET Baltic were sold to European Energy Exchange (EEX). The Group company Amber Grid will hold the remaining 34% of the shares and will continue to support the further development of the gas business in the dynamic Baltic Sea region.

At the end of 2023, we introduced to the public our policies for strengthening national energy independence. The vision making basis for the update of the National Energy Independence Strategy (NEIS) presents potential scenarios for the country to become the hub for green technology development. These scenarios would guide the implementation of energy projects, the development of strategic partnerships and the creation of a basis for the integration of different sectors. The special focus will also remain on the competences of the Group's employees with the aim of becoming the energy hub of the future.

The Group's companies have placed a strong emphasis on financial and operational sustainability, not only to ensure energy security, but also to create returns for shareholder and society. The Group's key operating and financial indicators show stable returns that ensure financial sustainability. After a periodic review for EPSO-G, the rating agency Moody's Investors Service affirmed its Baa1 credit rating with a stable outlook.

In 2023, the EPSO-G Group's investments in the projects strengthening Lithuania's energy independence were record high and amounted to EUR 243 million or almost 39% more than in 2022. Investments in the electricity transmission grid grew 2.7-fold and amounted to EUR 153.6 million. Part of them have also been concentrated on the modernisation of existing infrastructure to ensure the reliability of transmission grid and uninterrupted power transmission.

The Group places particular emphasis on strengthening the competences of its employees and empowering teamwork, especially given the expectation for the Group, as an energy competence hub, to create value. Results of the Employee Engagement Survey revealed that the Group's overall score (74%) was above the average for both Lithuanian (64%) and international companies operating in Lithuania (65%), and several percentage points above the average for state-owned enterprises (68%).

I extend sincere thanks to my colleagues, the Board, the shareholder and the shareholder's representatives of all the Group companies, as well as other partners for successful joint efforts. For 2024, I wish we all team up for challenges that will further strengthen Lithuania's energy independence.

Mindaugas Keizeris,
CEO of EPSO-G

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CONSOLIDATED ANNUAL REPORT OF EPSO-G AND THE GROUP COMPANIES FOR 2023

The consolidated report of the holding company EPSO-G and the Group companies was prepared for the 12 months period ended on 31 December 2023.

1 GENERAL INFORMATION ON EPSO-G GROUP COMPANIES

Company name	EPSO-G UAB
Legal form	Private limited company
Date and place of incorporation	25 July 2012, the Register of Legal Entities of the Republic of Lithuania
Company code	302826889
Registered office address	Laisvės ave. 10, LT-01103 Vilnius
Telephone	+370 685 84866
Email	info@epsog.lt
Website	www.epsog.lt
Issued capital	EUR 189,631,000
Sole shareholder	The Republic of Lithuania, the property and non-property rights of which are implemented by the Ministry of Energy of the Republic of Lithuania

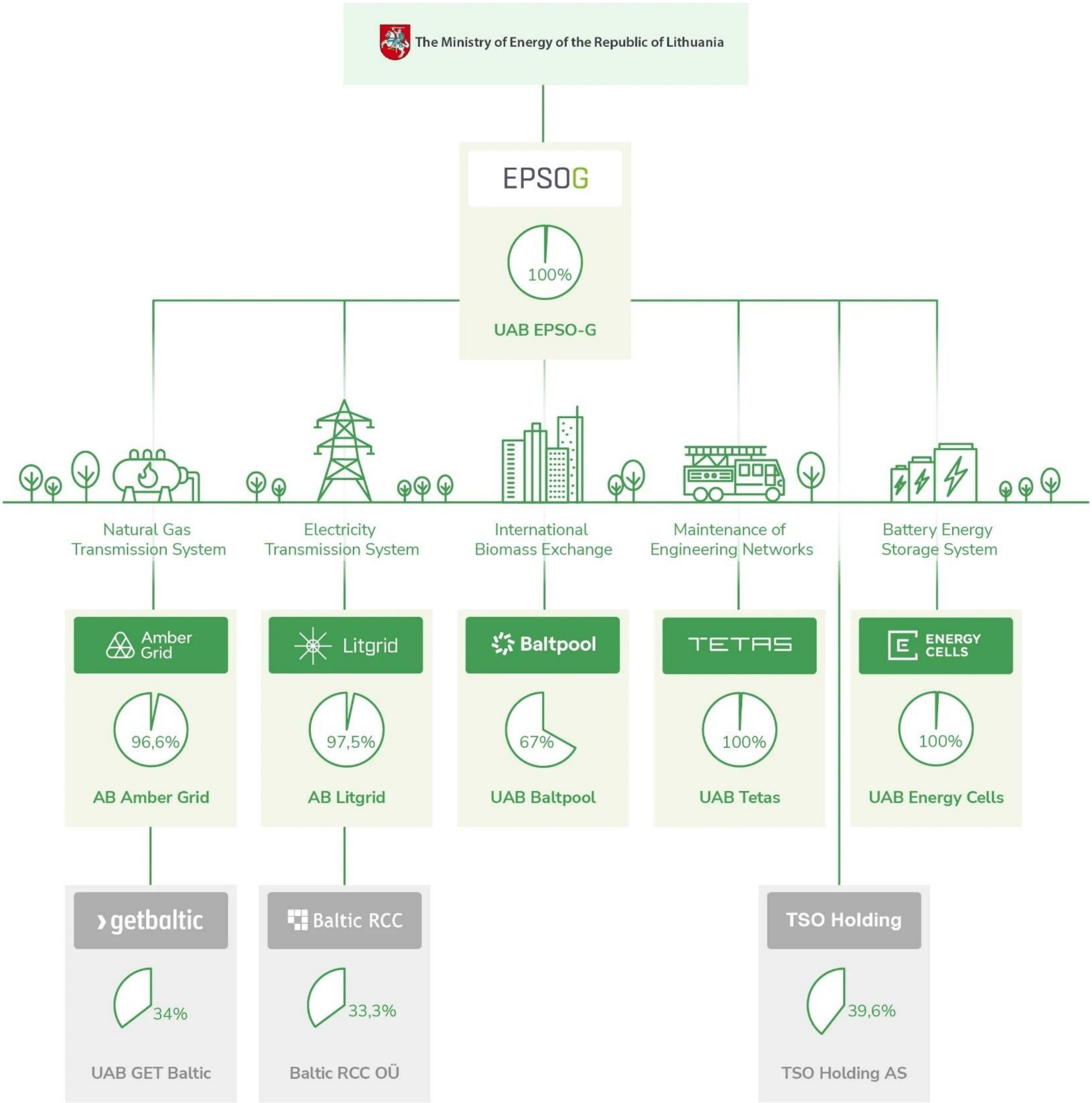
EPSO-G is a 100 % state-owned Group of energy transmission and exchange companies. The rights and obligations of EPSO-G holding shareholder are implemented by the Ministry of Energy of the Republic of Lithuania.

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, subcontracting 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. It also carries out electricity subcontracting projects and provides infrastructure operation services for low, medium and high voltage grid operators.

All the companies belonging to the EPSO-G Group are responsible for effective and timely implementation of the projects of energy transmission and exchange infrastructure development that are important for the state by contributing to the implementation of the goals set in the National Energy Strategy thus creating a sustainable long- term value for the shareholder – the State of Lithuania, people and the economy of the country.

As at 31 December 2023, 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), BALTPOOL UAB (Baltpool), TETAS UAB (Tetas), Energy Cells UAB (Energy Cells). EPSO-G and the Group companies also hold shares in GET Baltic UAB, Baltic RCC OÜ and TSO Holding AS.

EPSO-G Group



* Baltic RCC OÜ is the Baltic electricity transmission system operator established in 2022 to provide services ensuring safety and reliability of the electricity system and to coordinate between the transmission grid operators of the Baltic region.
TSO Holding AS is the minority shareholder of Norwegian company Nord Pool Holding that holds 34% of shares in the company. Nord Pool Holding holds 100% of shares in the Nord Pool electricity exchange, which provides the electricity exchange services in Central and Western Europe, the United Kingdom, Nordic and Baltic countries. The exchange provides electricity trading services, as well as clearing and settlement services. In 2022, EPSO-G increased its interest in the shareholding of TSO Holding to 39.6%.

Name	Amber Grid AB	LITGRID AB	BALTPOOL UAB	TETAS UAB	Energy Cells UAB
Legal form	Public limited company	Public limited company	Private limited company	Private limited company	Private limited company
Date and place of incorporation	11 June 2013, the Register of Legal Entities of the Republic of Lithuania	16 November 2010, the Register of Legal Entities of the Republic of Lithuania	10 December 2009, the Register of Legal Entities of the Republic of Lithuania	08 December 2005, 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	303090867	302564383	302464881	300513148	305689545
Registered office address	Laisvės ave. 10, LT- 04215 Vilnius	Karlo Gustavo Emilio Manerheimo st. 8, LT- 05131 Vilnius	Žalgirio st. 90, LT-09303 Vilnius	Senamiesčio st. 102B, LT- 35116 Panevėžys	Ozo st. 12A-1, LT-08200 Vilnius
Telephone	+370 5 236 0855	+370 707 02171	+370 5 239 3157	+370 45 504 670	+370 659 00748
Email	info@ambergrid.lt	info@litgrid.eu	info@baltpool.eu	info@tetas.lt	info@energy-cells.eu
Website	www.ambergrid.lt	www.litgrid.eu	www.baltpool.eu	www.tetas.lt	www.energy-cells.eu
Nature of activities	Natural gas transmission system operator	Electricity transmission system operator	Energy exchange operator, administrator of the funds of services of public interest	Specialised services of maintenance, repair and installation of transformer substations and distribution points, works of testing and tests, design of energy objects	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	96.6%	97.5%	67.0%	100.0%	100.0%

1.1 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 generating 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 Expectations of the Shareholder, 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 audit, human resources, risk management, social responsibility, innovation, communication and in other fields increasing operational transparency and accountability in order to create sustainable and 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 in its subsidiaries within the competence of the General Meeting of Shareholders, 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, coordinating 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 Nomination Committee, thus ensuring equal principles of nomination 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 drafting representative, standardised documents that unify the activities of the Group companies;
- By implementing functional mentoring of activities in the Group;
- By providing consulting services to the companies of the Group.

For more details please refer to www.epsog.lt

1.2 Litgrid

Litgrid is the electricity transmission system operator, which ensures reliable electricity transmission and the balance of electricity, manages and operates the high-voltage electricity transmission grid and the direct-current interconnectors LitPol Link and NordBalt. The company oversees the development of the transmission grid and the electricity market, coordinates electricity flows and maintains the stable operation of the country's energy system.

In line with the long-term goals identified in the National Energy Independence Strategy, the most important activity areas and responsibilities of Litgrid are the following: maintenance of the country's electricity infrastructure and its integration with the Western and Northern European electricity infrastructure; development of the electricity market and participation in the creation of a single electricity market of the Baltic and European countries; and integration of the electricity systems of Lithuania and continental Europe for synchronous operations.

Services provided by Litgrid:

- Electricity transmission over high voltage (110 and 330 kV) electrical installations. The transmission system operator (TSO) transmits electricity from producers to consumers that are connected to the transmission grid, and to the operators of the distribution grid. Electricity transmission is an activity regulated by the State. The main activities of the TSO include the management of the high voltage electricity transmission grid and securing reliable, effective, high-quality, transparent and safe transmission of electricity.

- **Ancillary (previously known as system) services to maintain reliable system functioning.** The TSO 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 to ensure a balance between production and consumption.** The TSO 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. The TSO organises trading in balancing electricity by auction. Litgrid, together with Estonian and Latvian operators, organizes a common Baltic balancing energy market, in which the single Baltic balancing is managed, and balancing energy is traded on equal terms and conditions.

- **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: connection of power generation equipment that uses wind, biomass, solar energy, or hydropower to the transmission grid as well as the transmission grid's optimisation, development and/or reconstruction related to the acceptance and transmission of electricity generated by producers that use renewable energy sources; balancing of electricity produced from renewable energy sources connected to the transmission grid for which the measure to promote the exemption from balancing responsibilities is intended.

- **Technical maintenance, operation and management services for high voltage direct current connections.**

For more details, please refer to www.litgrid.eu

1.3 Amber Grid

Amber Grid

Amber Grid is a natural gas transmission system operator, responsible for the natural gas transmission and operation of trunk gas pipelines, secure and reliable operation and development of gas transmission system. Amber Grid also administers the National Register of Guarantees of Origin for gas produced from renewable energy sources (RES).

The company's mission is to provide efficient and reliable gas transmission, facilitating competition in the gas market and the development of renewable energy sources.

The transmission system managed by Amber Grid consists of a grid of nearly 2,300 km of main gas pipelines, two gas compressor stations, gas distribution stations, gas metering stations, anti-corrosion equipment for gas pipelines, data transmission and communication systems, and other assets attributed to the transmission system.

The Lithuanian gas transmission system is interconnected with the natural gas transmission systems of Latvia, Poland, Belarus and the Kaliningrad region of the Russian Federation, the Klaipėda LNG terminal, the distribution systems of the Lithuanian distribution system operators, and the systems of consumers connected directly to the transmission system.

Services

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, Poland and Kaliningrad District of the Russian Federation.

The company renders the following services to the system users, other operators, the participants of the gas market:

- Gas transmission in the territory of Lithuania;
- Gas flow balancing in the transmission system;
- Administration of the funds intended for the installation of the LNG terminal, its infrastructure and connections, and for the constant operating costs, and for the compensation of the reasonable costs of supply of the necessary amount of liquefied natural gas of the appointed supplier;
- Administration of the register of guarantees of origin of gas produced from RES.

Customers

Amber Grid's customers are large Lithuanian industrial companies and medium-sized Lithuanian business companies, electricity and district heating generation companies. It also provides natural gas transmission services to Baltic and third country energy and natural gas supply companies.

As at 31 December 2023, 127 users accessed the company's system (2022: 122). The company's system users are electricity, heating generation companies, large industrial companies plants connected to the gas transmission network, gas suppliers, etc.

GET Baltic

Amber Grid holds 34% of shares in the GET Baltic gas exchange. GET Baltic, a part of the EEX gas exchange, undertakes and develops gas exchange trade in Lithuania, Latvia, Estonia and Finland. For more details, please refer to www.getbaltic.lt

For more details, please refer to www.ambergrid.lt

1.4 Baltpool

Baltpool is the operator of the Energy Exchange and the administrator of the Timber Exchange, which, by organising the trading of biofuels, heat and timber and administering the Timber Exchange, creates a level playing field for market participants to purchase biofuels and timber and to supply heat to consumers under competitive conditions, while ensuring the best possible benefits for consumers and returns for the State. The Company also administers the public service obligation funds in the electricity sector (hereinafter referred to as PSO funds) in compliance with a special obligation by Government of the Republic of Lithuania. Further information is provided for in section “9.1 PSO funds administration activities”.

Since 1 January 2022, Baltpool has been acting as the manager of the Renewable Energy Fuel Units (REUs) metering system, and by the Law of 15 December 2022 implementing Regulation (EU) 2022/1854 the company was also entrusted with the task of collecting funds of part of the surplus market revenue received from electricity producers that meet the established legislative requirements in the period from 1 December 2022 until 30 June 2023, and to collect a solidarity contribution from companies operating in crude oil, natural gas, coal and oil refining sectors, calculated in accordance with the procedure established by the aforementioned Regulation (EU) 2022/1854 and the Law implementing Regulation (EU) 2022/1854 from the taxable profit share of such entities for the tax year beginning in 2023 (hereinafter jointly referred to as Emergency Response Funds). The emergency costs (including the set profit margin) incurred by Baltpool in performing the functions of the administrator of emergency response funds will be reimbursed from the collected Emergency Response Funds in accordance with the procedure established by legislation. From 1 May 2023, the company has also been delegated the implementation of a voluntary national scheme to ensure that biomass fuels meet sustainability and greenhouse gas emission reduction criteria.

The target set for the company is to create equal and transparent conditions for market participants to trade in biofuel and timber products, as well as thermal energy, 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 funds is to ensure the proper and legal collection, payment, recovery and administration of the PSO funds in strict compliance with the statutory requirements (further information on specific targets for such activities is provided in section “9.1 PSO funds administration activities”). By administering emergency response funds, Baltpool contributes to the objectives of the European Union and the Republic of Lithuania to mitigate the impact of high energy prices on consumers.

The Biofuels Exchange currently has more than 600 participants from Lithuania, Latvia, Estonia, Poland, Finland, Sweden, Denmark, Germany, Bulgaria, Spain and the UK.

Baltpool customers by activities carried out:

- The 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 i**n 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 electricity distribution grid through the distribution grid operator. The consumers connected to the electricity grid managed by the transmission system operator transfer the PSO funds directly to the administrator. The Company's customers are also energy companies providing services of public interest in accordance with the procedure established by the legislation, such as electricity generation from renewable energy sources supported by the PSO funds, as well as companies providing other services directly or indirectly related to the energy and/or public security of the state, safety and reliability of the electricity system, reduction of the negative impact of the electricity sector on the environment, diversification of energy resources, and other objectives of sustainable development of the electricity sector provided for by the legislation.
- The customers of **REUs administration activities** are fuel suppliers operating in the country, who are obliged to register with the Renewable fuel accounting units system and to declare data on the fuel supplied to the market and used by drivers, according to its type, origin and energy value.
- The customers of the **Emergency Response Fund Management activities** are electricity generators and companies active in the crude oil, natural gas, coal and oil refining sectors.

For more details, please refer to www.baltpool.eu

In accordance with the legislation regulating the administration of the PSO funds, the administrator of the PSO funds is compensated only for the costs incurred for this activity, preventing profit from this activity.

Balance of PSO funds*, EUR thousand

	2023	2022	Change	
			+/-	%
Administered PSO funds receivable	33,427	27,953	5,474	20
Balance of PSO funds	35,571	132,554	-96,983	-73
	68,998	**160,507**	**-91,509**	**-57**
Short-term financial debts	-	-	-	-
PSO funds payable	12,636	-	12,636	100
VAT payable	0	1,196	-1,196	-100
Accrued PSO funds payable	56,362	159,311	-102,949	-65
	68,998	**160,507**	**-91,509**	**-57**

*The accounting of PSO funds must be kept separate from the company's operating activities. PSO funds are not the property of the administrator.

1.5 Tetas

The principal activity of the company Tetas is construction and operation of electrical equipment up to 400 kV voltage: construction, reconstruction, maintenance and repair of power lines, switchgears and substations up to 400 kV, power transformers and other facilities. The company carries out construction work; building and erecting building structures, installing power supply and distribution equipment, laying power grids, and installing electrical engineering systems in buildings.

Tetas also carries out the construction of power grids: construction, maintenance and reconstruction of new 0.4-110 kV cable lines; connection of new electricity consumers' electrical equipment to the grid, including the installation of power grids on the consumer's property; configuration and launching/adjustment of relay protection and automation (RPA) systems. One of Tetas' newer activities is the design and contracting of photovoltaic solar plants for the B2B segment (AC and DC parts). The company helps customers to prepare the documentation and permits needed for the construction of power plants, and carries out the commissioning and launching of solar power plants.

The company is well established in the market as a provider of unique testing and diagnostic services for electrical equipment. Tetas' laboratory tests electrical equipment, cables, safety equipment, chemical analysis of transformer oil and chromatographic analysis of oil for dissolved gases (hydrogen, methane, acetylene, ethylene, ethane, carbon monoxide, carbon dioxide, oxygen, nitrogen), and tests wind farms.

The company has a design services division that ensures the delivery of highly intellectual and value-added services.

For more details, please refer to www.tetas.lt

1.6 Energy Cells

The principal role of Energy Cells, the operator of the energy storage system, is to ensure the provision of the isolated standby power system operation service to Litgrid, the transmission system operator. Energy cells provides this service at a full planned capacity of 200 MW from October 2023.

The system of electricity storage facilities managed by the company consists of four battery farms with an equal capacity of 50 MW and power of 50 MWh each in Vilnius, Šiauliai, Alytus and Utena districts. The operation of the system consisting of four battery farms is monitored without interruption (24/7) from a control centre in Vilnius. In the event of disruptions in the transmission system grid, the energy storage system can automatically, within 1 second, respond to the transmission system operator Litgrid's need to ensure the security and stability of the electricity system by injecting or withdrawing power into or out of the grid within 1 second, thereby helping to regulate the frequency of the transmission system's grid. Once activated, the instant energy reserve service would continue to be available until the start up of power generation sources of the other market participants.

Additionally, Energy Cells carries out the function of reducing the cost of technological losses incurred by Litgrid, the transmission system operator, as provided for in the Law on Synchronisation of the Republic of Lithuania.

The Energy Cells' battery storage system was installed in 2021–2023 by a consortium of Siemens Energy and Fluence. On the basis of Joint Activity, the companies implementing the project won an international public tender (announced in January 2021) for the purchase of system installation services and energy storage technologies. According to the signed EUR 109 million worth contract, the consortium will provide warranty and maintenance service for 15 years after the system is switched on.

Energy Cells has been granted EUR 87.6 million to install the energy storage system under the NextGenerationEU plan of the EU's recovery and resilience facility (RRF) "Next Generation Lithuania".

The Lithuanian Law on Synchronisation provides that Energy Cells will have to provide the isolated standby power system operation service and thus help to ensure reliable, stable and user-friendly operation of the Lithuanian power system until the synchronisation with the continental European network. After synchronisation, the battery farms will be available for transfer (subject to qualifying offer/s) to market players meeting national security and other government requirements to provide other services to and contribute to the integration of energy produced from RES.

For more details, please refer to www.energy-cells.eu

2

OPERATING AND REGULATORY ENVIRONMENT

2 OPERATING AND REGULATORY ENVIRONMENTS

2.1 Operating Environment

Compared to 2022, 2023 was a more stable year for the energy sector. The activities and results of the EPSO-G Group companies were greatly affected by the challenge for all of Europe that started in 2021 and got more intense when Russia started the war in Ukraine – record high electricity and natural gas prices, which stabilised in 2023. In 2023, the average electricity price for 2023 in the Lithuanian trading zone on the Nord Pool power exchange remained below 100 EUR/MWh, whereas the average monthly price of natural gas on GET Baltic exchange ranged between a high of 67,93 EUR/MWh in January 2023 to a low of 36.31 EUR/MWh, which was recorded in June 2023.

The improvements in the energy market (compared to 2022) were due to the re-orientation of the European Union (EU) supply chain, which allowed to purchase more natural resources from countries other than Russia. In 2022, efforts to terminate trade with Russia, particularly in natural gas, lead to very high energy prices for European countries due to the lack of sufficiently developed alternative supply routes. However, the development of new import routes, such as new LNG terminals, as well as energy saving measures, helped to stabilise natural gas prices, which, in turn, had an effect on electricity prices.

A more stable energy market and greater preparedness, enabled the EU countries with natural gas storage facilities to meet the EU's requirement to fill their gas storage facilities to at least 90% of capacity as early as in August 2023, i.e. ahead of the November 1 deadline. This ensured better preparation for the winter season and periods with low wind and solar generation. However, even with all these measures in place, energy prices still remain high compared to the rate that prevailed for many years until 2021.

Looking at the Nord Pool power exchange data, the electricity price in Lithuania's price zone in 2023 (EUR 94.44/MWh) was 2.5 times (59%) lower compared to the price in 2022 (EUR 230.23/MWh), representing the highest annual price of electricity in Lithuania in the last 10 years.

In 2023, the trends were similar in Latvia and Estonia - the wholesale electricity market price averaged 93.89 EUR/MWh and 90.79 EUR/MWh, respectively. Compared to 2022, when it was recorded at 226.91 EUR/MWh and 192.82 EUR/MWh, respectively, the price decreased by 58.7 and 53%, respectively. In Swedish Zone 4, with which Lithuania is interconnected by NordBalt, the price was recorded at 64.88 EUR/MWh, and compared to 2022 (152.1 EUR/MWh), it decreased by 57.3%. In 2023, the average monthly electricity price in Lithuania did not exceed the price of EUR 117.28/MWh in September, when unscheduled repairs to the power interconnection with Sweden took place. Compared to 2022, in Lithuania, the monthly electricity price reached its peak in August with 480.39 EUR/MWh.

In response to Russia's aggression against Ukraine in March 2022, operators of the Baltic electricity transmission system reduced the bandwidth of system connections with Russia. From May 2022, the import of electricity from Russia was completely stopped, and from June, the Baltic countries took steps to independently ensure the balance of the system by refusing the acquisition of these services from Russia. And in 2023, Lithuania and the other Baltic States did not import and energy from Russia.

The overall availability of interconnections with Sweden (NordBalt) and Poland (LitPol Link from the trading capacity granted) to the market was 92.79% and 98.19%, respectively. Scheduled works - the annual repair of NordBalt and the implementation of synchronization projects with continental European network – had the greatest influence on the availability of the interconnections. The availability of NordBalt was also significantly affected by the lengthy unscheduled repairs in September.

In 2023, the annual amount of electricity transmitted by Litgrid to the country's needs was by 6.9% lower compared to 2022 and amounted to 9.5 TWh (2022: 10.2 TWh). Electricity consumption decreased due to household and business savings and the growth of consumers generating electricity from renewable sources connected to the distribution grid.

In 2023, 9.8 TWh of electricity or 13% less than in 2022 (11.2 TWh) was imported to Lithuania, exported from Lithuania - 2.86 TWh or 8% more than in 2022 (2.65 TWh). The growth in export was driven by declining consumption in Lithuania and increased production of RES due to rapid development of RES generation capacity in the country. Sweden further remained Lithuania's largest source of electricity imports with 5 TWh imported in 2023 (the same as in 2022). The largest electricity exports were to Poland (1.69 TWh in 2023 compared to 1.89 TWh in 2022). The export to Latvia almost tripled: from 0.13 TWh in 2022 to 0.37 TWh in 2023. This was due to summer droughts limiting generation in hydropower plants on the Daugava River and capacity shortage at the Estonia-Finland and Latvia-Estonia interconnections.

Amber Grid's transmission system, as in the last few years, had provided large amounts of natural gas by ensuring the country's energy and at the same time national security. According to the data of Amber Grid, a total of 61.2 TWh of natural gas or by 4.4% less than in 2022 (64 TWh) was transported through the gas transmission system of Lithuania in 2023. The slight decline in transport was influenced by the drop in natural gas consumption in Lithuania and other countries in the region in 2023.

In 2023, Lithuania consumed 14.9 TWh of natural gas or 4% less than in 2022 (when the country's gas demand reached 15.6 TWh). The decrease reflected saving measures and still relatively high natural gas prices, as well as a warmer than usual weather in 2022/2023. Also in 2023, gas consumption for district heating and in fertiliser production decreased.

In 2023, 19.1 TWh of gas was transferred for the needs of the Baltic countries and Finland, i.e. 3.8% more than in 2022 (when 18.4 TWh was transferred). In 2023, 85% (31.9 TWh) of all gas transported to the system was supplied through Klaipėda LNG terminal, the main source of gas supply to Lithuania and other Baltic countries. The flow from Latvia accounted for almost 7% (2.5 TWh), from Poland - 9% (3.3 TWh). In 2023, the first biomethane producer was connected to the natural gas transmission system in Lithuania: it produced 47 GWh of green gas in Lithuania.

As of 1 April 2022, after Lithuania stopped importing Russian gas, only natural gas intended for the Kaliningrad Region is transported through the Lithuania-Belarus connection. The gas transit in the Kaliningrad Region in 2023 amounted to 24 TWh and was 2.5% higher than in 2022, when 23.4 TWh of gas was transferred via Lithuania to the Kaliningrad Region.

By utilizing the created gas transmission infrastructure and meeting the needs of the region, Lithuania has become an important gas transmission partner for neighbouring countries. The provision of gas to other countries is also beneficial as it increases the utilization of gas transmission infrastructure and this allows for better gas transmission prices to be applied to users of the transmission system.

According to the Bank of Lithuania's macroeconomic projections published in December 2023, Lithuania's GDP is expected to grow by 1.8% in 2024, 3.1% in 2025 and 3.3% in 2026.

2.2 Regulatory Environment

The activities and strategic directions of the EPSO-G Group are significantly influenced by legislative initiatives, changes in the regulation of energy markets and strategic planning documents at national and EU level:

- At national level, the most important strategic planning documents influencing the EPSO-G Group's activities are: the updated National Energy Independence Strategy (NEIS) approved by the Parliament of the Republic of Lithuania in 2018 and the National Energy and Climate Plan (NECP) approved in 2020 and submitted to the European Commission. NEIS has set ambitious goals that will greatly contribute to the Energy Union, the United Nations 2030 Agenda for Sustainable Development, the goals set in the Paris Agreement and the implementation of objectives of 2030 EU climate and energy policies. They aim to increase the share of renewable energy sources (including biomethane and other RES-produced gases) in the country's total final energy consumption: by 2030 - 45%, and from 2050 - 80%. At the end of 2023, the revision of NEIS was initiated and the process is coordinated by the Ministry of Energy.

- In the EU context, the umbrella of the European Green Deal covering a wide range of economic sectors is of a great importance for the EPSO-G Group. The Green Deal sets the target that by 2050 climate neutrality will be achieved in Europe, while by 2030, CO_2 emissions will be reduced by 55% compared to 1990. In the scope of the Green Deal, the presented strategies for the Energy System Integration, Hydrogen and Offshore Wind directly influence the plans of the companies of the Group (first of all, transmission system operators) and the long-term goals set for them, put focus on the importance of new technology integration and cross- sectoral initiatives. Further information on national hydrogen initiatives is provided for in section "2.4 Other important factors".

- In the EU context, the package of the EU legislative proposals published by the European Commission in 2021 to decarbonise the EU gas market by facilitating the uptake of renewable and low- carbon gases, including hydrogen, reducing methane emissions, and ensuring security of energy supply for all European citizens, is also crucial and potentially having a significant impact on the EPSO-G Group and, in particular, Amber Grid. In March 2023, the EU Council established a preliminary position (the so-called “Common Approach”) on the legislative package, and, on 8 December 2023, the EU Council and the European Parliament reached an agreement on the draft text of the package. In turn, this is likely that this package will be adopted in 2024.

- In 2023 and 2022, in response to Russia’s war in Ukraine, the situation in energy markets and global disruptions in them, high energy prices, EU-wide regulations, documents and various proposals were adopted. For example, the Council Regulation (EU) 2022/1854 on an emergency intervention to address high energy prices was adopted in October 2022, and the EU decisions on the reduction of gas demand by 15%, the requirements to store sufficient (80-90% of storage filling level) gas quantities in gas storage facilities were adopted in mid-2022. In December 2022, the Council Regulation (EU) 2022/2578 establishing a market correction mechanism to protect Union citizens and the economy against excessively high prices was adopted. In December 2023, EU ministers reached a political agreement on the latter Regulation (EU) 2022/2578, as well as on two other, i.e. the Council Regulation (EU) 2022/2576 enhancing solidarity through better coordination of gas purchases, reliable price benchmarks and exchanges of gas across borders which was adopted in December 2022, and the Council Regulation (EU) 2022/2577 laying down a framework to accelerate the deployment of renewable energy which was adopted in December 2022, by extending the period of application for one more year, until, respectively, 31 January 2025, 31 December 2024 and 30 June 2025.

- To continue on with the EU initiatives and to avoid significant variations in electricity prices in the future, the EU’s Electricity Market Design (EMD) reform was launched in 2023. In July 2023, the European Parliament voted overwhelmingly in favour of changes to the EU’s Internal Electricity Market Regulation and Directive as part of the Electricity Market Design package. Trilogue negotiations continued from September 2023 until 22 December 2023, when the European institutions agreed on a final compromise version of the draft EMD text (made public on 19 December 2023). The approval of the new EMD package is expected to take place in 2024. These changes will have impact on both the Group’s operations and decisions of Litgrid and Energy Cells.

- In October 2023, the Directive (EU) 2023/2413 of the European Parliament and of the Council on Renewable Energy Sources (RED III) was adopted, which amended and/or repealed the previous directives and regulations, as regards the promotion of the use of energy from renewable energy sources. The Directive (EU) 2023/2413 (RED III) was adopted to raise the share of renewable energy in the EU’s overall energy consumption to 42.5% by 2030 with an additional 2.5% indicative top up to allow the target of 45% to be achieved. Each member state will contribute to this common target. It will also have an impact on the EPSO-G Group’s operations.

- In October 2023, the revised Directive (EU) 2023/1791 of the European Parliament and of the Council on energy efficiency entered into force, making it binding for EU countries to collectively ensure an additional 11.7% reduction in energy consumption by 2030, compared to the 2020 reference scenario projections developed for 2030. The annual energy savings target has been increased from at least 0.8% (2021-2023) to at least 1.3% in 2024-2025, and to at least 1.5% in 2026-2027. It also requires an increase in annual energy savings of at least 1.9% from 2028, compared to 2020. Although the Directive (EU) 2023/1791 does not have a direct effect on the EPSO-G Groups activities, it is likely to have an impact on the Group’s decisions and activities.

Aspects related to the funding of traditional energy activities important for the EPSO-G Group:

- Recently, the funding of traditional energy activities related to fossil fuels has become more complicated. The EU-level criteria (Taxonomy Regulation), based on which the aim is to fund only green energy investments, e.g. adaptation of natural gas transmission network for the transport of hydrogen and other renewable and low-carbon gases, were provided.
- The exemption is applied to attract private funds for investments aimed at projects related to natural gas (cogeneration energy production based on natural gas) and nuclear energy as the transition fuel until 2030.

After the distribution of sustainability-related bonds of EPSO-G in June 2022 and the listing of the Company’s bonds on the Nasdaq Vilnius stock exchange, the obligation to disclose non-financial information related to environmental, social and governance indicators (ESG) came into force according to the current EU Non-Financial Reporting Directive. From 1 January 2024, EPSO-G (not limited to other possible obligations arising from EU regulation) will be required to disclose non-financial information under the new EU Corporate Social Responsibility Directive, which was adopted in 2022. The Sustainability Report have to be prepared in accordance with European Sustainability Reporting Standards (ESRS), approved on 22 December 2023. Some of the disclosures will be subject to verification and approval by an independent auditor. Some of the disclosures will be subject to verification and approval by an independent auditor.

2.3 Pricing of Regulated and Other Services

Electricity and natural gas transmission, and electricity storage activities carried out by the EPSO-G Group companies, as well as the activities of energy and gas market operators 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, as well as the designated storage system operator, which are part of the 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 the 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 “NERC”).

The financial performance of the 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 on the decisions taken by the regulatory authority.

The prices of the transmission of electricity and natural gas, including the prices for the isolated operation reserve service of the designated storage system operator, are regulated by establishing price and/or revenue caps. The allowed level of revenue 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 Council 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 Council). 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. For the designated storage system operator, there is no regulatory period, taking into account the specific characteristics of its operations.

From 1 January 2023, the transmission prices for electricity and natural gas transmission set by the transmission system operators and approved by the Council for 2023, 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 2023 came into force.

Baltpool’s biofuel trading fee at biomass exchange set by the Council in August 2020, applicable from 1 September 2020, by extending the application of the price rate, which was applicable before 1 September 2020, only after conversion into other energy units, as well as other Baltpool fees were valid in 2023.

The fees of GET Baltic natural gas exchange services agreed with the Council in December 2015 were valid in 2023.

In 2023, Amber Grid’s revenue cap for 2024 and prices for 2024 were adjusted accordingly. In 2023, the electricity transmission price cap set for 2024 for the new regulation period of 2022-2026 for Litgrid and, respectively, prices set (in 2023) for 2024 were also adjusted. Additionally, the price for the Litgrid’s ancillary services for 2024 was set and the price cap set for Energy Cells for 2024 was adjusted.

Price rates of regulated activities of Amber Grid and Litgrid

The average price of transmission services charged by Amber Grid to Lithuanian consumers in 2023 increased by 39% to 1.39 EUR/MWh, compared to the average price in 2022, and returned 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 in 2023, which was 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 revenue 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 was 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 projected for 2023.

Litgrid's average electricity transmission service price of 0.654 ct/kWh, approved in 2023, was 4.4% lower than in 2022 (0.684 ct/kWh). This change was mainly driven by Litgrid's permitted revenue from transmission services in 2023 lower by approximately 5.7% than the one set by the Council (a factor reducing the price cap). This was mainly due to the fact that under the Council decision, a part of the accumulated congestion management revenue (EUR 142.3 million) was used to reduce the transmission prices, thus amortizing the potentially significant increase in the permitted revenue and electricity transmission prices in 2023. The forecasted amount of electricity to be transferred to Lithuanian consumers that was lower by 1.5% (than forecasted prices for 2022) also had an impact (a factor reducing the price cap).

The non-differentiated component (price) of ancillary services of 0.239 ct/kWh, approved by the Council in October 2022, was applied in 2023, and was 59% lower than the one applied in the period 1-31 July 2022 (0.589 ct/kWh) and 7.2 times lower than the one applied since 1 August 2022 (1.723 ct/kWh). In 2023, this change was mainly driven by the fact that the costs of the tertiary reserve (which is no longer applicable) are no longer forecasted for 2023, a significant correction was made due to higher revenue and lower costs in 2021, the one-time deviation in 2022 is no longer relevant from 2023 due to the extraordinary recalculation made in mid-2022 because of natural gas price change. During the extraordinary recalculation, the change of EUR 65 million in the cost of the isolated system operation assurance service was included from mid-2022 due to a significant change in the price of natural gas independent of the market participant (Ignitis). All this led to the fact that, even with the share of Energy Cells, the costs included in the price of ancillary services for 2023 by the Council amounted to approximately EUR 27.1 million, when normally, for example, for 2021, or from early 2022 until the recalculation from mid-2022, they used to reach EUR 80 or 68 million, respectively.

On 29 May 2023, the Council approved the natural gas transmission service prices set by Manager of Amber Grid on 22 May 2023. These prices are effective from 1 January 2024.

It has been confirmed that the average price of gas transmission services for Lithuanian consumers in 2024 will increase by 7% to 1.49 EUR/MWh compared to the average price applicable in 2023 (1.39 EUR/MWh). The change in the price for 2024 is due to a 4.4% increase in the cap on natural gas transmission revenue approved by the Council for 2024, driven by an increase across all the categories of operating costs. The revenue cap was reduced by refunds to the market (repayment of unplanned excess revenue for 2021-2022, according to the regulatory principles) and by the share of the previously established compensation to Poland for the implementation of the GIPL project of common interest, which in 2024 is significantly lower than in 2023. The prices in 2024 are also influenced by the fact that 66.2 TWh of natural gas is planned to be transported through the Lithuania's gas transmission system in 2024, which is 1% less than estimated when setting prices for 2023.

Given 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 (in October 2022, the Chairs of the Baltic and Finnish National Regulatory Authorities agreed to postpone the interconnection of the Baltic-Finnish natural gas market to October 2024 at the earliest, since, as announced by the Council, the change in the geopolitical situation in 2022 has led to fundamental changes in the natural gas market, as a result of which the intersystem compensation mechanism, which was created on the basis of other assumptions about the functioning of the market, no longer corresponded to the current situation and could not provide benefits to all participating parties), the public consultations on the price methodology for the services provided by Amber Grid and the preliminary prices for the years 2024-2028, the changes in Amber Grid's transmission price structure are expected in the future. 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.

On 29 September 2023, the Council approved the adjusted price cap of Litgrid's electricity transmission service for 2024 to 1.329 ct/kWh, which, compared to the 2023 cap (0.654 ct/kWh), is 103% higher. This change was mainly driven by decision to use accumulated congestion management income to reduce increase in the transmission price in 2023. Excluding the impact of the use of accumulated congestion management income, the price cap in 2024 is 32% lower than in 2023. The electricity transmission volumes to Lithuanian consumers in 2024, which was projected to be around 15% lower (than forecasted prices for 2023) also played a role (as a factor reducing the price cap).

As of 1 January 2024, the approved average non-differentiated electricity transmission price also increased, respectively, by 103% to 1.329 ct/kWh.

In October 2023, the non-differentiated component (price) of ancillary services of 1.3091 ct/kWh was approved the Council for 2024. The price set for 2024 is 5.5 times higher than the price in 2023 (0.239 ct/kWh), but approx. 1.3 times less than the price in H2 2022 (1.723 ct/kWh). The main reasons for the change in 2024 (compared to 2023): the price forecast for 2023 was too conservative, because costs of the electricity generating facilities availability service in 2023 (compared to the forecast for the 2023 price) almost tripled.

The following Baltpool and GET Baltic tariffs (excluding VAT) have been continued and/or introduced from 2023:

Baltpool regulated and licensed activities

In 2023, the biofuel exchange trading fee for transactions where biofuel was supplied in Lithuania is EUR 41.27 per 1,000 MWh (excluding VAT). This price, set by a decision adopted by the Council in August 2020 and applicable as from 1 September, 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 2023.

The heat auction segment trading fee of EUR 15.65 per 1,000 MWh, which was set for the specified amount of heat on 1 December 2021, was applicable in 2023.

The fee of the settlement system for fuel from renewable energy sources (FRES) of EUR 0.017 per thousand FRES settlement units, which was set on 15 January 2022, was also applicable in 2023.

Baltpool unregulated activities

In 2023, the fee of trading on the biomass exchange, when biofuels are supplied outside Lithuania, was 0.5% of the transaction value.

The following fees were applicable in 2023 and effective from 10 July 2023: a direct agreement fee of 0.5% of the agreed value of the biofuel actually delivered under the direct (OTC) agreement; and an annual fee of EUR 2,500 (excluding VAT) for the use of the e-commerce system for information purposes.

Detailed information on the fees of services provided by Baltpool, including data reporting, is published on Baltpool's website.

GET Baltic

Annual membership fee for 2023 was a fixed fee for a calendar year of EUR 5,000/year for Plan No 1 and EUR 0/year for Plan No 2.

In 2023, variable trading fee for the amount of a product purchased and/or sold on the exchange was 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 Council as of December 2015 and 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.

Energy Cells

The activities of Energy Cells, as the designated energy storage system operator (hereinafter - DSO), during the period of the DSO designation - until the completion of the synchronisation of the interconnection of the electricity system of the Republic of Lithuania with the electricity grids of continental Europe, including the prices of the services are regulated by the state.

The price of the Energy Cells's isolated operation reserve service of EUR 4.78/MW/hour (excluding VAT) was applicable in 2023 – it was included in the acquisition component of Litgrid's ancillary services to the Transmission Service Price approved by the Council for 2023. The 2023 price was in line with the price cap for the Energy Cells's isolated operation reserve service approved by the Council in November 2022, which is EUR 4.78/MW/hour (excluding VAT).

The price of EUR 4.19/MW/hour (excluding VAT) for isolated operation reserve service is applied from 1 January 2024, which is in line with the adjusted price cap for the Energy Cells's isolated operation reserve service approved by the Council in November 2023, which is EUR 4.19/MW/hour (excluding VAT), i.e. 12% lower than the price cap set in 2023. Consequently, the Council set 12% lower level of allowed revenue (EUR 7.37 million) for Energy Cells in 2024, compared to 2023 (EUR 8.37 million). The main reason for the drop in the price of isolated operation reserve service: the costs of Energy Cells related to the purchase of electricity are projected to be lower in 2024 compared to the costs used in determining the service price in 2023 (EUR 1.03 million in 2024, EUR 3.03 million in 2023).

2.4 Other Important Factors

In early 2023, the Council carried out an assessment of the hedging potential of the electricity futures market in the Lithuanian trading zone and published a public consultation on 17 February 2023. At the Council meeting held on 29 June 2023, a decision was taken to oblige Litgrid to ensure the possibility for wholesale electricity market participants to purchase long-term inter-zonal hedging products. The same obligation was imposed on the Swedish transmission system operator by the Swedish Energy Markets Inspectorate by the decision of 17 August 2023.

In March 2023, the Council approved Litgrid's updated description of the procedures for the use of the transmission grid. Together with other Government and Council decisions adopted early in 2023, they have led to another major step in the development of RES. In particular, it enabled to maximize the use of the existing grid infrastructure, by connecting a 100% solar, wind and storage capacities simultaneously to the available grid capacities.

The assessment also identified Lithuania's expected consumption, storage and export potential for 2030 (9.4 GW). Generation management regulations for exceeding Lithuania's needs and capabilities will be provided, enabling more flexible measures to ensure the security of the grid and outlining further development of commercial solar power plants (with capacity exceeding 2 GW).

Connecting energy storage facilities will be increasingly important for future grid management. In preparing for these actions, the decisions adopted at the beginning of 2023 also provided for indirect incentives for solar and wind projects by facilitating the reservation of grid capacity, given the commitment to simultaneously develop storage facilities. The incentive has brought results with almost 300 MW of grid capacity reserved for storage facilities during the year.

In March 2023, facilitating conditions were adopted allowing independent suppliers to start operating in the electricity balancing market. Consequently, at the end of 2023, the Group companies (representatives of Litgrid and EPSO-G) joined the working group established in October 2023 by order of the Minister of Energy of the Republic of Lithuania on improving the regulation of power pooling activities.

In July 2023, the Ministry of Energy of the Republic of Lithuania prepared and submitted for the approval to the Government of the Republic of Lithuania the Development of the Hydrogen Sector in Lithuania 2023-2030 draft guidelines, focusing on strengthening energy independence by developing domestic RES and prioritizing green hydrogen. This is the first document regulating the development of the hydrogen sector in Lithuania and providing strategic directions for the development of the hydrogen sector in Lithuania by 2030 and by 2050.

In 2023, public consultations were held on the standard terms and conditions of the transmission, balancing and imbalance service contracts. New electricity transmission contracts concluded by Litgrid with market participants will come into effect on 1 May 2024. One of the main developments – electricity production and consumption in Lithuania will be accounted for every 15 minutes, instead of every hour. The transition to a 15-minute interval stems from the provisions of the Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (hereinafter the "Balancing Guidelines"). The approval and entry into force of the amendments to the imbalance and balancing service contracts is expected in 2024.

In 2023, the Council approved the Electricity Cross-Border Capacity Allocation Methodology for the exchange of Balancing Capacity in Baltic Capacity Calculation Region in accordance with Article 41(1) of the Guideline on Electricity Balancing. This methodology sets out the rules and principles for Baltic TSOs for allocation of inter-zonal capacity for balancing capacity exchanges and reserve sharing once the Baltic balancing capacity market is operational in early 2025.

In 2023, the Baltic TSOs submitted a revised proposal/methodology for the Baltic balancing capacity market pursuant with Articles 33(1) and 38(1) of the Guideline on Electricity Balancing to the Baltic national regulatory authorities for approval. The methodology describes common Baltic balancing market rules, which enable Baltic balancing service providers to participate in the common Baltic balancing market. The Baltic Regulatory Authorities assessed the methodology and reached a consensus on its adoption. The proposal will be translated into Lithuanian and is expected to be approved in Q1 2024.

3

OPERATIONAL STRATEGY AND PROGRESS IN IMPLEMENTING THE STRATEGY

3 OPERATIONAL STRATEGY AND ITS IMPLEMENTATION PROGRESS

VISION

We will enable security, integration, and transformation of the Lithuanian energy sector.

MISSION

To enable sustainable and efficient energy exchange.

EPSO-G has a key role to ensure a smooth and reliable Lithuania's transition to the energy system integrating high volumes of RES, enabling decarbonisation of the sector, initiating system interconnection projects and facilitating climate-neutral energy exchanges.

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

PROFESSIONALISM	PROGRESS	COOPERATION
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.	Openness to new business practices and ideas promotes the creation, renewal, implementation of meaningful changes and leads us forward.	We emphasize sincere and constructive cooperation with each other which makes it possible to pursue the goals set in a concerted manner.

3.1 Operational Strategy

EPSO-G has a key role in implementing the transformation of the Lithuanian energy sector to ensure a smooth and reliable Lithuania's transition to the energy system integrating high volumes of RES, enabling decarbonisation of the sector, initiating system interconnection projects and facilitating climate-neutral energy exchanges.

EPSO-G's activities are seen through the platform's business model with the following key features: enabled value-creating interactions between suppliers and customers; an open, participatory infrastructure for those interactions and common rules.

The axis of the strategy is the creation of value for interested parties - customers, producers and suppliers, the shareholder, society and employees. Therefore, the Group's activities create a sustainable, transparent ecosystem based on uniform standards, which facilitates the exchange between producers/suppliers and customers, and creates value for society through the empowerment of sustainable energy choices and its contribution to the country's competitiveness.

EPSO-G's strategy until 2030 has been prepared with respect to the letter on the state objectives and expectations for EPSO-G, which was approved by the order of the Minister of Energy, and is updated annually with reference to market changes, regulatory changes and other relevant factors.

The Group's commitments and unifying mission are identified for each stakeholder. The Group's strategic directions are formulated and the objectives to be achieved until 2030 are determined with respect to the long- term vision of EPSO-G, i.e. to enable security, integration, transformation of the Lithuanian energy sector.

	To producers / suppliers	To customers	To shareholders	To society	To each other
Commitment	Develop a credible and transparent platform, where it is easy and fast to enable energy products on a liquid market	Develop a credible and transparent platform providing a wide range of energy options at competitive prices	To ensure a balanced and integrated energy exchange system	To promote climate-neutral energy choices for the long-term economic Competitiveness of Lithuania	To build an open and progressive team living the energy future
Strategic direction	A liquid regional market and infrastructure attractive for investment in production	Created customer-focused organisation that creates new opportunities	Integrated development of Lithuania's energy system	A targeted reduction in the environmental impact of activities and energy systems adapted to the decarbonisation of the energy sector	Recognised as future energy leaders in the region
Strategic objectives	• Ensure reliable and stable operation of transmission systems • Respond to customer needs and create a customer-focused organization • Implement strategic projects on time and to the agreed scope		• Ensure a sustainable return for the shareholder • Ensure efficient management of transmission systems • Increase the integrity of the Lithuanian energy system	• Reduce the environment impact and adapt transmission systems for RES integration	• Create an engaged and progressive organization
Strategic performance indicators	• AIT – 0.93 min., ENS – 27.25 MWh; (values not higher than those set by the Council for the respective year) • Number of unplanned interruptions due to operator responsibility - 0, • Duration of unplanned interruptions due to operator responsibility - 0 • Implementation of strategic projects on time and in the expected scope according to the project portfolio • Customer satisfaction index (GCSI) ≥80 The average price of energy transmission services for the needs of Lithuanian consumers (EUR/MWh) ≤ for the average		• ROE not lower than the one set by the Government of the Republic of Lithuania; • Net Debt-to-EBITDA Ratio at the end of the period <6.3 • Implemented cross-sectoral systems' integration projects (cumulative indicator - such as P2G, P2H) – 3 until 2030. • Actual OpEx (excluding tax costs)	• Reduction of GHG emissions generated by the Group's activities by 2/3 compared to 2019. • The electricity transmission grid was prepared for the integration of 9.4 GW of RES in Lithuania • The capacity created in the gas system for the integration of RES	• Engagement of the Group employees ≥72% • Up to 15.5% of the Group's revenue structure consists of revenue from unregulated activities and foreign markets

	in the region (LV, EE, FI, PL (electricity TSO: and SE))		(EUR/year) /transmission service OpEx set by the Council (excluding tax costs) (EUR/year)≤100% • Actual CapEx (EUR/year) / planned CapEx (EUR/year), 90-110%	gas (with guarantees of origin) in the volume of 1.6 TWh.	
Key results on the way to 2030	• Synchronization with CEN was implemented • After the completion of GIPL, capacities are sold through PL and LT exchanges • 200 MW energy storage facilities were installed • Preparations for offshore RES integration are complete • Operating system services market of the Baltic countries, later the Baltic Sea region	• The Centre of Renewable Energy was established and formed • The system of guaranteeing the origin of green gas (including hydrogen) common with other European countries is functioning smoothly • A data-driven ecosystem was created • The infrastructure for railway electrification is ready	• Sustainable return to the shareholder • Cross-sectoral systems integration projects were implemented (P2G, P2H) • Lithuania's national REDII implementation scheme active	• Electricity transmission grid prepared for RES integration of 9.4 GW in Lithuania • The gas system was adapted for hydrogen transportation • Plans for reducing the environmental impact of the Group companies are consistently implemented • Measures necessary for the implementation of the "Anti-Astravets" Law were implemented under the competence	• Programs for improving the employer's image and ensuring equal Opportunities were implemented. • Maturity of the data-driven organization was achieved

3.2 Progress in Implementing the Strategy

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

Increasing customer satisfaction is one of the EPSO-G Group's strategic goals, contributing to the streamlined implementation of EPSOG Strategy to create a customer-oriented organization. Group-wide customer satisfaction surveys under a unified methodology were conducted for the third time in 2023. Attended by 211 customers using services of Amber Grid, Baltpool, Litgrid and Tetas.

Global Customer Satisfaction Index (GCSI) and Net Promoter Score (NPS) methodologies were used to analyse the EPSO-G Group's customer satisfaction with the services provided, meeting customer expectations, and their willingness to recommend these services to others. The Group's corporate indices according to the GCSI methodology ranged from 68 to 83. The Group's strategy has a long-term goal of ensuring that the Customer Satisfaction Index of the Group's companies is ≥80, i.e. that the companies' performance is among the market leaders. The survey results showed that, as in 2022, the companies with the highest customer satisfaction ratings (>80) were Baltpool, Litgrid and Amber Grid, while Tetas improved its ratings by five points from 63 to 68. In terms of the NPS performance, Tetas score improved by as much as 18% points, although it remained negative. A slight decline in NPS scores is observed for other Group companies (Amber Grid, Litgrid and Baltpool), respectively, from 7.2 to 4 pp.

In Lithuania's pursuit of ambitious renewable energy objectives and the implementation of the Breakthrough Package, as well as taking into account the tense geopolitical situation, the role of transmission operators in enabling the green transformation becomes extremely relevant. In 2023, in the basis the RES developers' commitments, capacity of RES connected to the electricity system (distribution and transmission grid) reached 2.336 GW. Renewable energy projects with more than 11.4 GW capacity are expected to be connected by 2030. The 200 MW energy storage system project, completed in 2023, will contribute to the smoother integration of RES. Its main goal is to ensure the national security of the electricity system after launch and to provide flexibility services after 2025 at a later stage.

The intensive development of energy production from renewable energy sources, the current and future challenges of balancing the electric grid and integration into the electric energy transportation system create opportunities for the development of green hydrogen (produced from renewable electric energy) Power-to-Gas technology.

The gas transmission system operator Amber Grid by strengthening its positions in the field of hydrogen research and development, in 2022, joined the largest hydrogen initiative in Europe - European Hydrogen Backbone. In the same year, the Nordic-Baltic Hydrogen Corridor project was launched with six united countries: Finland, Estonia, Latvia, Lithuania, Poland and Germany that will study the possibilities of green hydrogen production and transmission in the region. In 2023, the tender for a feasibility study on the hydrogen corridor was launched. The regional study for hydrogen blending was completed in August 2023. It is likely that the ratio for blending in the transmission system will be set within the optimal range of 2-5%, and the investments needed to adapt the system will be estimated, given the results of the study and the EU legislation to be adopted.

The Group places a great deal of importance on the preparation for the opening of market-relevant data and increasing digitization maturity. In 2023, the pilot data of electricity transmission system operator were opened under the pilot data opening plan. In addition, the maturity of data management in the Group companies was further increased. The value created by the Group's services and a wider range of options for making selections from more sources (e.g. regional integration of the gas market after the implementation of the GIPL), suppliers, services (e.g. adaptation of the gas transmission system for hydrogen transportation, trade in certificates of origin, preparation of electricity infrastructure for railway electrification) will contribute to the well-being of the population, the creation of a climate-neutral energy system, and at the same time (through competitive energy prices) the increase of the competitiveness of the national economy.

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

One of the key strategic objectives 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 Council as strategic objectives. In the electricity sector, the indicators of AIT (average interruption time, in minutes) and ENS (energy not supplied, kWh) did not exceed acceptable values in 2023 and accounted for 0.835 and 23,232 MWh accordingly. In 2023, there were no unplanned interruptions the gas sector which would be the transmission system operator's responsibility.

During the period of implementation of the strategy, it is important to improve long-term system development planning to reduce transmission grid capacity constraints by ensuring efficient implementation of international connections, internal network development projects, and connection of new generating sources and new users.

To society: targeted reduction of the environmental impact of activities and energy systems adapted to the decarbonisation of the energy sector

The Group's target is a 50% reduction in greenhouse gas emissions (GHG) from its operations by 2030. The Scope 3 emissions inventory took place at the Group level. In 2023, the Group was working on aligning GHG targets with the Science-Based Target Initiative (SBTI) standard.

According to our assessment, the Group companies play an important role in enabling the streamlined transformation of the Lithuanian energy sector into a system based on green energy. RES integration management while ensuring system stability is an important challenge for which the Group is getting ready by identifying priority areas for new competencies required to acquire and by preparing for the integration of large volumes of offshore wind, the development of systems of guarantees of origin to facilitate the exchange of energy from RES, and the connection of biomethane and hydrogen producers. The adaptation of the Lithuanian gas transmission system to hydrogen transportation will be pursued, which is a strategically important and complex task with regard to the EU Hydrogen Strategy and the Strategy for Energy System Integration.

To 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 remain competitive in order to significantly increase the share of the Group's revenue from unregulated activities and the expansion of foreign markets and sustainable growth of regulated activities.

In 2023, the Group Executives' Committee was formed, changes to the operating model in the identified functional areas have been introduced using matrix management. From 2023, a new Group's employee remuneration and motivation system is in place, with the aim of better performance and more active contribution of employees to the Company's goals, the promotion of innovative solutions and the attraction and retention of qualified employees.

Results of the Engagement survey has revealed that the EPSO-G group result (74%) has substantially exceeded that of Lithuania (64%), state owned enterprises (65%) and international companies operating in Lithuania (68%) results.

To the shareholder: an integrated development of the entire Lithuanian energy system

The Group's strategy emphasises the need to create favourable conditions for the connection of green energy producers to the infrastructure managed by the Group, i.e. to prepare the system for blending biomethane and hydrogen, to adapt the electricity transmission system for further development of offshore and onshore wind and solar energy.

In addition, it is important to promote the integration of different sectors to achieve an optimal balancing of the system. Together with the partners, pilot demonstration projects were further implemented to integrate the electricity and district heating sectors (power-to-heat) and to connect a hydrogen producer (in a pilot environment) to the transmission system (power-to-gas). Such cooperation of different economic sectors in energy, both domestically and in the region, will allow optimal use of the available infrastructure, reduce the need to limit RES energy in the future, and increase the overall efficiency of the system.

3.3 Operational and Financial Goals

Based on the operational directions stated in the Letter of Expectations of the Shareholder and approved in the strategy of EPSO-G, the Board set the following operational goals for the Company for 2023.

No	Annual goal	Target indicator	Weight of the goal	Assessment of goal achievement
1	Implementation of the CEN synchronisation programme	1 New synchronous condensers installed in the electricity system of the Republic of Lithuania in Telšiai and Alytus 2 The isolated operation of the Lithuanian electricity system (LES) was tested by 22 April 3 An automatic generation management system (AGM) was installed by 31 December 4 Preparation for accelerated synchronisation in 2024	25%	14.5%
2	Enabling energy transformation	1. The project outputs foreseen in the project plan for the winter offshore wind farm have been achieved on time and to the extent foreseen 2. Litgrid RES centre is fully operational and provides up-to-date data to the market 3. Hydrogen programme implemented as planned 4. Preparation of the Lithuanian energy system transformation study	20%	18%
3	Growth and development	1. Increase in profitability of contracting activities 2. Small battery pilot project initiated 3. Development of new unregulated activities	20%	8%
4	Financial and operational sustainability	1. Maintain a rating of at least investment grade: adjROE ≥ 8.5% ajdEBITDA ≥ 60 million EUR 2. Group's GHG targets are aligned with the SBTi standard	25%	23.5%
5	Enabling an effective group organisational structure	At least three functions operate on a matrix basis Group-wide	10%	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 carries out an annual assessment of the achievement of the objectives.

The goals set for the holding company EPSO-G, according to the Board, were met by 74% in 2023.

3.4 Summary of Significant Infrastructure Projects

3.4.1 Preparation of the Power Grid for a Synchronous Operation with the Continental European Network

One of the fundamental directions of the implementation of the National Energy Independence Strategy of the Republic of Lithuania is the connection of the electricity system of the Republic of Lithuania to the European continental network for operation in a synchronised mode (hereinafter the "Synchronisation"). Following a full-fledged integration of Lithuania into the European electricity system in 2025, the European system management standards will be introduced in the electricity sector ensuring management of electricity flows based on market principles and participation in maintaining the system's frequency.

Synchronous work with the continental European network will ensure:

- Reliable operation of energy systems and secure transmission of electricity;
- Combined actions for facility maintenance and grid development planning;
- Common rules for the management of energy systems – grid codes that will be applied equally in all European Union countries
- Availability to electricity from Western European energy systems.

The Government of the Republic of Lithuania approved the list of the energy projects carried out in implementing the synchronisation of the electricity system. Litgrid is responsible for the implementation of 19 out of 21 projects included in the list.

More information on synchronization projects is available on Litgrid website.

Programme investments:

The total funded investment value of the Synchronization Program for the three Baltic countries is up to EUR 1,650 million. This project is included in the list of Projects of Common Interest of the European Commission.

In 2022, the Ministry of Energy of the Republic of Lithuania announced that it was aiming for the Baltic countries to synchronize their electricity grid with Western Europe earlier than planned. On 3 August 2023, the Prime Ministers of Lithuania, Latvia, and Estonia signed a joint declaration committing to synchronise the Baltic States' electricity grids with Western Europe no later than by February 2025. The projects of the Synchronisation Programme ensuring the security of the electricity system must be finalised by the expected date of synchronisation.

The financing of the Synchronisation Programme has been granted under the Connecting Europe Facility (CEF) for the period 2021-2027 in the field of trans-European energy infrastructure.

The amount planned to fund the entire Synchronisation Programme in Lithuania is approximately EUR 724 million[1]. The total CEF financing for the Synchronisation Programme in Lithuania amounts to nearly EUR 460 million. The previously initiated projects received funding of EUR 23.5 million from the EU Structural Funds. The remaining is financed by Litgrid.

Program implementation progress

For the purpose of the implementation of synchronization goals, under the Resolution No 918 Plan for the Actions and Measures of the Electricity System Synchronisation Project of 4 September 2019 approved by the Government of the Republic of Lithuania (the "Plan for the Actions and Measures of the Synchronisation Project" or the "PAM"), the majority of actions and measures of the PAM with the implementation term expiring in 2023 were implemented, including the implementation of the isolated operation testing plan of the electricity system of the Republic of Lithuania, which was carried over from 2022 for objective reasons.

At the end of the reporting period, 8 projects were implemented, and another 11 projects provided for in the program are under process. In 2023, the first phases of the construction of the 330 kV overhead transmission lines Darbėnai-Bitėnai and Kruonio PSHP-Bitėnai under work contracts were completed; the contract works of other phases were initiated, including the construction of 330 kV power transmission line Vilnius-Neris, 330 kV Darbėnai and Mūša switchyards, and further reconstruction of 330/110/10 kV Neris transformer substations; synchronous condensers were delivered to Lithuania and installed at the Telšiai and Alytus substations; the Neris synchronous condenser's design works were carried out. In the construction project of Harmony

Link maritime interconnection, following final proposals received at the beginning of 2023 from the participants in the procurement for the cable and converters, in 2023, the decision was made to abandon the procurement due to the prices which were too high and unacceptable for the contracting authorities. As part of the project concept review, the Harmony Link onshore interconnection was considered and selected as the main alternative at the end of 2023, which is currently under the development.

In 2023, strategic power system management projects were be carried out: the isolated operation of the Lithuanian electricity system was successfully tested by 22 April; the projects for installation of Automatic Generation Management (AGM) completed at the end of the year. Procurement for the upgrade of the control system for NordBalt interconnector has been launched. Following the failure of the procurement of the Frequency Stability Assessment System (FSAS) and Estonia's refusal to participate in the joint procurement of the system, the project's concept has been re-considered with a view to completing before the expected Synchronisation date.

The state of completion of the synchronization strategic projects program at the end of 2023 was 70%.

3.4.2 Enhancement of Latvia-Lithuania Interconnection (ELLI)

In 2023, Amber Grid completed the project by enhancing the capacity of the Kiemėnai gas metering station and reconstructing the gas pipeline at the Panevėžys gas compressor station. The project in Latvia was also completed and included the reconstruction of the main gas pipeline. Once completed, the project has enhanced the capacity of Latvia-Lithuania interconnection, secured safe and reliable gas supply and ensured more effective utilisation of the infrastructure and a better integration of the Baltic gas markets. It also provided better conditions for the utilisation of the Latvian Inčukalns underground gas storage facility. The project promoters were Amber Grid and the Latvian transmission system operator Conexus Baltic Grid AS.

Investments

The total investment amount of the project was EUR 10.2 million, of which EUR 4.7 million - in the territory of Lithuania. The project was financed by EU funds under the instrument Connecting Europe Facility (CEF), Amber Grid was allocated up to EUR 2.1 million. The project was also jointly financed by Amber Grid and Conexus Baltic Grid AS.

3.4.3 Lithuanian Electricity Storage Facilities System Project

The 200 MW and 200 MWh capacity energy storage system is essential to ensure the security, stability of Lithuania's energy system and its ability to operate in isolated mode. The energy storage system, which will provide Lithuania with an instantaneous electricity reserve of isolated mode until synchronisation with the continental European network, after the synchronisaition will be available for use for the integration of energy produced from renewable sources.

Energy Cells installed and integrated into Lithuania's energy system (in Vilnius, Šiauliai, Alytus and Utena) a system of four 50 MW and 50 MWh battery farms.

Project implementation progress

- Due to disruptions in the supply of equipment caused by the war in Ukraine, as well as the actions of the project contractor, the end of the project implementation period has been postponed to 2023 after coordination with the project funding institutions.

- On 10 January 2023, the statements on the completion of construction of transformer substations in Šiauliai, Alytus and Vilnius were obtained.
- On 22 April 2023, the battery system in Utena took part in the isolated operation test of the Lithuanian electricity system.
- The battery storage system underwent tests in all four farms from June to August 2023.
- Energy Cells took over the ownership of the farms: in Utena on 25 August 2023, in Šiauliai on 15 September 2023, in Alytus on 27 September 2023, and in Vilnius on 28 September 2023.
- The Council issued permissions to generate electricity from the storage facilities: in Utena on 30 June 2023, in Šiauliai on 22 September 2023, in Alytus on 22 September 2023, and in Vilnius on 5 October 2023.
- The isolated operating reserve service was launched on 6 October 2023 at full 200 MW capacity.

Investments

The total investment amount of the project is about EUR 95 million, the largest share of which (83.3%) is funded through the Recovery and Resilience Facility.

3.4.5 Preparation for the Offshore Wind Farm Tenders

Lithuania's offshore wind farms are among of the most important Lithuanian energy independence projects. After the installation, farms will significantly increase the production of electricity from renewable energy sources, thus reducing Lithuania's dependence on electricity imports.

Two offshore wind farms, which will begin to operate in 2028 in the exclusive economic zone of the Republic of Lithuania in the Baltic Sea near Palanga with a capacity of approximately 1.4 GW, is expected to generate up to 6 TWh of green electricity per year, which would meet up to a half of Lithuania's current electricity demand. The offshore wind farm is also expected to attract almost EUR 3 billion in investments and create at least 1.3 thousand new jobs.

The area designated for the 700 MW offshore wind farm (Phase I - Spring Tender) in the Baltic Sea is approximately 120 km^2. The farm will be about 36 kilometres from the shore.
The area designated for the 700 MW offshore wind farm (Phase II - Winter Tender) in the Baltic Sea is approximately 136.39 km^2. The farm will be about 30 kilometres from the shore.

In cooperation with the Ministry of Energy of the Republic of Lithuania and the Lithuanian Energy Agency, EPSO-G implements preparations for Winter Tender: carries out necessary assessments, studies and procedures to ensure adequate preparation for the development of offshore wind farms.

Project implementation progress

- In 30 March 2023, the National Energy Regulatory Council (hereinafter the "Council") launched the first farm developer selection procedure. In October, a successful candidate was announced.
- On 25 May 2023, geotechnical seabed site surveys were carried out, the results were made available to the public.
- On 23 October 2023, the conclusion on Environmental Impact Assessments (EIA) of the planed economic activity was obtained.
- On 6 October 2023, wind speed tests were completed, the results were made available to the public.
- On 16 November 2023, the Concept of the Infrastructure Development Plan and Report of the Strategic Environmental Assessment were presented to the public.

In 2023, preparations were made for the second tender (Winter) which was announced on 15 January 2024. EPSO-G and Litgrid provide technical-consultative assistance for the tender process and farm development.

Investments

The project is funded by the European Union funds and/or the by the Recovery and Resilience Facility for 2021–2027 and the state budget of the Republic of Lithuania. The value of the project is EUR 15,5 million.

3.4.6 Project Management Function in the Group Companies

Centralized control of projects of special national importance and other projects implementing the Government's strategy is carried out in the EPSO-G Group. The centralized project monitoring, control and project management methodological functions of EPSO-G ePMO (enterprise Project Management Office) team enabled to ensure the provision of objective information on the status and progress of the above strategic projects, to solve the risks and problems arising in the projects.

In 2023, all the Group companies updated and approved project management methodological documents, improved their competence in the field of project risk management. An assessment of project management maturity was carried out at group level, recommendations were developed for improving project management maturity.

3.5 Ten-year Grid Development Plans, Planned Investments

3.5.1 Natural Gas Transmission System Operator's Ten-Year Grid Development Plan

In accordance with the provisions of the Law on Natural Gas of the Republic of Lithuania, every two years, but not later than by 1 July of the current year, Amber Grid, the gas transmission system operator, shall prepare and submit to the Council a ten-year network development plan based on existing and forecast supply and demand after having consulted the relevant stakeholders. The network development plan shall contain efficient measures in order to guarantee the adequacy of the system and the security of supply.

In June 2022, Amber Grid prepared the Ten-Year Network Development Plan (2022-2031) and submitted it for the NERC approval. The total amount of investments in the gas transmission system development projects over the next ten years is expected to reach EUR 264 million. The gas consumption in Lithuania is expected to remain stable over the next ten years, besides, there will be a possibility to transport gas towards new directions – through Poland-Lithuania interconnection. Given the geopolitical situation, the gas flows through the Klaipėda LNG terminal and cross-border interconnection points with Latvia and Poland are expected to grow. The Network Development Plan also sets out the main directions for the development of the transmission system, including a focus on innovation and the development of green energy.

On 6 September 2022, the Council gave its consent for publishing the Ten-Year Network Development Plan (2022-2031) prepared by Amber Grid. The plan also containing investment justification (requirement) is available on Amber Grid's website, in section "Infrastructure development" at
https://ambergrid.lt/doclib/gir0ivqhcugbxz4ezdhs65rgjdjb5x68.

In 2024, the ten-year gas network development plan is scheduled to be updated by preparing the plan for the period of 2024-2033.

3.5.2 Electricity Transmission System Operator's Ten-Year Grid Development Plan

In accordance with the provisions of the Law on Electricity of the Republic of Lithuania, Litgrid, the transmission system operator, shall, every two years, but not later than by 1 July of the current year, shall submit to the Council a ten-year plan for the development of transmission grids based on existing and planned energy supply and demand in the electricity system. The grid development plan shall include an assessment of current and future electricity supply and demand, findings of the probabilistic adequacy assessment of the electric power system, efficient measures for ensuring the adequacy of the system capacities and security of supply.

In 2022, Litgrid prepared the 10-year Plan for the 400-110 kV Grid of the Lithuanian Power System (2022-2031), which also contains a EUR 2 million investment justification (requirement). The Plan is available in Litgrid's website, in section "Grid Development", at https://www.litgrid.eu/uploads/files/dir618/dir30/dir1/12_0.php.

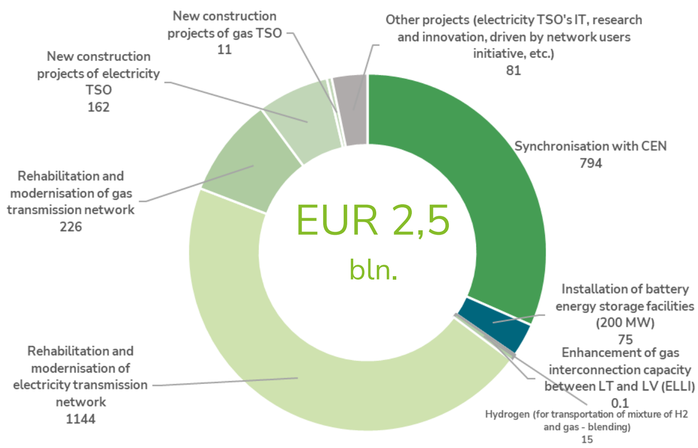
In 2024, the ten-year electricity grid development plan is scheduled to be updated by preparing the plan for the period of 2024-2033.

3.5.3 Planned Infrastructure Investments

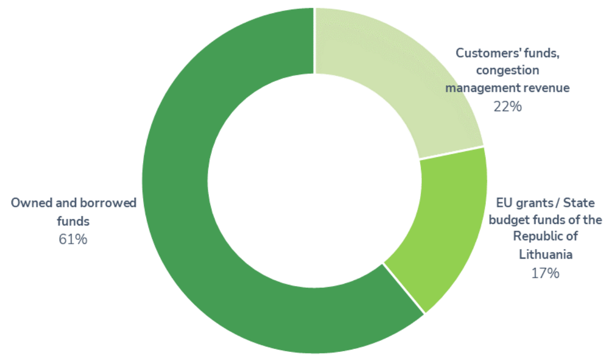
Given the said updates of the ten-year grid development plan of the gas and electricity transmission operators in 2024 and the 2050 long-term strategy of the EPSO-G Group (2035), intended to clarify the EPSO-G Groups strategic directions to 2050 (2035), which will also potentially determine the EPSO-G Group's investments over the next decades (10 years), the EPSO-G Group's investment strategy was planned to be updated in 2024 and published early in 2025 (inclusive), at the time of adopting the updated strategies of the EPSO-G Group companies.

The updated EPSO-G's business strategy to 2030 (EPSO-G Strategy 2030) was approved by the EPSO-G Board in 2024 and provides for the following investments in gas, including hydrogen, electricity transmission and storage infrastructure (which, as mentioned above, will be updated):

Investments in 2023-2030, EUR million



Sources of investment financing in 2023-2030



Comments:

1. There may be errors in the electricity transmission operators' share of investments (distribution of synchronisation and restoration/modernisation investments) due to the (non)assignment of projects to synchronisation projects (e.g. the reconstruction of the 330 kV Neris transformer substation is assigned to synchronisation).
2. For the ELLI project, the approx. EUR 4 million is planned to be invested in 2023 (the total investment of the Lithuanian part of the project, including amounts up to 2023).
3. For the project to install energy storage system (200 MW), the amount indicated comprise investments planned for 2023 (the total investment amount for the project for 2022-2023 is around EUR 101 million, which was agreed with the Council in October 2022).
4. Investment in Nordic-Baltic Hydrogen Corridor, a cross-border H2 infrastructure corridor, have not been assessed. The amount of the investment will be estimated upon the completion of the feasibility study.

4

PERFORMANCE REVIEW

4 PERFORMANCE REVIEW

4.1 Performance Indicators

In 2023, the financial performance of the EPSO-G Group was largely impacted by the gas and electricity prices which were well below those included in the tariff, causing a decline in the costs of acquisition of gas and electricity for technological and own needs.

The geopolitical situation relating to Russia's war in Ukraine, and economic tension had a significant adverse impact on energy transmission flows, thereby resulting in decline in energy and gas consumption levels in Lithuania, however, gas transporting flows towards the directions of Lithuania-Latvia increased.

The volume of electricity transmitted via high voltage transmission grid to households and businesses during the period was 9.5 terawatt hours (TWh), which was 6.9% less compared to the same period in 2022. Electricity consumption decreased due to household and business savings, the growth of consumers generating electricity from renewable sources connected to the distribution grid.

By supervising and operating the electricity transmission system, Litgrid met target indicators of electricity transmission reliability and, compared to 2022, improved them. *The average interruption time (AIT) indicator was 0.84 min., of which 0.10 min. were for reasons attributable to the transmission system operator's (TSO) responsibility (2022: 1.29 and 0.36 min., respectively). The energy not supplied (ENS) indicator was 23.23 MWh, of which 2.67 MWh were for reasons attributable to the transmission system operator's (TSO) responsibility (2022: 38.69 and 10.62 MWh, respectively).* As required by the Council, the AIT indicator during the year shall not be higher than 0.934 minutes, whereas the ENS indicator shall not be higher than 27.251 MWh.

In 2023, an overall availability of the interconnections with Sweden and Poland NordBalt and LitPol Link was 98.2% and 98.3%, respectively. Scheduled works - the annual repair of NordBalt and the implementation of synchronization projects with continental European network – had the greatest influence on the availability of the interconnections. NordBalt availability was limited due to fault repair works.

Based on the electricity TSO's data, the permitted generation capacity of solar power plants connected to Lithuania's electricity transmission and distribution grid increased by 538 MW (from 570 MW to 1108 MW) in 2023, while the permitted generation capacity of wind power plants increased by 265 MW (from 963 MW to 1228 MW). The total generation capacity from solar and wind resources increased by 803 MW, from 1533 MW to 2336 MW. The capacity of other renewable energy sources (biomass, biofuels, hydropower) increased by 98 MW (from 99 MW to 197 MW). The total change for all types of renewable energy was 901 MW (from 1,632 MW to 2,533 MW).

2023 was a historic year for green energy in Lithuania. For the first time, the share of electricity generated by renewable energy plants accounted for around 67% of the total electricity generated in the country. In 2022, 60% of the country's electricity (2021: 48%) was generated by renewable energy plants.

The increase in the number of renewable power plants connected to the transmission and distribution grids has led to a significant increase in the amount of clean energy produced by both wind and solar power plants. Compared to 2022, clean energy production in Lithuania's wind farms has increased by 67% (2021: 11%), and in solar farms by 131% (2021; 74%). The latter is due to the rapid addition of new prosumers.

Lithuania is an important gas transmission hub for neighbouring countries. A total of 61.2 TWh of natural gas was transported through the gas transmission system of Lithuania in 2023, of which 19.1 TWh was delivered through Latvia to the Baltic States and Finland, and 3.2 TWh in the direction of Poland.

Gas demand in Lithuania has remained stable over the last two years. In 2023, the gas transmission operator delivered to the Lithuanian consumers 14.9 TWh of natural gas or 4% less than in 2022 (15.6 TWh). The level of gas consumption was influenced by the warm weather last winter, high gas prices in the first months of the year and a significant decrease in gas use for fertiliser production and urban heating.

In 2023, the Klaipėda LNG terminal, the main source of gas supply to Lithuania and other EU countries, accounted for 85% or 31.9 TWh of the total gas transported into the system, compared to 79% or 32.1 TWh in 2022. The flow from Latvia accounted for almost 7% (2.5 TWh), from Poland - 9% (3.3 TWh).

As Lithuania discontinued gas imports from Russia with effect from 2022, the Lithuania-Belarus interconnection is used solely for transporting gas to the Kaliningrad Region. The gas transit in the Kaliningrad Region in 2023 amounted to 23.9 TWh (2022: 23.4 TWh).

Following the connection of the first biomethane plant to the gas transmission system in 2023, 47 gigawatt hours (GWh) of green gas produced in Lithuania with guarantees of origin were injected into the system in the second half of the year. The import of biomethane produced in EU countries and meeting sustainability criteria started at the end of 2022, bringing the total amount of biomethane imported into Lithuania in 2023 to 40 GWh with guarantees of origin recognised in Lithuania.

Key performance indicators of the EPSO-G Group

	2023	2022	Change		2021
			+/-	%	
Electricity					
Volume of electricity transmitted, GWh	9,526	10,234	-708	-6.9%	10,936
ENS (energy not supplied), MWh*	2.67	10.62			3.36
AIT (average interruption time), min. *	0.10	0.36			0.11
ENS (energy not supplied), MWh**	23.23	38.69			20.51
AIT (average interruption time), min. **	0.84	1.29			0.69
NordBalt availability, %***	92.8%	98.3%			97.3%
LitPol Link availability, %***	98.2%	98.3%			87.5%
Natural gas					
Volume of natural gas transported to the domestic exit point, GWh	14,912	15,576	-664	-4.3%	24,136
Volume of natural gas transported to the adjacent transmission systems, GWh****	46,322	48,213	-1,891	-3.9%	28,595
Number of unplanned gas transmission outages due to operator's responsibility	0	0	0	-0%	0
Total duration of unplanned gas transmission interruptions due to the operator's responsibility, hours and minutes	0	0	0	0%	0
Biofuels					
Biofuels sold on energy exchange to Lithuanian market, GWh	6,426	6,359	67	1.1%	5,630
Biofuels sold on energy exchange to foreign markets, GWh	1,653	397	1,256	316.4%	72

* Only for the causes falling within the scope of responsibility of the operator.
** * For all reasons (including *force majeure* and external factors).
*** Overall availability of LPL/NB interconnection – availability of interconnection at both sides, Lithuania and the other country.
**** Transmission systems in Latvia, Poland and the Kaliningrad Region of the Russian Federation.

In 2023, the traded volume of biofuel on Baltpool energy exchange increased by 19.6%: the traded volume was almost 8.1 TWh in 2023, compared to 6.8 TWh in 2022.

On the energy exchange, there were in total 8.5 thousand transactions for the value of almost EUR 204 million. Biofuel production growth stemmed to a large degree from increased activity in Estonian and Latvian markets. The major players in the biofuel markets of these countries satisfied part of their needs through participation in biofuel exchanges. 2023 was a year of steady price declines in the Lithuanian biofuels market. From the start of the year, biofuel price went down by almost 42%. Over the 10-year history of exchange, there has never been such an annual price drop.

On the Company's heat auction data management system, there were transactions on purchase-sale of heat of more than 5.6 GWh (2022: of more than 5 GWh), whereas on the e-auction system for timber, there were in total 7.6 thousand transactions for almost 3 million st of timber (2022: 4.1 thousand transactions for 1.9 million st of timber).

4.2 Consolidated Financial Performance Indicators

Financial performance indicators, EUR million	2023	2022	Change		2021
			+/-	%	
Revenue	478.9	589.9	-111.0	-18.8	362.9
Operating costs[9]	442.0	636.6	-194.6	-30.6	318.1
EBITDA[1]	101.3	-11.4	112.7	N/A	79.6
Adjusted EBITDA[2]	59.2	63.6	-4.4	-6.9	65.2
Net profit	53.8	-42.5	96.3	N/A	39.8
Adjusted net profit[2]	24.0	24.7	-0.7	-2.7	27.8
Cash flows from operating activities (FFO)[3]	100.7	-27.7	128.4	N/A	65.1
Investments[4]	243.1	175.2	67.9	38.8	112.2
Financial ratios					
EBITDA margin[5]	21.1%	-1.9%			21.9%
ROE (LTM), %	20.1%	-17.0%			15.8%
Adjusted ROE (LTM), %	9.0%	9.9%			11.0%
Balance sheet KPIs, EUR thousand EUR thousand	**As at 31 December 2023**	**As at 31 December 2022**			**As at 31 December 2021**
Assets	1,078.5	1,425.7	-347.2	-24.4	962.6
Non-current assets	756.2	706.5	49.7	7.0	651.8
Current assets	322.3	515.5	-193.2	-37.5	310.8
Equity	307.9	227.8	80.1	35.2	271.6
Liabilities	770.6	1,198.0	-427.4	-35.7	691.0
Net debt[6]	83.5	-28.6	112.1	N/A	220.8
Working capital[12]	-27.5	-21.5	-6.0	N/A	-72.8
Financial ratios					
Assets turnover ratio[7]	44.4%	45.2%			36.8%
Net debt-to-equity ratio	27.1%	-12.5%			81.3%
FFO to net debt ratio[10]	121%	-			29%
Net debt-to-EBITDA ratio[11]	0.8	-			2.8
Net debt-to-adjusted EBITDA	1.4	-			3.4
Equity-to-assets ratio	28.5%	16.0%			28.2%
Current liquidity ratio[8]	1.0	0.7			0.7

(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) Regulated revenue, expenses and profitability indicators are recalculated due to temporary regulatory deviations from the regulated profitability indicator approved by the Council, revaluation of non-current assets and other gain/loss from non-ordinary activities.

(3) Cash flows from operating activities (FFO) = EBITDA + interest received - interest paid - income tax paid

(4) Investments = additions in PP&E + additions in non-current intangible assets, before consideration of offsets with grants received/receivable intended for acquisition of the related assets + change in the balance of prepayments during the year

(5) EBITDA margin = EBITDA/Revenue

(6) Net debt = non-current borrowings + current borrowings + lease liabilities - short-term investments - term deposits - cash and cash equivalents

(7) Asset turnover = Revenue (LTM)/Assets

(8) Total liquidity ratio = Current assets/Current liabilities

(9) Depreciation of assets is included in operating expenses

(10) FFO-to-net debt ratio = FFO (LTM)/net debt

(11) Net debt-to-EBITDA ratio = Net debt/EBITDA (LTM)

(12) Working capital = Inventories + Prepayments and contract assets + Trade receivables + Other receivables + Income tax paid in advance + Trade debts + Advances received + Provisions + Other current payables and liabilities - PIP payables - PIP payables - PIP and SIP accruals - PIP receivables

4.2.1 Revenue

The EPSO-G Group's consolidated revenue decreased by EUR 111.0 million or 18.8% in 2023 compared to 2022, i.e. from EUR 589.9 million to EUR 478.9 million. In 2023, revenue from regulated activities accounted for 94.1% (2022: 87.4%) of the Group's total revenue.

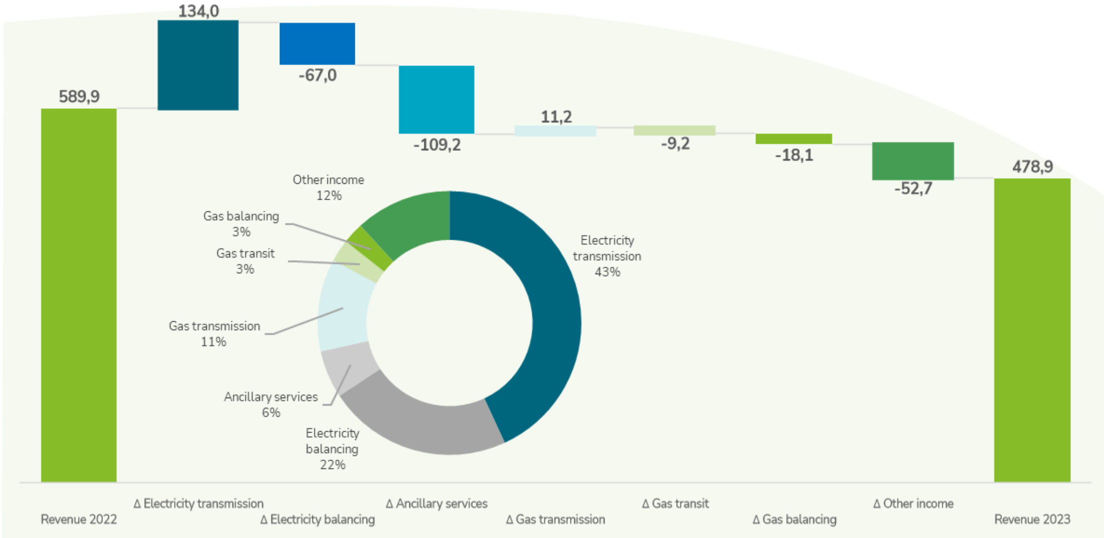
Revenue by segment, EUR million	2023	2022	Change	
			+/-	%
Group's revenue:	478.9	589.9	-111.0	-18.8
Litgrid	369.8	420.3	-50.5	-12.0
Amber Grid	81.3	96.7	-15.3	-15.8
Other and elimination of reciprocal transactions	27.7	73.0	-45.3	-62.0

In 2023, Litgrid's revenue from electricity transmission and related activities decreased by 12.4% compared to 2022 and amounted to EUR 366.8 million or 99.2% of Litgrid's total revenue and 76.5% of the EPSO-G Group's total revenue. Revenue from electricity transmission increased 2.8-fold, to EUR 206.5 million. This is due to the 2023 transmission price approved by the Council, which was more than 5 times higher than in 2022 due to the projected electricity price and technology costs. Nevertheless, the transmission tariff for consumers decreased by 4.3%, as a EUR 142.3 millions of congestion management revenue was used to reduce the tariff. Despite the increase in revenue from electricity transmission, the overall revenue decline was mostly driven by revenue from additional services, which fell from EUR 137.2 million to EUR 28.0 million (-79.6%) due to a 59% lower price for additional services set by the Council, as well as by revenue from imbalance and balancing electricity, which fell from EUR 175.1 million to EUR 108.3 million (-38.1%) due to the decrease in the electricity market price.

In 2023, the EPSO-G Group generated revenue of EUR 80.0 million, or EUR 15.3 million less, from natural gas transport and related services (account for 98.4% of Amber Grid's revenue). The main reason for the decrease was the decline in revenue from balancing products by 2.4-fold from EUR 30 million to 12.5 million due to lower gas prices and the application of the agent principle for the accounting of system users' balancing activities as of 1 March 2022 (net result in the financial statements, balancing revenue are offset against costs). Revenue from natural gas transmission for the reporting period increased by EUR 2 million or 3%, compared to 2022, and totalled EUR 67.4 million. Of this, EUR 28.2 million was generated from gas transmission to adjacent gas systems (2022: EUR 39.7 million).

The other Group's revenue decreased by 62.0%, or EUR 45.3 million, and totalled EUR 27.7 million. This was mainly due to the Physical Barrier project implemented by Tetas in 2022, whereas, in 2023, there were no projects of similar size.

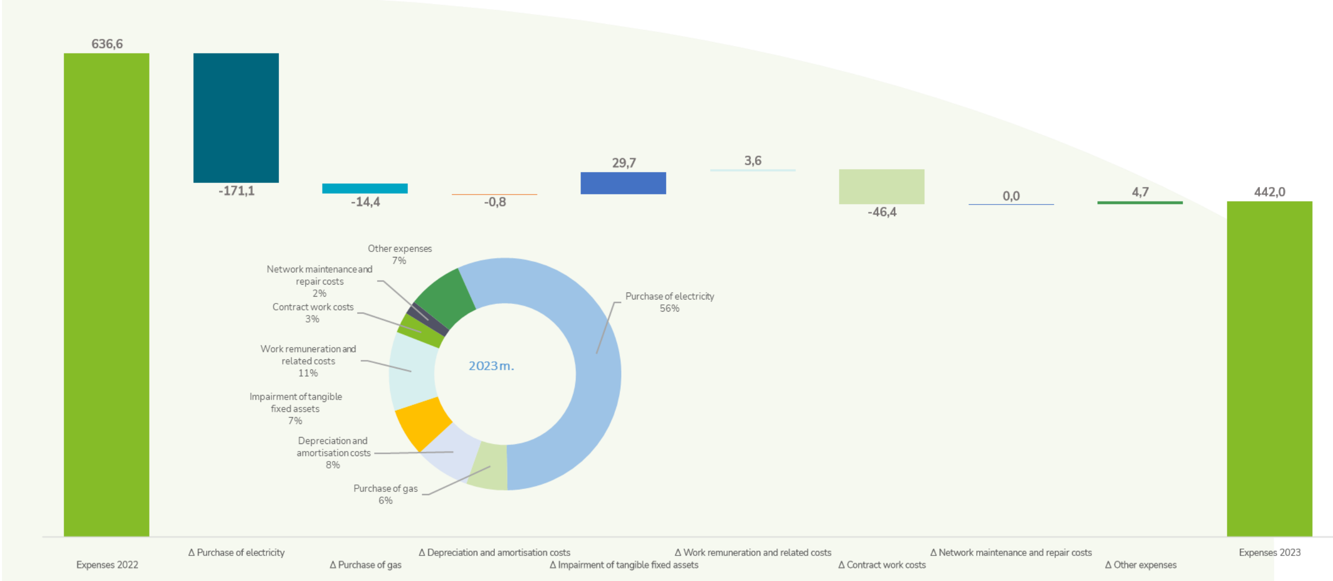
Revenue, EUR million



4.2.2 Operating Costs

In 2023, the Group's operating expenses totalled EUR 442.0 million (in 2022, this indicator reached EUR 636.6 million). Compared to the same period in 2022, the expenses decreased by EUR 194.6 million or 30.6% due to significantly lower prices of energy resources and the Physical Barrier project which was implemented by Tetas in 2022 and which resulted in higher operating expenses.

Operating costs, EUR million



Operating expenses by segment, EUR million	2023	2022	Change	
			+/-	%
Group's operating expenses:	442.0	636.6	-194.6	-30.6
Litgrid	333.2	477.8	-144.6	-30.3
Expenses for electricity and related services	251.3	420.1	-168.8	-40.2
Wages and salaries	17.6	15.6	2.0	13.0
Depreciation and amortisation	19.7	20.6	-0.9	-4.1
PP&E impairment loss	21.7	0.0	21.7	-
Other	22.8	21.5	1.3	6.1
Amber Grid	76.4	78.5	-2.1	-2.8
Natural gas purchase expenses	25.4	39.8	-14.4	-36.4
Wages and salaries	13.8	11.9	1.9	15.9
Depreciation and amortisation	12.6	12.9	-0.3	-2.0
PP&E impairment loss	8.0	0.1	7.9	-
Other	16.6	13.8	2.8	20.1
Other segments and elimination of reciprocal transactions	32.5	80.3	-47.8	-59.6
incl. (sub)construct works and materials of Tetas	17.6	59.1	-41.5	-70.2

Litgrid's operating expenses decreased by EUR 144.6 million or 30.3%, mainly due to substantially lower prices for electricity and related services resulting from lower electricity market prices. In 2023, the average electricity price on Nordpool exchange (EUR 94.44 per MWh) decreased 2.5-fold compared to 2022 (EUR 230.23 per MWh).

In 2023, Litgrid tested property, plant and equipment for impairment and recognised a EUR 21.6 million impairment loss and a EUR 27.4 reversal of the revaluation reserve. The overall effect of changes in the value of the assets was positive and amounted to EUR 5.8 million.

Amber Grid's operating expenses decreased by EUR 2.2 million or 2.8%, mainly due to lower costs of acquisition of gas for technological needs resulting from lower gas market prices. In 2023, the weighted average gas price on GET Baltic exchange (EUR 49 per MWh) decreased by almost 2.4-fold compared to 2022 (EUR 117 per MWh).

In 2023, Amber Grid tested property, plant and equipment for impairment and recognised a EUR 7.9 million impairment loss and a EUR 3.3 reversal of the revaluation reserve. The overall effect of changes in the value of the assets was negative and amounted to EUR -4.7 million.

Expenses incurred in other Group's segments decreased, mainly due to reduced contract and subcontract works of Tetas, after the Physical Barrier project was completed in 2022.

4.2.3 Results of Operations

In 2023, the Group's earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to EUR 101.3 million, (2022: EBITDA was negative and amounted to EUR -11.4 million).

In 2023, the EBITDA margin stood at 21.1% (in the same time in 2022, this indicator was negative and stood at -1.9%).

Net profit/(loss) and EBITDA by segments, EUR million	2023	2022	Change	
			+/-	%
Group's EBITDA:	101.3	-11.4	112.7	N/A
Litgrid	78.3	-36.5	114.8	N/A
Amber Grid	25.7	31.1	-5.4	-17.4
Other segments and elimination of reciprocal transactions	-2.8	-6.0	3.3	N/A
Group's net profit/(loss):	53.8	-42.5	96.3	N/A
Litgrid	48.4	-49.5	97.9	N/A
Amber Grid	12.6	15.7	-3.2	-20.1
Other segments and elimination of reciprocal transactions	-7.1	-8.8	1.6	N/A

Litgrid's EBITDA, compared to 2022, increased by EUR 114.8 million to EUR 78.3 million and accounted for 77% of the EPSO-G Group's total EBITDA. This is explained by the decrease in technological expenses below the targets set and included in tariff by the Council. Amber Grid's EBITDA decreased by EUR 5.4 million to EUR 25.7 million and accounted for 25% of the EPSO-G Group's total EBITDA. The decrease was mainly affected by the decline in revenue from transit and balancing services.

4.2.4 Adjusted Results of Operations

Regulated revenue, expenses and profitability indicators are recalculated due to temporary regulatory deviations from the regulated profitability indicator approved by the Council. Calculation of adjusted indicators involves estimation of adjustment for previous period revenue, which has already been approved by the decision of the Council when determining regulated transmission prices for the reporting period, and estimation of deviation of the actual profitability from the regulated profitability approved by the Council, which will be considered when determining the transmission prices by the Council for future period, with the asset revaluation results and other profit/loss from non-ordering activities being eliminated.

Adjusted EBITDA by segments, EUR million	2023	2022*	Change	
			+/-	%
Group's adjusted EBITDA:	59.2	63.6	-4.4	-6.9
Litgrid	37.3	34.6	2.7	7.9
Amber Grid	24.7	35.0	-10.3	-29.6
Other and elimination of reciprocal transactions	-2.7	-6.0	3.3	-

Adjusted net profit/(loss) by segments, EUR million	2023	2022*	Change	
			+/-	%
Group's adjusted net profit/(loss):	24.0	24.7	-0.7	-2.7
Litgrid	22.0	13.8	8.2	59.0
Amber Grid	9.2	19.5	-10.3	-52.7
Other and elimination of reciprocal transactions	-7.2	-8.7	1.5	-

Detailed adjustments to calculate adjusted EBITDA and adjusted net profit/loss are disclosed below.

Adjusted EBITDA, EUR million		2023	2022*
	Group's EBITDA	101.3	-11.4
Amber Grid	Refunding of ROI deviation in relation to previous periods	10.9	17.0
	Payment to Poland for GIPL was included in 2022 revenue	-13.8	-8.3
	Current year difference between actual revenue and revenue set by the Council	-1.5	-12.5
	Current year actual balancing result	5.7	-3.7
	Current year difference between actual technological losses and those set in the pricing	-3.1	11.2
	Other adjustments for difference between current year actual rates and those set in the pricing	0.8	0.2
Litgrid	Refunding of ROI deviation from transmission activities in relation to previous periods	-4.1	15.3
	Current year difference between actual technological losses and those set in the pricing	-103.1	73.6
	Other ROI deviations from transmission activities	-4.1	7.3
	Refunding of ROI deviations from additional services in relation to previous periods	27.1	4.4
	Current year difference in regulatory rate of return from additional services	43.2	-29.5
	Group's adjusted EBITDA	**59.2**	**63.6**

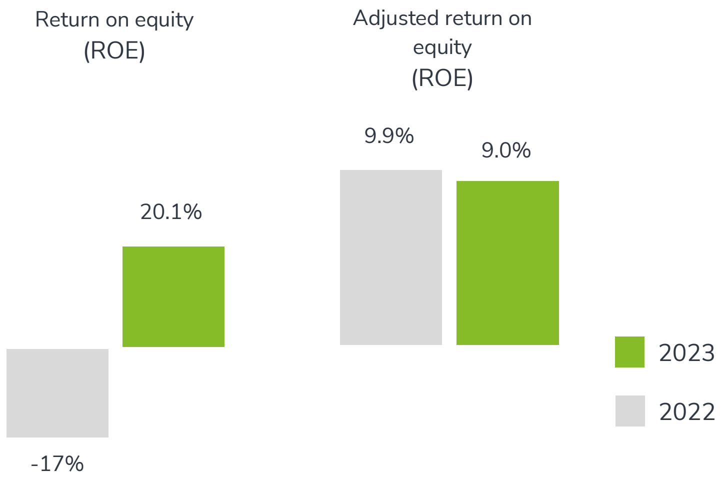
Adjusted net profit/(loss), EUR million		2023	2022*
	Group's net profit/(loss)	53.8	-42.5
Amber Grid	Adjusted EBITDA	-1.1	3.9
	Current year difference between regulatory and financial depreciation of PP&E	-0.1	0.6
	Current year difference between actual taxes and those set in the pricing	0.1	-0.7
	Effect of PP&E assessment and non-ordinary events	-2.3	0.0
Litgrid	Adjusted EBITDA	-41.0	71.7
	Current year difference between actual taxes and those set in the pricing	-3.9	-7.7
	Effect of PP&E assessment and non-ordinary events	18.5	0.0
	Group's adjusted net profit/(loss)	**24.0**	**24.7**

* Indicators adjusted in 2022 were restated given the electricity TSO's income tax relief.

In 2023, the Group tested property, plant and equipment for impairment. As a result, a EUR 29.7 million impairment loss was eliminated from calculations of adjusted indicators. The EUR 9.1 million effect of the sale of the controlling stake in GET Baltic exchange was also eliminated.

4.2.5 Return on Equity

In 2023, adjusted return on equity decreased by 0,.9% compared to 2022 due to the decline in Amber Grid's revenue from transit services and the increase in the average equity (from EUR 249.7 million to EUR 267.8 million or by 7.3%) used to calculate the indicator. The average equity increased due to a significant increase in the temporary surplus of return on investments generated by Litgrid in 2023.



The positive effect (but not in excess of the negative effects mentioned above) on adjusted return on equity was due to the interest earned on cash held on deposits and invested in short-term bonds, as well as a higher regulatory return. The regulatory return increased because of the higher RAB and the rate of return on investments for both operators.

It is worth noting, that on 27th July 2023 by the decision of the Council (NERC) the Methodology for the Setting of the Rate of the Return on Investments (WACC) was adjusted. In accordance with the adjusted WACC Methodology, for the energy transmission services of Litgrid, Amber Grid and for isolated operation reserve service of Energy Cells approximately by 1 percentage point higher regulated return on investments was set for 2024 in comparison to 2023 (for 2023 for Litgrid, Amber Grid and Energy Cells 4.09 perc., 3.96 perc. and 3.99 perc. were set respectively, for 2024 - 5.00 perc., 5.04 perc. and 4.97 perc. respectively).

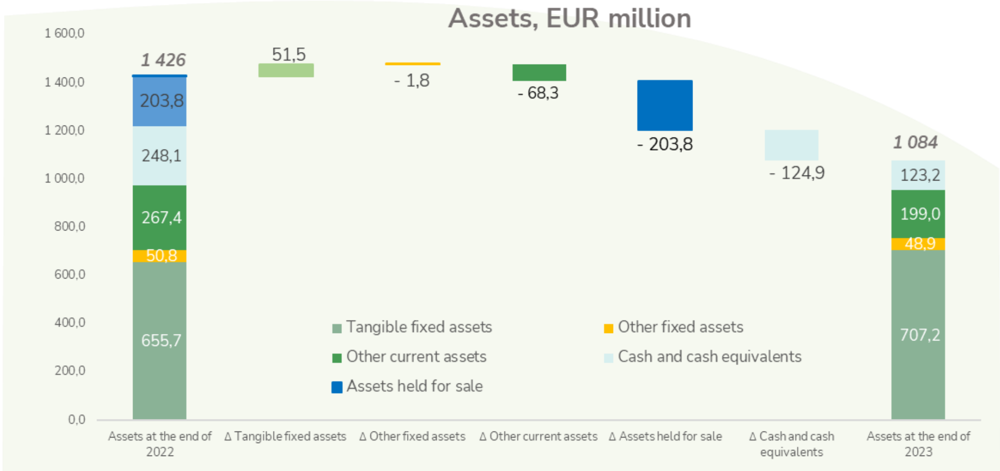
Key performance indicators of regulated activity	2023	2022	Change	
			+/-	%
RAB (at the beginning of the year), EUR million				
Litgrid	351.7	330.0	21.7	6.6
Amber Grid	273.0	271.1	1.9	0.7
Energy Cells	10.7	9.1	1.5	16.8
Regulatory depreciation, EUR million				
Litgrid	19.3	20.1	-0.8	-4.0
Amber Grid	12.5	13.0	-0.5	-3.7
Energy Cells	0.3	0.0	0.3	-
WACC (rate of return on investments)*, %				
Litgrid	4.09	4.03	0.06 pp	
Amber Grid	3.96	3.94	0.02 pp	
Energy Cells	3.99	-**	3.99 pp	

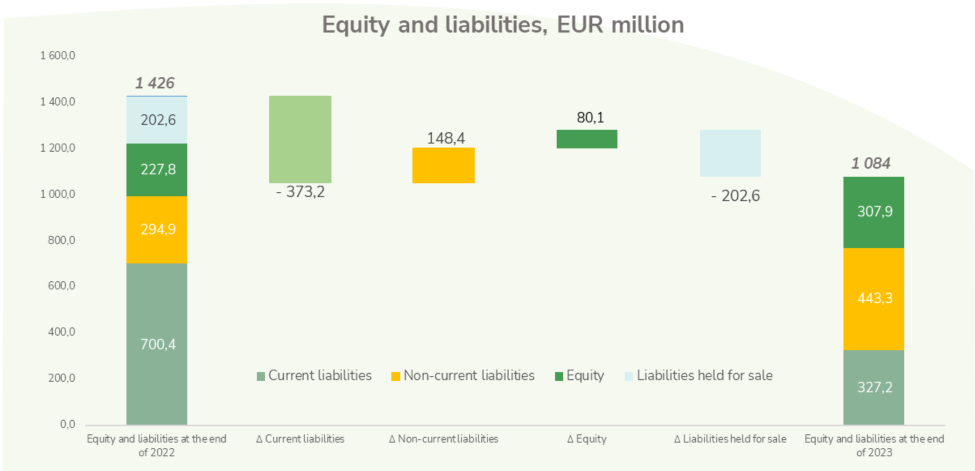
* The rate of return on investment set by the Council and included in the regulated prices (WACC).
** Energy Cells's rate of return on investment was first set in 2023 (when operations were commenced and the price cap was approved).

4.2.6 Statement of Financial Position

As at 31 December 2023, the Group's assets amounted to EUR 1,078 million. Compared to 2022, the assets decreased by 24.4% mainly due to the sale of the controlling stake in GET Baltic exchange and the decrease in the balance of PSO funds collected by Baltpool.

After the loss of control in GET Baltic, the results were no longer consolidated from 1 June 2023, thus the amounts recorded in the Group's balance sheet under the security deposits and funds deposited by the natural gas exchange participants for guarantees decreased, and the Group's consolidated assets and liabilities decreased by EUR 203.8 million and EUR 202.6 million, respectively, compared to 31 December 2022.





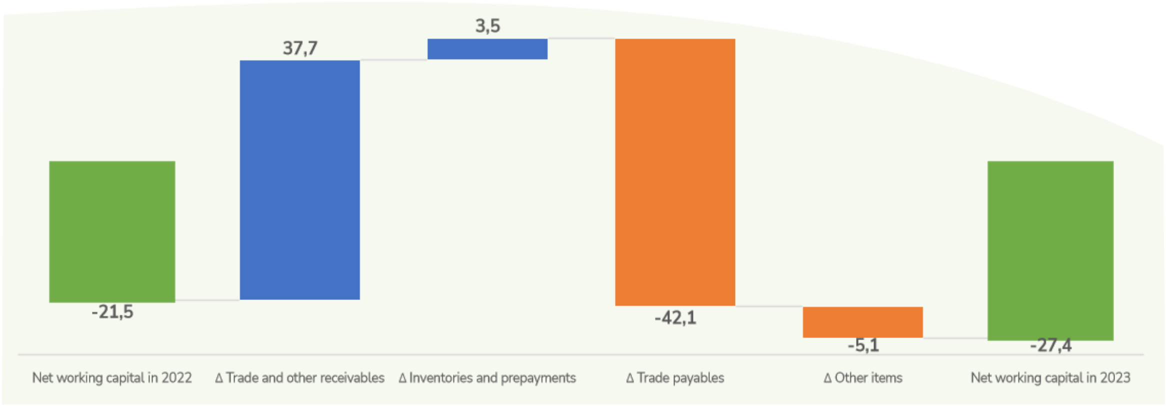
The Group's non-current assets amounted to EUR 756.2 million and accounted for 70.0% of the Group's total assets. Compared to the year end of 2022, non-current assets increased by 7.0% due to investments in the electricity and natural gas transmission infrastructure and the system of energy storage facilities.

At the end of 2023, compared to the end of 2022, current-liabilities decreased due to the lower balance of the PSO Funds accrued by the Group (decreased by EUR 91.5 million) and a smaller current portion of congestion management revenue (decreased by EUR 252.2 million), the major part of which was reclassified to non-current liabilities, with the intention to use the revenue after one year.

Compared to the end of 2022, the shareholders' equity increased by 35.2% to EUR 307.9 million due to the profit earned and a revaluation reserve recognised for property, plant and equipment, whereas the ownership interest compared to the Group's assets at the end of 2023 amounted to 28.5%.

In 2023, the Group's net working capital remained unchanged, as compared to 2022. The decrease in payables to suppliers due to the falling energy prices generated a negative cash flow which was compensated for by a positive cash flow from the trade receivables which decreased for the same reasons.

Net working capital, EUR million

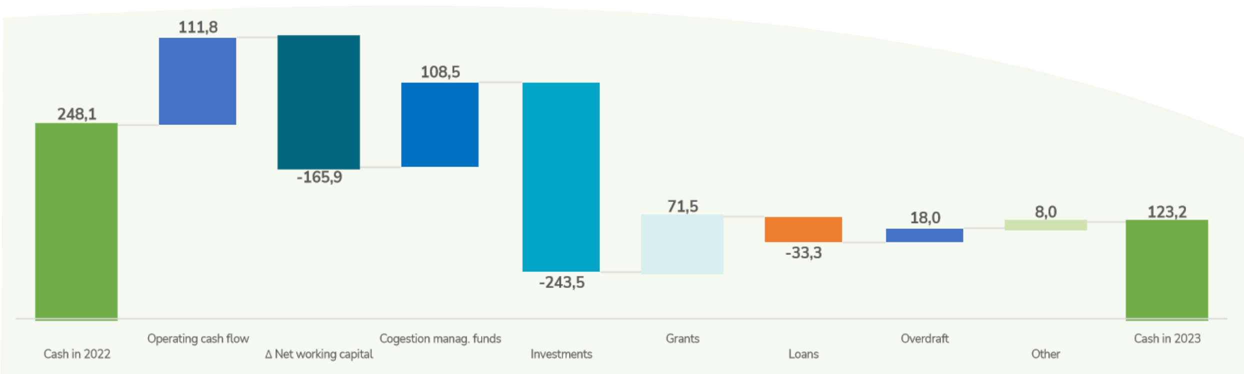


At the end of 2023, the Group's net financial liabilities to creditors, including lease liabilities, amounted to EUR 206.7 million. Due to accrued congestion revenue of Litgrid, cash and cash equivalents, term deposits and short-term investments at the end of the period amounted to EUR 123.2 million, therefore, net financial debt was EUR 83.5 million.

Net debt, EUR million	2023	2022	Change	
			+/-	%
Group's net debt:	**83.5**	**-28.6**	**112.1**	**N/A**
Non-current ant current borrowings	195.9	208.2	-12.3	-5.9
Lease liabilities	10.9	12.9	-2.0	-15.4
Cash and cash equivalents	123.3	248.1	-124.9	-50.3

4.2.7 Cash Flows

Cash flows, EUR million



In 2023, the Group's net cash flows from operating activities amounted to EUR 111.8 million (2022: EUR 11.5 million). The Group's investments in non-current assets amounted to EUR 243.5 million (2022: EUR 113.2 million). In 2023, the EU financial support obtained to finance the investment projects amounted to EUR 71.5 million (2022: EUR 107.8 million).

Investments in working capital increased mainly due to the EUR 91.5 million TSO Funds accrued and used by Baltpool. The obligations for TSO Funds recoded on the balance sheet decreased from EUR 160.5 million to EUR 69.0 million.

In 2023, Litgrid collected the EUR 108.5 million congestion management funds, which were almost 2.5-fold lower than in 2022 due to small differences between regional electricity prices. These proceeds are not recognised as revenue and have no direct impact on the Company's result of operations, and their use is regulated under the European Parliament and Council Regulation No 2019/943 and the methodology approved by the European Union Agency for the Cooperation of Energy Regulators (ACER). Congestion management proceeds are used mostly to finance in part the investments aimed at capacity enhancement of interconnections. In 2023, EUR 142.3 million of congestion management revenue was used to reduce the tariff, and EUR 15.2 million for investments.

In 2023, the Group repaid loans in the amount of EUR 30.9 million (2022: EUR 35.4 million), and did not receive new long-term loans. As at 31 December 2023, the Group made a temporary use of a EUR 18 million overdraft, which was fully repaid in January 2024.

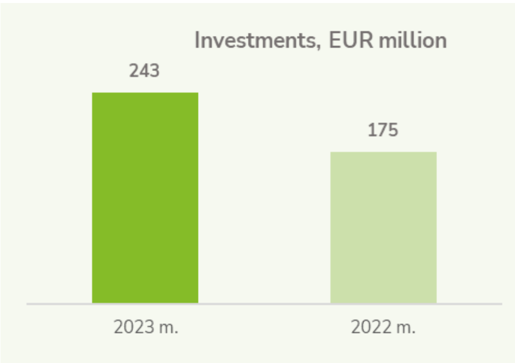
4.2.8 Investments

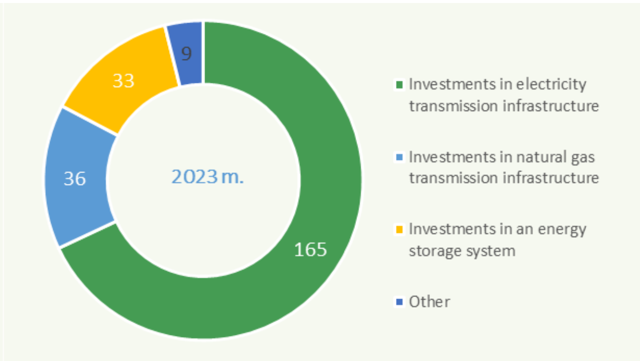
In 2023, the EPSO-G Group's investments (non-current assets carried at cost, before consideration of offsets with grants received/receivable for acquisition of the related assets) amounted to EUR 243.1 million, i.e. were higher by EUR 67.9 million than in 2022. Excluding assets received from third parties, the EPSOG Group's investments amounted to EUR 231.3 million, i.e. were higher by EUR 76.9 million than in 2022.

Litgrid's investments amounted to EUR 165.4 million (66% of which was spent on strategic and nationally important electricity projects, 34% on transmission grid reconstruction and development and operational support), excluding assets received from third parties investments amounted to EUR 153.6 million.

Amber Grid's investments in the reconstruction and modernisation of the main grid amounted to EUR 35.7 million (of which EUR 13.2 million for the reconstruction of individual sections of the Vilnius-Kaunas main gas pipeline, EUR 3.2 million for the replacement of overground passes with the underground passes and deepening of not deepened sections of main gas pipeline (MD A2 stage II), EUR 6.7 million for the reconstruction of Grigiškės, Kėdainiai, Vievis, Telšiai, Šiauliai DSSs, EUR 3.1 million for the replacement of closures and connection to Scada, et.).

Energy Cells' investments in the system of energy storage facilities amounted to EUR 32.6 million.





4.3 Research and Development Activities

The ambitious goals of the National Energy Independence Strategy regarding the integration of renewable energy sources and the simultaneous synchronisation programme with the continental European network and the regional gas market integration processes encourage the EPSO-G Group companies to seek new innovative solutions for the reliable operation of Lithuania's energy system now and in the future. Research and studies, and the planning and implementation of innovation activities, encourage the Group companies to improve the efficiency of their operations by applying new methods, tools and best practices.

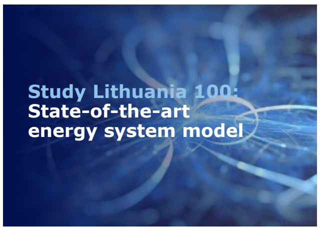
In carrying out these activities, the EPSO-G Group companies follow the Guidelines for Research and Experimental Development and Innovation Activities (hereinafter referred to as the "R&D&I Guidelines"). The objective of the R&D&I guidelines is to ensure, through research, innovation and new solutions, the continuity and efficiency of the activities of the EPSO-G Group companies, to ensure competitiveness or to create the conditions for competition, in order to achieve the objectives of the National Energy Independence Strategy and to create greater added value for society.

R&D&I Guidelines determine common concepts of scientific research, experimental development, innovations and innovative activities applicable to the entire EPSO-G Group, common performance directions and priorities, classification principles and recommendations for operators of transmission system regarding funds attributable to the R&D&I Guidelines activities not covered by the regulated activities. At the end of 2023, the Group's innovation portfolio consisted of 40 instruments focusing on advanced and efficient systems management and monitoring (9), modern asset management solutions (16), the development of the Group's ICT and digitalisation (9), and the development of new business organisations and services (6). During 2023, as much as 20 measures were initiated.

By engaging in R&D&I activities the Group contributes to the energy transformation and the transition to a climate-neutral economy, at the same time striving for greater energy efficiency and cross-sectoral cooperation to create benefit for the Lithuanian people and businesses. Through research, demonstration and experimental projects, the Group supports building RES capacities, consumption electrification and industry decarbonisation, development of green gas market, system integrations, flexibility and balancing services or products.
Below is an overview of the main R&D&I tools that contribute to the objectives identified above.

Lithuania Energy Vision to 2050

EPSO-G together with experts from international consultancy DNV have developed Lithuania Energy Vision to 2050. Through cooperation with Lithuanian industry, energy companies and experts, scenarios have developed that open up opportunities for Lithuania to become the hub of next-generation industrial development and a climate-neutral country by 2050. Lithuania would switch from fossil fuels to electricity from renewable energy sources (RES), generate electricity for domestic needs, to produce hydrogen, and export not only energy, but also higher-value sustainable products. Lithuania's energy vision would guide the implementation of energy projects and the development of strategic partnerships, creating a basis for the integration of different sectors. The Vision will also be used as a basis for the update of the Lithuanian Energy Independence Strategy (NEIS).



Experts of EPSO-G, Litgrid and Amber Grid are involved in the development of LT100 modelling study. The LT100 project is a follow-up on the Lithuanian Energy Vision 2050, which includes comprehensive assessment of Lithuania's energy sector, with the aim of presenting proposals for Lithuania to become a completely self-sufficient in electricity generation and to achieve that 100% of Lithuania's electricity consumption is generated from renewable energy sources.

The first interim results of the Lithuanian energy system modelling study are expected to be submitted in early 2024, on the basis of which the proposals for updating the NEIS will be assessed.

Guidelines and roadmap for hydrogen development in Lithuania

To assess prospects for hydrogen transport potential, Amber Grid completed the technical feasibility study on adapting gas transmission networks in the Baltic States and Finland for transporting methane and hydrogen blend in 2023, as well as study on modernisation measures and the investment requirements. Following in-depth examination of the situation, independent foreign experts have provided estimates of the required investments in the natural gas transmission network to ensure technical capacity for the transport of the methane-hydrogen blend. The investment requirement has been estimated by examining different scenarios based on the percentage of hydrogen/methane in the blend that has a direct impact on the characteristics of the components of the existing technological equipment.

In November 2023, the Nordic-Baltic Hydrogen Corridor was granted the status of the project of common interest (PCI) by the European Commission. Following this, the gas transmission system operators from Nordic and Baltic countries, namely Gasgrid Finland (Finland), Elering (Estonia), Conexus Baltic Grid (Latvia), Amber Grid (Lithuania), GAZ-SYSTEM (Poland) and ONTRAS (Germany), signed a contract on the pre-feasibility study on the green hydrogen corridor. AFRY Management Consulting, the winner of the tender, will analyse the conditions for the development of cross-border hydrogen infrastructure from Finland, through the Baltic countries and Poland to Germany, as well as green hydrogen trends in the region. It is planned that the study, which will provide a comprehensive, fact-based framework to allow the optimal decisions to be made, will be prepared in six months, by the middle of 2024.

Demonstration of the synergy between electric and heat storage systems

Litgrid, jointly with Kaunas University of Technology (KTU), carried out unique tests on a 1 megawatt (MW) experimental battery and smart energy system with a heat storage. These hybrid system tests are important for the development of the energy system flexibility and RES integration solutions through coupling of power and heat sectors (*Power to Heat, P2H)*. Five demonstrations involved testing of the following:

- efficient consumption of surplus electricity generated by solar PV;
- system economic efficiency measurement using electricity price forecasting;
- system's power balance management by stabilising the power system frequency;
- provision of balancing services where the system is used as a power source for manual frequency restoration reserve (mFRR);
- provision of a new flexibility service (congestion management) through geographically distant elements of the system.

Dynamic Line Rating pilot project

Litgrid tested artificial intelligence and sensor technologies that can contribute to the successful operation of renewable energy plants. Special devices were installed on overhead lines to measure weather conditions, and an innovative model was used to assess current and to predict potential line rating (capacity). Test results show that using this technology, transmission line throughput has increased by an average of 52% compared to the established design.

Dynamic Line Rating (DLR) is promising for creating more favourable conditions for renewable energy power plants to generate more electricity without restrictions.

New physical sensors mounted on overhead power lines supports measured weather conditions, line temperature, current, vibration strength and frequency, and allowed to test the conductor deflection. The innovation was implemented on 110 kV overhead transmission line Palanga–Vėjas 1 in Klaipėda district. Additionally, an innovative permeability assessment model was developed for the 330 kV Kaunas–Šiauliai overhead line.

A study on the operation of a battery energy storage system under simulated electricity market conditions and a technical assessment of its operation in combination with renewable energy source

Litgrid together with Green Genius, a renewable energy company, completed testing of the first 1 MW battery connected to the electricity transmission grid in the Baltic States. Findings show that energy storage has great potential to contribute to the development of renewable energy sources (RES).

The 1 MW battery with 1 MWh capacity can not only store and instantly supply energy to the grid, but also contribute to the management of frequency and other system parameters.

In cooperation with Green Genius, the battery was tested under different scenarios: it was loaded and unloaded according to a pre-planned schedule to simulate its operation in the Day-ahead and Intraday markets of the Nord Pool. The battery was also tested to see how it can complement solar and wind power in different operation modes of RES plants and the battery, and to find the most efficient model of interaction.

The tests provided insights into how batteries will enable RES plants to meet grid requirements, as energy storage systems greatly extend the RES plant management potential.

4.4 Significant Events of the Reporting Period

01
JANUARY

2 January. Ministry of Energy announces the selection of EPSO-G's Board members for the new term of office.

2 January. EPSO-G opens the selection process for the Board of Tetas.

5 January. The new version of the Articles of Association of EPSO-G was registered in the Register of Legal Entities. The new version of the Articles of Association provides clarification of how EPSO-G carries out its patronage functions, revision of competences of EPSO-G's General Meeting of Shareholders, the Board and the CEO, clarification of the provisions relating to the formation of EPSO-G management committees, clarification of the provisions concerning the composition of the Board and the organisation of its activities, the possibility for the EPSO-G's Board to form the Group Executives' Committee.

13 January. In an incident in Pasvalys district, Amber Grid's main gas pipeline was damaged and the gas it contained caught fire. No people were injured in the incident and the gas supply was ensured by a parallel gas pipeline. Following the rehabilitation of the damaged pipeline, the gas supply was restored on 16 January.

16 January. Darius Kašauskas takes up the post of the Head of Finance and Operational Planning at EPSO-G.

02
FEBRUARY

3 February. Initial testing of the energy storage system of Energy Cells was completed.

3 February. Litgrid published an update of its strategy until 2030.

9 February. EPSO-G's sustainability-related bond issue at the Nasdaq Baltic Market Awards 2023 was recognised as a key event in the Baltic capital market.

20 February. Paulius Butkus took up the position as Head of Development and Innovation of EPSO-G.

24 February. EPSO-G has opened the selection process for the members of the Board of Litgrid and Amber Grid.

03
MARCH

16 March. Amber Grid's subsidiary, the regional gas exchange GET Baltic, has chosen the European Energy Exchange as its strategic partner. The European Energy Exchange public tender offered 66%. The acquisition value of the GET Baltic shares is EUR 6.5 million. The transaction will be finalised in May-June following the signing of the necessary contracts and other formal closing steps.

13 March. EPSO-G has published a vacancy for a member of the Board of the Innovation and Business Development Competence Area of the subsidiary Energy Cells, nominated by the parent company.

24 March. The Ministry of Energy of the Republic of Lithuania has appointed the new EPSO-G Board, which will consist of three independent members Robertas Vyšniauskas, Asta Sungailienė and Liudas Liutkevičius, and the Ministry of Energy's delegates Dainius Bražiūnas and Tomas Daukantas.

30 March. Darius Kašauskas, Head of Finance and Operational Planning at the EPSO-G Group, has been elected Chair of the Board of Tetas. The Board, which began its four-year term in March, also includes an independent board member, Tomas Astrauskas, and two board members delegated by EPSO-G, the sole shareholder of Tetas, Elida Drapienė and Ieva Kuodė. The selection of the fifth member of the Tetas Board is expected to be finalised in April.

31 March. Viktoras Baltuškonis, a member delegated by EPSO-G, left the Board of Baltpool. He resigned from the Board of Baltpool before the end of his term of office, following the end of his employment with EPSO-G.

04
APRIL

5 April. Vytautas Lisauskas was appointed as an independent member of the Board of Tetas, thus finalising the five-member Board of Tetas.

7 April. Robertas Vyšniauskas, an independent member of the EPSO-G Board, was elected the Chairman of the Board. The new five-member EPSO-G Board, which will serve for four years, was formed at the end of March. Mr. Vyšniauskas also served on the company's Board in the previous term of office, and has been its Chair since February 2022.

7 April. The Remuneration and Nomination Committee was formed at the Board meeting and Board members Asta Sungailiene and Tomas Daukantas were elected as its members. The selection of an independent committee member has also been announced.

On 11 April, Amber Grid's General Meeting of Shareholders approved the signing of agreements with GET Baltic's strategic partner and the sale of 66% of the shares to the winner of the public tender - European Energy Exchange. The transaction with the European Energy Exchange will be finalised in May-June following the signing of the necessary contracts and other formal closing steps.

11 April. Paulius Butkus, Head of Development and Innovation at EPSO-G, has been confirmed as a member of the Board for the Innovation and Green Transformation Competency Area of Amber Grid, nominated by the parent company.

14 April. Amber Grid has launched an international tender for a feasibility study on the hydrogen corridor.

21 April. The Ministry of Energy of the Republic of Lithuania has appointed Dainius Bražiūnas, a member of the Board, as a member of EPSO-G's Audit Committee.

22 April. Litgrid has successfully completed the isolated operation test - Lithuania's electricity system is ready to operate independently.

24 April. Simona Grinevičienė took up her new position as Head of Organisation Development and Culture at EPSO-G.

24 April. Litgrid and PSE informed about the intention to re-launch the Harmony Link procurement.

05
MAY

On 2 May, the Republic of Lithuania's national biofuel sustainability scheme RED BP was launched, ensuring that biomass fuels meet sustainability and greenhouse gas emission reduction criteria, the development and implementation of which was entrusted to Baltpool.

3 May. Moody's Investors Service, the rating agency, confirmed EPSO-G's Baa1 credit rating with a stable outlook following a periodic review.

5 May. Approved amendments to the Synchronisation Law obliged the storage system operator Energy Cells to allow Litgrid, the Lithuanian electricity transmission system operator, to use a part of the 200 MW capacity of the energy storage system, free of charge, to reduce the cost of technological losses and for other functions necessary to ensure the security and reliability of the country's electricity system.

9 May. Ernesta Dapkienė took up the position of the Head of Communication at EPSO-G.

12 May. EPSO-G is planning to move to the Business Garden Vilnius office complex in autumn. EPSO-G has signed a five-year lease agreement with Vastint Lithuania, which won the tender.

16 May. The sole shareholder of EPSO-G has appointed Paulius Butkus, Head of Group Development and Innovation, as a member of the Board of Energy Cells.

16 May. Amber Grid and the European Energy Exchange AG (EEX) have officially signed an agreement under which

EEX will acquire a 66% stake in regional gas exchange GET Baltic. The gas exchange, which operates in the three Baltic countries and Finland, will thus become part of the EEX Group. The remaining 34% will beheld by Amber Grid, which will continue to be involved in the further development of the gas business in the dynamic Baltic Sea region.

18 May. Litgrid has launched 88 km of 330 kV electricity transmission lines in Western Lithuania. During the reconstruction, the single-circuit Grobinė (Latvia)-Klaipėda and Jurbarkas-Bitėnai overhead lines became double-circuit lines, thus increasing the power capacity and strengthening the reliability of the grid. Construction projects for electricity transmission lines in western Lithuania are being carried out in preparation for synchronisation with continental European network.

19 May. The Cabinet of Ministers of the Republic of Latvia adds Baltpool Energy Exchange to the list of exchanges where sustainable biofuels purchased are deemed to meet the sustainability and GHG reduction requirements of Latvian national regulation.

26 May. Energy Cells launches a public procurement procedure for the purchase of consultancy services for the transfer of the storage system. The winning consultants will have until the end of the year to prepare a plan for the transfer of the storage system.

31 May. Litgrid is building a new transformer substation in Klaipėda district, opening new opportunities for business development and strengthening the electricity transmission grid in the region. The first to connect to the transmission grid through this substation will be the VMG Technics R&D Farm, an industrial and innovation farm project being developed by VMG Technics, a VMG group company.

31 May. Amber Grid's transaction with the European Energy Exchange for the sale and purchase of a 66% stake in GET Baltic was legally completed. The value of the transaction is EUR 6.5 million.

06 JUNE

2 June. As part of its internal investigation and assessment of available information, Amber Grid contacted the Prosecutor's Office regarding a part of the GIPL pipeline connection fittings.

12 June. Litgrid's Extraordinary General Meeting of Shareholders has appointed Andrius Šemeškevičius as a new independent member of the Board. A. Šemeškevičius is Chief Technology Officer of Telia Lietuva.

14 June. Litgrid starts the construction of a 330 kV substation in Darbėnai, Kretinga district. The switchyard, which is considered to be the future energy hub of western Lithuania, will increase Lithuania's energy security and commercial trade opportunities, and will contribute significantly to the growth of renewable electricity generation.

20 June. Litgrid buys physical smart sensors from Heimdall Power AS of Norway. This innovation will be used to monitor the condition of overhead wires and the parameters that determine their capacity.

21 June. The Government of the Republic of Lithuania adopts a Resolution on the amendment to the Rules for the procurement of energy or fuels required for the production of electricity and heat by enterprises operating in the energy sector, which provides for the possibility for market participants to purchase biofuel produced outside the territory of the Republic of Lithuania, if the place of delivery is outside the territory of the Republic of Lithuania, and for the introduction of differentiation of the purchased fuel in the event of additional fuel using installations (Vilnius CHP plant).

23 June. Litgrid has successfully completed another phase of its preparations for synchronisation with the continental European network. The operator has completed its seventh project after conducting and reporting on Lithuania's first-ever isolated operation test.

27 June. Litgrid is planning to install noise attenuation barriers to reduce the noise from the autotransformers operating at the Alytus transformer substation. This is the second phase of the ongoing project "Installation of noise attenuation measures at the Alytus 330-400 kV power unit". The first sound attenuation measures at the LitPol Link converter station were installed in 2021, in accordance with an agreement with the Alytus District Municipality and residents.

29 June. The Board of EPSO-G has approved the new composition of the company's Remuneration and Nomination Committee. Asta Sungailienė, an independent member of EPSO-G's Board, becomes the Chair of the committee. EPSO-G's Remuneration and Nomination Committee consists of 3 members. Sungailiene will be joined on the Committee by independent member Ramūnas Bagdonas, Head of Human Resources at the telecommunications company Telia Lietuva, and Tomas Daukantas, Head of the Ministry of Energy's Legal and Personnel Group.

07 JULY

As of 1 July, following amendments to the Law on Alternative Fuels and the Description of the procedure for the administration of the renewable fuel accounting unit system, electricity is also eligible for the allocation of renewable fuel accounting units, which are needed by fuel suppliers to meet the objectives set out in the law.

3 July. Litgrid has completed one of the most important projects of the year in Southern Lithuania - the 61 km long 330 kV electricity transmission line from Elektrėnai to Alytus has been reconstructed. The upgraded line will bring reliability, stability and security to the electricity system, and is important for synchronisation with the continental European network.

08 AUGUST

As of 1 August, special land use conditions will apply to areas within the location classes of trunk gas pipelines.

2 August. Lithuanian, Latvian and Estonian electricity transmission system operators Litgrid, AST and Elering sign an agreement on a new synchronisation date. Under the agreement, disconnection from the Russian controlled system and connection to the continental European network will take place in February 2025. The agreement also foresees that the Baltic countries will jointly refuse to extend the BRELL contract with Russian and Belarusian operators in summer 2024, six months before synchronisation.

4 August. Amber Grid and Litgrid have launched an international tender to ensure the protection of strategically important energy facilities from unmanned aerial vehicles. The energy companies are to purchase drone detection and neutralisation systems.

30 August. Litgrid starts construction of the 330 kV Mūša switchyard, which is important for synchronisation.

09 SEPTEMBER

5 September. Litgrid's important package arrived in Ukraine: a powerful autotransformer will provide electricity to hundreds of thousands of people.

12 September. Litgrid together with Ignitis Gamyba has successfully tested one of the most important projects for synchronisation with the continental European network – the Automatic Generation Control System (AGC).

18 September. Lithuania's first green gas appeared in the gas transmission network. The newly opened Tube green biomethane plant in Pasvalys district has started supplying biomethane to Amber Grid's transmission network. Around 100,000 megawatt hours (MWh) of biomethane is expected to be injected into the transmission system from this plant each year. This will account for up to 1% of Lithuania's total gas demand.

19 September. Litgrid completed the reconstruction of the 330 kV power transmission line Jurbarkas-Bitėnai, which is important for synchronisation. The reconstruction increased the electrical capacity and strengthened the reliability of the grid by replacing a single-circuit line with a double-circuit line.

23 September. The NordBalt electricity link with Sweden was successfully switched on after repair.

10 OCTOBER

10 October. Amber Grid launches hydrogen transport activities: to become the Lithuanian hydrogen grid operator.

18 October. Energy Cells energy storage system officially went live: it provides isolated operation reserve service at full capacity of 200 MW (the actual start of the service at full capacity of 200 MW was on 6 October).

20 October. Litgrid has implemented the Automatic Generation Management System software. This is one of the most important projects in preparation for synchronisation with continental European network.

25 October. The word and figurative trademarks of the energy transmission and exchange group EPSO-G are registered in the Trademark Register of the Republic of Lithuania.

28 October. NordBalt interconnection relaunched following the successful completion of planned repairs.

11
NOVEMBER

As of 15 November, EPSO-G's registered and correspondence address from Gedimino ave. 20, Vilnius, LT-01103 to Laisvės ave. 10, Vilnius, LT-04215.

13 November. The Lithuanian and Polish electricity transmission systems operators, Litgrid and PSE, are looking into alternatives for the new Polish-Lithuanian interconnection.

22 November. Litgrid received certificate confirming its management system's compliance with the requirements of the international standards.

24 November. The Lithuania Energy Vision 2050 was introduced to the public. The Vision has been developed by EPSO-G together with experts from international consultancy DNV. It also involved cooperation with Lithuanian industry, energy companies and experts.

12
DECEMBER

1 December. Amber Grid completed the reconstruction of sections in the Vilnius-Kaunas gas pipeline.

6 December. Litgrid signed a contract with Estonian company Enefit, the second electricity demand aggregator in Lithuania.

8 December. Amber Grid renewed six important objects for Lithuanian gas consumers for EUR 14 million.

18 December. EPSO-G announced the selection of the Board members for Amber Grid and Litgrid.

18 December. Litgrid carried out major works in Bitėnai transformer substation switchyard, which is important for synchronisation.

22 December. Litgrid reserved 1.3 GW of capacity for solar, wind and storage within the period of 3 months.

29 December. EPSO-G has published an audited report on the Group's Sustainability Progress for 2022 with an Independent Limited Assurance Report. The report was audited by PricewaterhouseCoopers.

Significant events after the end of the financial period

01
JANUARY

3 January. The European Gas Transmission System Operators Gasgrid Finland (Finland), Elering (Estonia), Conexus Baltic Grid (Latvia), Amber Grid (Lithuania), GAZ-SYSTEM (Poland) and ONTRAS (Germany) participating in the international project for the creation of the Nordic-Baltic Hydrogen Corridor signed a contract on the pre-feasibility study on the green hydrogen corridor.

12 January. Litgrid and KTU completed innovative battery and thermal accumulator tests.

15 January. Litgrid signed a cooperation agreement to prepare the electricity transmission grid for the electrification of Rail Baltica.

15 January. EPSO-G announced selection of the members of the Board of Baltpool.

23 January. EPSO-G will develop the Group's 2050 long-term strategy in partnership with companies implementing the project on a consortium basis which won an international procurement tender launched by EPSO-G.

02

FEBRUARY

The new electronic register system for guarantees of origin of green gases, administered by Amber Grid, was launched on 1 February.

12 February. Based on Litgrid's data, in 2023, electricity generation in Lithuania grew by one third, which was the highest volume since 2010, and RES plants reached record levels by generating 70% of the country's total electricity.

26 February. Amber Grid requested to rectify identified deficiencies in the certification of the GIPL pipeline components. Failure to do so will result in the defects being rectified by replacing the parts.

03

MARCH

13 March. On 12 March 2024, the independent member of the Board of EPSO-G, Asta Sungailienė, has declared her resignation from the position of the member of the Board and of the Chairperson of the Nomination and Remuneration Committee of EPSO-G due to personal reasons, starting from 27 March 2024.

4.5 Membership in Organisations

In 2023, the holding company EPSO-G and the transmission system operators actively participated in the activities of the national (Lithuania's National Energy Association - Lith. NLEA) and various international organisations and associations, such as the European Association of Transmission System Operators for Electricity (ENTSO-E) and the European Association of Transmission System Operators for Gas (ENTSO-G), as well as in the activities of TSOs and other associations of electricity undertakings. The involvement in the activities of Lithuanian and foreign organisations allows the Group companies to build their competences, share best practices, and participate in joint projects with other countries that contribute to strengthening Lithuania's energy independence.

Organisation	Representing company	Link	Organisation description
Bioenergy Europe	Baltpool	www.bioenergyeurope.org	The association bringing together national bioenergy associations and bioenergy companies based in Europe, as well as academic and research institutions in Europe.
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.
ENTSO-E	Litgrid	www.entsoe.eu	The organisation bringing together European electricity transmission system.
ENTSO-G	Amber Grid	www.entsog.eu	The organisation bringing together European natural gas transmission
European Green Hydrogen Alliance (European Green Hydrogen Alliance)	Amber Grid	www.ech2a.eu	An alliance for the development of hydrogen technology in Europe.
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
European Hydrogen Backbone	Amber Grid	www.ehb.eu	Members participating in the initiative create a shared vision for hydrogen transportation infrastructure across 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 the EPSO-G Group companies to promote the wider use of digital technologies in the energy sector.
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
AIB, the organization uniting bodies issuing guarantees of origin in Europe	Amber Grid	www.aib-net.org	Creates and develops a standardized system for the exchange of guarantees of origin of energy among the bodies issuing guarantees of origin of the European Union and the member states of the European Economic

			Area to ensure a reliable, transparent and economical cross-border exchange of guarantees of origin of energy.
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 LNG platform	Amber Grid		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.
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.
Lithuanian Hydrogen Platform	Amber Grid, EPSO-G		The platform aims to help achieve the goals of the EU Hydrogen Strategy to create a full-fledged and affordable renewable hydrogen value chain. It also promotes the involvement of Lithuanian companies and organizations in the value chain activities of the hydrogen sector, in developing and producing products and providing services for the needs of
Lithuania's National Energy Association (Lith. 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.
Association of Personnel Management	EPSO-G	www.pvpa.lt	An association uniting personnel management professionals.
Lithuanian Responsible Business Association LAVA	EPSO-G	Asociacijajava.lt	LAVA is in the center of sustainable business ecosystem, connecting companies and organizations at the national level.
Kaunas Chamber of Commerce, Industry and Crafts	Tetas	www. chamber.lt	An association uniting business enterprises and the scientific community.

Oil & Gas Methane Partnership 2.0 (OGMP 2.0)	Amber Grid	www.ogmpartnership.com	The flagship oil and gas reporting and mitigation programme of the United Nations Environment Programme (UNEP), directly involving oil and gas companies that could decide on methane emission issues

4.6 Transactions with Related Parties

After considering the amendments to the Law on Companies of the Republic of Lithuania, EPSO-G Board abolished the Policy of Transactions with Related Parties on 29 June 2023. To ensure compliance with the requirements of the Law and proper oversight and disclosure procedures of the transactions carried out by EPSO-G Group companies with related parties, the Group's boards (of Litgrid and Amber Grid) are obliged to seek the opinion of EPSO-G's Audit Committee prior to entering into any related party transactions that meet the criteria of the Law, and ensure publication of such transactions in accordance with a procedure prescribed by the Law.

Information on transactions with related parties is disclosed in the financial statements of this Annual Report.

5

COMPLIANCE AND RISK MANAGEMENT AND AUDIT

5 COMPLIANCE AND RISK MANAGEMENT AND AUDIT

5.1 Risk Management Framework

The EPSO-G Group 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.

In 2023, the EPSO-G Group followed the Group's Risk Management Policy and Risk Management Methodology. These documents embedded 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 applicable in the international practice.

The Risk Management Policy defines the key risk management principles and responsibilities for the EPSO-G Group companies to ensure a unified corporate risk management process based on common principles. The EPSO-G Group companies define risk management principles and responsibilities in the Risk Management Policy. The Policy is published on EPSO-G website.

The Company's risk appetite, as defined in the Risk Management Policy, is the level of risk that is below the highest level of risk that is equal to or greater than a score of 15 (the product of the probability and the impact of the risk on the Company), or the level of risk the Company's governing bodies willing to accept to achieve the strategy and performance objectives set. Risks exceeding the score set for the risk appetite are subject to additional management measures.

The Group has in place the following risk management process (stages):

1 Business environment understanding. The Company identifies aspects that may have an impact on the Company's failure to achieve its goals based on the Company's internal and external environment, planning documents, the Risk Assessment history, and the monitoring of the implementation of the risk management measures. Regular environmental assessments are carried out to adapt to changes and to prepare in advance for unexpected threats.
2 Risk assessment. The Company identifies, analyses, and assesses risks on regular basis, identifies Key Risk Indicators, and prepares the List of Risks. The Company also identifies the risk appetite and categorizes risks according to their priority and the appetite identified.
3 Developing a Plan on risk Management Measures. The Company develops a Plan on Risk Management Measures for risks exceeding risk appetite.
4 Monitoring of risks and the implementation of the Plan on Risk Management Measures. This process involves continuous monitoring of the Company's List of Risks and the Plan on Risk Management Measures, as well as monitoring of the Group-level risks and the list of the Group-level risks management measures. The monitoring results are communicated to the Company's manager, the Board, the Audit Committee, in accordance with the remit of each of them.
5 Communication and information. Regular and effective sharing of information among the participants in the Risk Management process that has impact on the assessment of the Company's risks and their management. Relevant information on risks and their management is communicated to the Company's employees during staff meetings.

The Group companies identified operational risks for 2023, assessed them, set risk monitoring indicators and provided risk management measures.

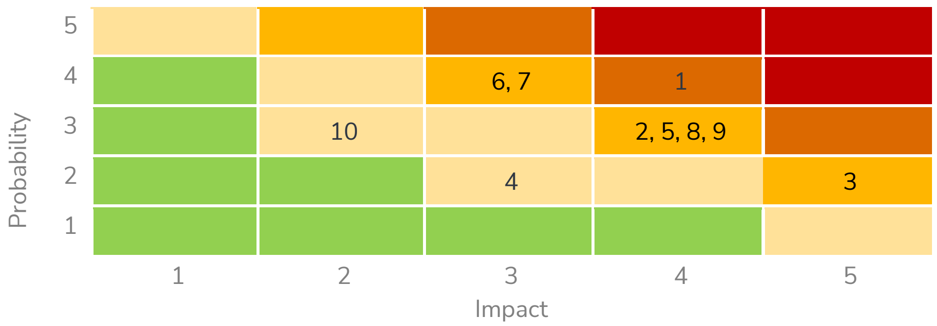
After assessing the risks identified and managed in the Group companies and their level (impact on the Company's activities as well as on the EPSO-G Group as a whole), the Board of EPSO-G approved the EPSO-G group-level risk list.

In each quarter of 2023, the Audit Committee of EPSO-G 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.

In 2023, to improve risk management and integrity within the Group, Power App, the Risk Management Information System, has been installed. Using the tool, users can enter relevant risk information, depending on their role, to generate relevant content from a common dataset, and to send reminders or comments related to risk management.

5.2 Key Risks and Their Management

The following key risks were included in the group-level risk list for 2023:



1 Risk of delays in strategic projects

EPSO-G implements complex, large-scale projects included in strategic planning documents at 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 to consume climate-neutral energy. Delays in government and Group projects have a negative impact on the achievement of the Company's and/or the Group's strategic objectives. Delays in the implementation of public projects will prevent timely synchronisation with the KETs and preparation for large-scale RES integration.

Management measures:

- The companies, together with the Group's Project Management Officer (PMO), monitor and control government projects.
- Ongoing (passive and active) controls are in place, such as monitoring of automated State and Group project reports and KPIs, and active involvement in risk management and problem solving.

- The companies, together with the Group's PMO, participate in meetings between the programme, the project team and the project developer and contractors, joint problem solving and risk assessment.
- Project process audits are carried out to review in detail risks, issues, benefits, timeliness and compliance with approved processes.

2 Long-term funding risk

There is a risk that EPSO-G (and/or its Group companies) will face difficulties in attracting new funding and/or will be forced to pay significantly higher than normal prices for new funding, which would jeopardise the implementation of its strategic plans. Risks may arise from unsustainable financial conditions (e.g., overleveraging, underperformance), adverse changes in the business environment (e.g., downgrading of a country's credit rating, unfavourable regulatory developments), or inability to achieve the intended strategic objectives.

Management measures:

- The Treasury and financial risk management policy guides day-to-day operations and decision-making, aiming at ensuring a sustainable financial position, maintaining a rating of at least investment grade (BBB-/Baa3 or above), and ensuring compliance with non-financial commitments and financial indicator commitments.
- Regular monitoring of budgets and long-term financial forecasts to ensure that the long-term financial targets (e.g., debt/EBITDA, ROE) set in the operational strategy are met.
- When drawing up short-term and/or long-term business plans, decisions on dividends must take into account the potential impact of the decisions on the long-term financial sustainability of EPSO-G and/or its Group companies, the fulfilment of financial targets and liquidity.

3 Regulatory risk

The prices of electricity and natural gas transmission and related services are regulated, the price and/or revenue caps are set by the Council. These decisions have a direct effect on the EPSO-G Group's performance and the allocation of funds for necessary operating costs, investments to ensure the transmission grid's reliability, as well as the possibility of financing strategic projects with own or borrowed funds.

Management measures:

- In order to achieve clear and consistent regulation that does not adversely affect performance, the Group companies actively communicate with the Council, participate in the discussions on amendments to legislation, and submit their comments on the improvement of the legislation, arguing the impact of future decisions and the importance of the companies' long-term strategic objectives. Proactive engagement with the Council will also be crucial in coordinating decisions on the costs of climate neutrality activities.

4 Technological risk

One of the key roles and responsibilities of the EPSO-G Group companies is to ensure secure, reliable, and efficient operation of natural gas and electricity transmission systems. Technological risk management aims to avoid disruptions to operations and the disconnection of gas or electricity to consumers.

Management measures:

- To ensure reliable operation of transmission systems, the Group companies implement specialized information systems, modern business management systems, update accident and technological disruption and emergency management, business continuity plans on a continuous basis, and set high standards for the contractors.
- To avoid disruptions to the transmission systems, the systems are continuously monitored, maintenance plans are drawn up accordingly, and the necessary new investments in grid upgrades are planned in time.

5 Risk of non-compliance with occupational safety requirements

Group companies place great emphasis on occupational safety. Given the applicable and most relevant occupational safety requirements and the current implementation situation, there is a risk of non-compliance with the OHS requirements.

Management measures:

- Proper installation of workstations, timely maintenance and control of systems, equipment, work tools.
- Internal documents on health and safety have been approved.
- Staff training, certification and briefings on safety and health issues.
- Continuous monitoring and supervision of employees' and contractors' compliance with OHS requirements.

6 Risk of lack of relevant qualification employees, employee turnover and motivation

Companies managed by EPSO-G are facing challenges on the labour market and competition for highly skilled professionals is intensifying.

Management measures:

- Group companies are improving shift plans for critical positions. Over the next few years, the focus will be on updating the competency model, improving employer branding and developing talent.

7 Risk of too little competition in procurement procedures carried out

The EPSO-G Group companies carry out large-scale projects as part of NEIS. There is a risk that insufficient competition from suppliers will lead to economically unfavourable tenders exceeding the planned budget/not meeting the company's needs or to the procurement having to be cancelled and re-tendered.

Management measures:

- There is a requirement to publish all purchases on the CPP IS.
- Requirement for promoters to identify at least 3 Suppliers in their application or justify a smaller number.
- Requirement to carry out a market consultation in all simplified and international procurement. The principle of "4-eye" control is set as a minimum.

8 Cybersecurity risk

The information and data managed by the EPSO-G Group are of strategic importance for the security of Lithuania, therefore, loss of such information 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 the EPSO-G Group companies, cause damage to other natural persons and legal entities.

Management measures:

- In order to prevent cyber incidents, threats to the information systems, physical protection and security management systems of the EPSO-G Group companies 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 cybersecurity exercises to train how to manage and respond to cyber incidents targeting critical information systems and networks, and to ensure the functioning of their services.

9 Risk of failing to meet the Group companies' budget

There is a risk that Group companies will fail to meet their budgets and financial plans, which will adversely affect their ability to meet the commitments of specific companies and EPSO-G as the Group's, as well as ability to meet financial covenants and other obligations, and to pay dividends.

Management measures:

- Performance control (monitoring by EPSO-G, the Boards) as part of the Integrated Planning and Monitoring Policy.

- For the purpose of regulated activities, comments and recommendations, as appropriate, on decisions related to recognition of expenses, changes in a methodology, and development of a common Group position.
- For the purpose of non-regulated activities, review of, amendments to the action plan, where appropriate.

10 Environmental impact mitigation risk

Untimely or inaccurate recording and reporting of sustainability-related indicators, inaccurate calculation of GHG emissions from the Group's operations, or delays in reporting compliance with requirements to institutional investors may result in sanctions from the exchange authorities, and fines for defaulting on commitments to investors. There is also a risk of non-achievement of EPSO-G's long-term strategic objectives and its commitments (sustainability indicators) related to the issued bonds when the regulatory approval for the necessary investments to reduce environmental impacts (GHG emissions) is not obtained due to regulatory restrictions or lack of cost-effectiveness.

Management measures:

- In line with EPSO-G's Sustainability Policy, the Group companies are required to collect and, at least annually, publish sustainability-related data in accordance with the global GRI and/or other disclosure standards.
- The Group companies are provided with the list of ESG indicators to be selected Additional measures are also being put in place: ESG system (IT solution) is developed for the timely collection of sustainability-related indicators.
- Group companies are required to develop and implement cost-effective mitigation plans and related measures.

5.3 Sustainability Risk Management

The Group aims to integrate sustainability principles into the operations and processes of all Group companies.

The Group aims to transform the energy sector by striking a sustainable balance between environmental, social, and economic objectives.

Sustainability risks are treated as an integral part of the Group's day-to-day operations and are integrated into the risk management process. The Group assess all the risks against the criteria set for the sustainability risks. Risks that meet these criteria are assigned to the relevant sustainability risk type.

In 2023, the following risks were assigned to sustainability (environmental, social and governance) risks in the Group:

Risks that meet environmental criteria:
- Risk of reducing the environmental impacts.

Risks that meet social criteria:
- Risk of non-compliance with occupational safety requirements.
- Risk of lack of relevant qualification employees, employee turnover and motivation.

Risks that meet governance criteria:
- Risk of regulatory change.
- Risk of -insufficient competition in procurement procedures carried out.
- Cybersecurity risk.

Descriptions of the Group's sustainability risks listed above, and their management measures are provided in chapter 5.2 (see "Key risks and their management").

In 2023, issues pertaining to corruption, compliance, and continuity of operations were not included in the primary Risk Register of the Group. However, due to the effective risk management measures implemented, all of these concerns are of moderate or low risk level. Nevertheless, the Group, recognizing the significance of these risks in achieving sustainability goals, allocates special attention to managing these risks and disclosing information about them (see "Anti-corruption activity and governance of interests", "Compliance management").

5.4 Climate Change Risks

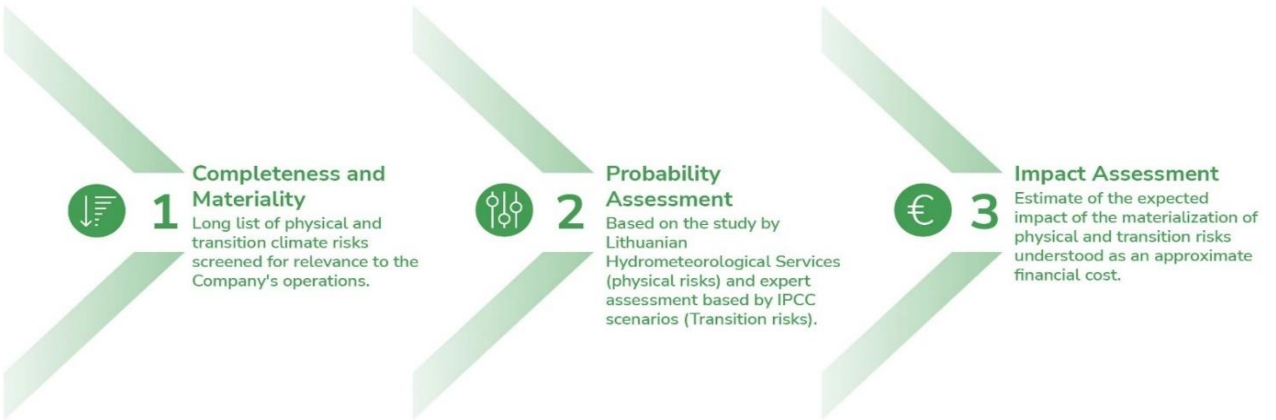
Given the importance of climate-change challenges in the energy sector, the EU regulations (the EU Taxonomy Regulation, the European Sustainability Reporting Standards (ESRS), etc.), climate-related risk disclosures and to improve related risk management, in 2023, the EPSO-G Group in partnership with consulting firm Deloitte conducted a comprehensive analysis of the Group's climate-related risks (physical and transition), opportunities and climate scenarios (based on IPCC climate change scenarios) in the short-term (2026), medium-term (2030) and long-term (2050).

The evaluation was carried out in the Group for the first time and was guided by the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The evaluation report and methodology drawn up will help to improve the assessment and management of climate change risks, improve disclosures to the Group's stakeholders and strengthen the sustainability risk management in the Group.

The evaluation comprised climate-related physical risks (impact of occurrence of extreme weather events on transmission infrastructure, buildings, offices) and transition risks (regulatory, technology, reputation, market, public pressure), measures and indicators were developed to manage these risks.

Climate-related issues fall within the wide range of sustainability topics and are integrated into the Group's decision-making process (see earlier in chapter "Risk management framework").

The process of assessing climate change risks:



The scale for assessing climate risks is based on the EPSO-G Group's risk management methodology (the same scale is being used), and the impact is understood as the financial impact compared to the income level. The impact assessment was carried out at the individual level of each Group company, and then aggregated in the Group-level analysis.

Due to the risk management measures already in place and applied in the Group, physical and transition risks are identified as moderate or low. However, the Group, being aware of the importance of these risks for the achievement of the sustainability objectives, will pay particular attention to the management these risks, better disclosures, and integration of risk-related opportunities into business strategy.

More detailed information disclosed in the Report on Climate Change Risks 2022/2023 (see reference to the report).

5.5 Compliance Management

We seek to establish a uniform compliance management system in the Group companies that would:

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

Compliance activities are governed by the Group's Compliance Management Policy. Compliance is based on the Three Lines Principle and principle governing the use of the risk-based approach. It focuses the Group companies' attention and resources on priority areas of compliance, i.e. areas where most instances of non-compliance occur or are likely to occur, and/or where there is the greatest likelihood of the realisation of non-compliance risks, which could have a material adverse effect on the Group company and/or the Group. In 2023, the following priority areas for compliance were approved by the Group companies:

<table>
<tr><th>Litgrid</th><th>Amber Grid</th><th>EPSO-G</th><th>Tetas</th><th>Baltpool</th></tr>
<tr><td colspan="4">Protection of personal data</td><td>Accounting, financial information, and information on the administration of PSO funds to be published and submitted publicly (from 2022)</td></tr>
<tr><td colspan="3">Anti-corruption activities</td><td>Competitive environment</td><td>Information related to the performance of the functions of an exchange operator and other trading/accounting systems' administrator to be published and submitted publicly (from 2022)</td></tr>
<tr><td colspan="3">Public procurement</td><td></td><td></td></tr>
<tr><td colspan="3">TSO independence and separation of activities</td><td></td><td></td></tr>
<tr><td>Information of Litgrid as TSO to be published publicly</td><td colspan="2">Inside information management</td><td></td><td></td></tr>
<tr><td>Integration of renewable energy sources</td><td></td><td></td><td></td><td></td></tr>
</table>

The Group is guided by the principle that compliance is everyone's responsibility - each employee has a responsibility to ensure compliance. In addition to complying with and ensuring compliance with applicable requirements in their daily activities, the aim is for employees to participate in compliance training, to report non-compliances observed and to make proposals s for compliance process improvement. Training and targeted communication activities are carried out to promote employee contribution to compliance management activities. We encourage both employees and third parties to report non-compliances observed to the Helpline www.epsog.lt using available contacts.

In 2023 and previous periods (2021 and 2022), the Group companied neither identified significant non-compliances with laws nor paid related fines.

5.6 Anti-corruption Activities and Interest Management

The EPSO-G Group's anti-corruption activity is based on the zero tolerance to corruption principle, i.e. corruption and any related behaviour is not tolerated in the Group and the following anti-corruption measures of the Group are implemented to manage corruption risks:

- setting restrictions on the acceptance and provision of Gifts, and procedures for making donations;
- using measures to manage interests of employees and members of the collegial bodies to ensure the primacy of interests;
- screening of business partners;
- ensuring the credibility of staff;

- operating a Helpline;
- conducting internal investigations;
- Concluded transactions are subject to transparency measures;
- Training, communication and other targeted actions are used to raise the anti-corruption awareness of Employees;
- ensuring transparency of procurement.

The Group's anti-corruption activities are based on corruption risk assessment and management. Corruption risks in the Group are identified on an annual basis by establishing adequate management measures, and assessing the implementation of the management measures and the risk status on quarterly basis. Details on the corruption risks identified in the Group companies in 2023 are disclosed in the Sustainability Report.

In creating an anti-corruption environment in EPSO-G, a great emphasis is paid one the development of anti-corruption awareness among employees through various means and methods. In 2023, the Company held basic anti-corruption training for employees, as well as targeted training for those responsible for anti-corruption activities. The Group employees' corruption resilience is also built through other measures, such as internal communication to bring employees' attention to the most important Group's internal anti-corruption legislation, its requirements and the rules of anti-corruption conduct (e.g. giving or accepting gifts at work, declaration of private interests, etc.). During the reporting period, to improve the knowledge on the topics of corruption prevention, representatives of the Group companies took active participation in the "Transparency Academy" jointly organized by the Special Investigation Service and partners, where they improved their competence and shared their knowledge with other institutions. The Group plans to introduce anti-corruption training platform in 2024 to ensure systemic anti-corruption development.

In 2023, as every year, the Group conducted an anonymous employee tolerance to corruption survey to identify the Group employees' perception of corruption and their willingness (not) to tolerate any forms of corruption. Although the number of employees taking part in the survey decreased compared to 2022 (from 438 to 247), the results systematically improve. The survey shows that 98% of employees have not encountered any forms corruption in their work in the last 3 years (2022: 98%), and 95% of them know whom to contact if encounter corruption (2022: 94%).

With a view to improving our anti-corruption activities, during the reporting period, we updated the Group's key anti-corruption regulations: the Group's Anti-Corruption Policy and the Group's Policy of Management of Interests of Employees and Members of Collegial Bodies. A new version of the Group's Anti-Corruption Policy has established that the Group's anti-corruption activities are based on the Anti-Corruption Management System in accordance with the international standard ISO 37001:2016 "Anti-bribery management systems. Requirements with guidance for use". The Policy sets that the implementation of the anti-corruption management system in the Group companies may vary depending on the context of the Group company's operations and the corruption risk. In 2024, the Group companies EPSO-G, Litgrid and Ambers Grid plan to certify its anti-corruption management system according to the requirements of the standard.

Key anti-corruption indicators for 2023 are disclosed in the Sustainability Report.

5.7 Management of Interests

The management of conflicts of interest in the Group companies is guided by the Group's Policy of Management of Interests of Employees and Members of Collegial Bodies, which was updated on 2023. The Policy, which aims to ensure priority of the Group's interests, timely identification and adequate management of potential conflicts of interest, defines three main categories of measures for conflict of interest management to be implemented in the Group companies:

- declaration of private interests;
- monitoring, surveillance and control of interests;
- conflict of interest management (abstention and recusal).

The Policy also provides for the procedure for independence assessment of the independent members of the Group's collegial bodies against the criteria set out in the laws, and defines the rules for submitting internal declaration of private interests. The Group's Policy of Management of Interests of Employees and Members of Collegial Bodies is available on website at www.epsog.lt in the section "Operating policies" (in Lithuanian, "Veiklos politikos").

The Group has an integral model of declaration of private interests, which includes declaration via the PINREG, a register managed by the State Ethics Commission, where required by the Law on the Alignment of Public and Private Interests of the Republic of Lithuania and submission of internal declarations, the form of which has been approved in the Group's Policy of Management of Interests of Employees and Members of Collegial Bodies. The responsible persons of the Group companies periodically verify whether all employees have declared their private interests, and whether they have done it properly, and if needed make the necessary recommendations. The declaration of private interests is one of the critical responsibilities of employees, enabling to ensure early management of conflicts of interest.

The Group companies' employees are encouraged to avoid situations where their private interests are, or may be, in conflict (conflict of interest), and, if conflict, to recuse themselves. Conflicts of interest between staff members are reported to the parties concerned: the line manager and the head of department. Conflicts of interest arising for the Company's management and members of the collegiate bodies are disclosed to the Group's senior management.

At the end of the reporting period:

- The members of the collegiate management bodies and administration have not acquired any shares in EPSO-G group companies, except for Nemunas Biknius, CEO of Amber Grid, who holds 0.001055 % of shares in Amber Grid. His shareholding remained unchanged during the reporting period.
- The declarations of interests of EPSO-G board members and the CEO are submitted and published in the Register of Private Interests (PINREG) on the website of the Chief Official Ethics Commission (COEC) and at www.epsog.lt. All executives of EPSOG Group companies have submitted declarations of interest to the holding company to the extent and according to the procedure set out in EPSO-G's Policy on Management of Interests, which is available at www.epsog.lt in the menu item "Operating Policies".
- Members of the collegiate management bodies and executives of the companies have not been involved in any conflicts of interest as regards their obligations to EPSO-G and their private interests and/or other duties.
- There were no family relationships between members of the collegiate management bodies and administrative staff.
- Members of the collegiate management bodies and executives of the companies have not been convicted of any criminal offence, have not been subject to any indictment or sanction by any regulatory authority in the last five years, have not been barred by a court from holding any office as a member of the administrative, management or supervisory bodies of the Company or from holding any managerial position or from managing the affairs of any issuer.
- EPSO-G has not entered into any transactions with the above-mentioned persons which are outside the operating activities of the company or which have not been duly notified to and authorised by EPSO-G collegiate management bodies.

All employees of the EPSO-G management company have declared public interests in accordance with requirements of the Law on Alignment of Public and Private Interests.

5.8 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.

To ensure transparency and efficiency of operations, a centralized Internal Audit Unit operates in the 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 of the internal audit 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.

The activities of the centralized Internal Audit Unit covered the following areas that were selected based on the performed assessment of risks and by identifying the priority companies/processes to be inspected or as separately directed by the Board:

- Assessment of the reasonableness of the Physical Barrier Project's administration costs and the transparency of procurement.
- Assessment of the management of transmission system operators' procurements.
- Assessment of adequacy of gas transmission network maintenance.
- Assessment of the Group's achievement of its annual goals.

- Assessment of the technological cost management.

Internal audits (the first two on the list) also assessed control measures aimed to prevent corruption. Much attention was also paid to monitoring the implementation of internal audit recommendations by companies and to assessing the impact of implemented actions.

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. In addition, an annual assessment of the effectiveness of the internal control system is carried out in all Group companies, identifying the strengths and weaknesses of the system, discussing them with the boards of the respective companies and planning actions to strengthen internal control. The overall effectiveness of the internal control system is assessed as strong. The change in the level of control in the elements of this system is assessed during the next year's survey.

5.9 Information on the External Audit

In 2023, Amber Grid, the EPSO-G Group company, carried out a joint procurement of audit services for the audit of the financial statements of the Group companies for the period 2023-2025, through a negotiated procedure. With regard to the results of the public procurement of external audit services, the offer of PricewaterhouseCoopers was recognized as the winner.

The Audit Committee of EPSO-G, having assessed the results of the selection procedure for the audit firm, decided to recommend the boards of the Group companies to propose to their General Meetings of Shareholders to select PricewaterhouseCoopers as an audit firm to perform the audit of financial statements for the period 2023-2025 by paying the remuneration for the audit services specified in the offer of this audit firm.

At the General Meetings of Shareholders of the Group companies, decisions were made to select PricewaterhouseCoopers as the audit firm to perform the audit of financial statements for the period of 2023-2025 and to set the annual remuneration for the audit services of financial and related statements specified in the offer of the audit firm.

Information on the external audit firms of the EPSO-G Group companies and their remuneration for audit services:

Company	Firm that performed the audit of the financial statements 2023	Remuneration for the audit firm for the audit of the financial statements 2023, EUR (VAT excluded)	Firm that performed the audit of the financial statements 2022	Remuneration for the audit firm for the audit of the financial statements 2022, EUR (VAT excluded)
EPSO-G	PricewaterhouseCoopers UAB	56,000	PricewaterhouseCoopers UAB	30,635
Litgrid		86,000		52,054
Amber Grid		77,000		33,829
Baltpool		18,000		6,344
Tetas		31,000		25,115
GET Baltic*		-		11,650
Energy Cells		16,000		7,260

* After Amber Grid, the EPSO-G Group company, sold its 66% stake in GET Baltic to the strategic partner EEX on 31 May 2023, audit services for the audit of the financial statements of GET Baltic for the period 2023-2025 were excluded from the procurement of the Group's audit services.

In 2023, PricewaterhouseCoopers provided uninsured non-audit services for EUR 65,690 (2022: EUR 76,780) to the EPSO-G Group companies. Non-audit services consisted of assurance services for banks on financial ratios, real-time monitoring of sustainability performance indicators, and verification for regulated activity reports. In 2022, the audit firm additionally provided translation of financial statements and annual reports, and review of a bond prospectus. The services were procured in accordance with the provisions of the EPSO-G Group's Policy on Acquisition of Non-Audit Services from an audit firm or any network to which the audit firm belongs.

6

SHAREHOLDERS AND DIVIDENDS

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.

In 2023, there were no changes in the shareholder structure of EPSO-G.

As of 31 December 2023, the issued capital of EPSO-G amounted to EUR 189,631,000.

The Company's shareholder	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, EUR	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 Group companies 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	Ticker	Trading list	Securities manager
LITGRID AB	LT0000128415	LGD1L	BALTIC SECONDARY	SEB bankas AB
Amber Grid AB	LT0000128696	AMG1L	BALTIC SECONDARY	SEB bankas AB

In early June 2022, sustainability-related bonds issued by EPSO-G have been listed on Nasdaq's Baltic Debt Securities List.

The securities of other companies owned by EPSO-G are not traded on the stock exchange.

6.2 Dividends

On the basis of Resolution No 208 of the Government of the Republic of Lithuania of 29 March 2023 On the payment of dividends by EPSO-G UAB for the shares held by the State by the right of ownership, until 2026, EPSO-G must pay to the state budget dividends equal to 0.5% of profit available for direct distribution, if the conditions set in the resolution are met.

On the basis of the resolution of the Government of the Republic of Lithuania, EPSO-G paid directly to the state budget dividends amounting to EUR 66 thousand for the year 2022 (EUR 845 thousand for 2021) 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 Group of energy transmission and exchange.

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 website of EPSO-G in the menu item Operating Policies.

6.4 Ratings

After a periodic review for EPSO-G, on 3 May 2023, the rating agency Moody's Investors Service affirmed its Baa1 credit rating with a stable outlook.

7

GOVERNANCE REPORT

7 GOVERNANCE REPORT

In 2023, the EPSO-G Group's corporate governance was exercised in accordance with the updated version of the Guidelines on Corporate Governance of the EPSO-G Group, approved by the Ministry of Energy of the Republic of Lithuania, the sole shareholder of the EPSO-G, on 29 December 2022. The guidelines establish corporate governance principles uniformly applied to all companies of the EPSO-G Group, regulate the management organization model, management structure, the system of management and control and accountability assurance.

The updated version of the Guidelines on Corporate Governance establishes seven main principles of corporate governance:

- The principle of establishing assumptions for effective corporate management, which aims to ensure that the management of the Group and the necessary decisions are made efficiently;
- The principle of proportionality, which aims to ensure that management methods applied by EPSO-G are proportionate, i.e. do not create an unnecessary administrative burden;
- The principle of realization of shareholders' rights, which aims to create conditions for the proper realization of rights and legitimate interests of all shareholders;
- The principle of inclusiveness of all interested parties, which recognizes the rights and expectations of interested parties;
- The principle of transparency, which aims to ensure that the Group's activities are organized transparently, with proper disclosure of essential information;
- The principle of responsibility and accountability of management bodies, which aims to ensure that management bodies perform their functions in a proper and timely manner, actively exercise their rights and properly fulfil their duties;
- The principle of integrity, which aims to ensure both vertical and horizontal integrity.

EPSO-G draws on good governance practices set out in the Good Governance Recommendations published by the Organisation for Economic Co-operation and Development (OECD), the United Nations and Nasdaq Vilnius Recommendations, and other internationally recognised standards and good governance recommendations, with the overarching aim of ensuring that state-owned companies are governed in a transparent and effective manner.

In an effort to purposefully build trust in ongoing strategic projects and extremely focus on transparency and accountability, the joint governance quality of the EPSO-G Group companies has been rated A. This was evidenced by the Good Governance Index of State-Owned Enterprises (SOE) 2022/23 published by the Public Enterprise Governance Coordination Centre (GCC). GCC's Good Governance Index is the most comprehensive tool for evaluating the quality of management of all SOEs. The index consists of three main assessment dimensions: transparency, collegial bodies, and strategic planning and implementation.

In terms of the transparency dimension, EPSO-G received the rating A+.

The rating A+ was awarded for the work of collegial bodies, the process of selection of their members, competence and engagement in identifying areas for improvement.

EPSO-G's strategic planning and implementation received the rating A.

In preparation of the action plan for 2024, the holding company EPSO-G will proceed with further implementation of measures and improvement of the governance quality in line with GCC recommendations with a strong focus on improving the practices of collegial bodies, strategic planning and sustainability.

7.1 Articles of Association of EPSO-G

During the reporting period, the EPSO-G's Articles of Association were revised one time.

On 29 December 2022, a new version of the Articles of Association of EPSO-G was approved by a decision of the sole shareholder and registered in the Register of Legal Entities on 5 January 2023. The following substantive changes were made to the new version of the Articles of Association:

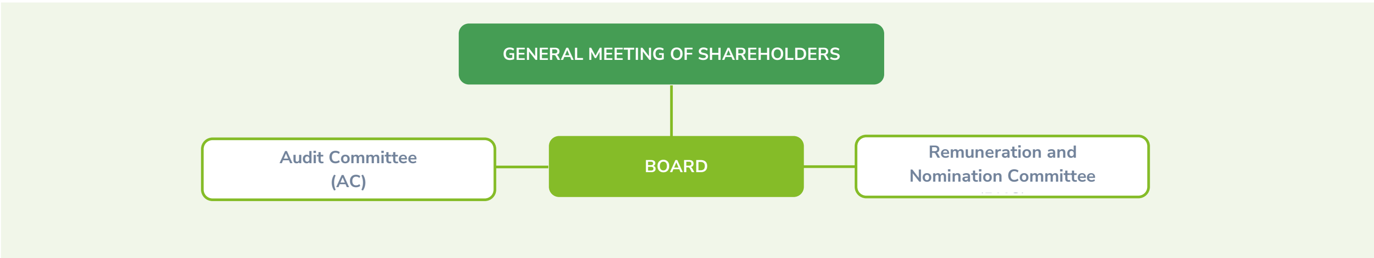
- clarification of how EPSO-G carries out its patronage functions;
- revision of competences of the General Meeting of Shareholders, the Board and the CEO of EPSO-G;
- clarification of the provisions relating to the formation of EPSO-G management committees;
- clarification of the provisions concerning the composition of the Board and the organisation of its activities;
- the possibility for the Board of EPSO-G to form the Group Executives' Committee.

The existing corporate management model ensures the efficiency of the organizational and management structure of the EPSO-G Group and compliance with the highest governance standards.

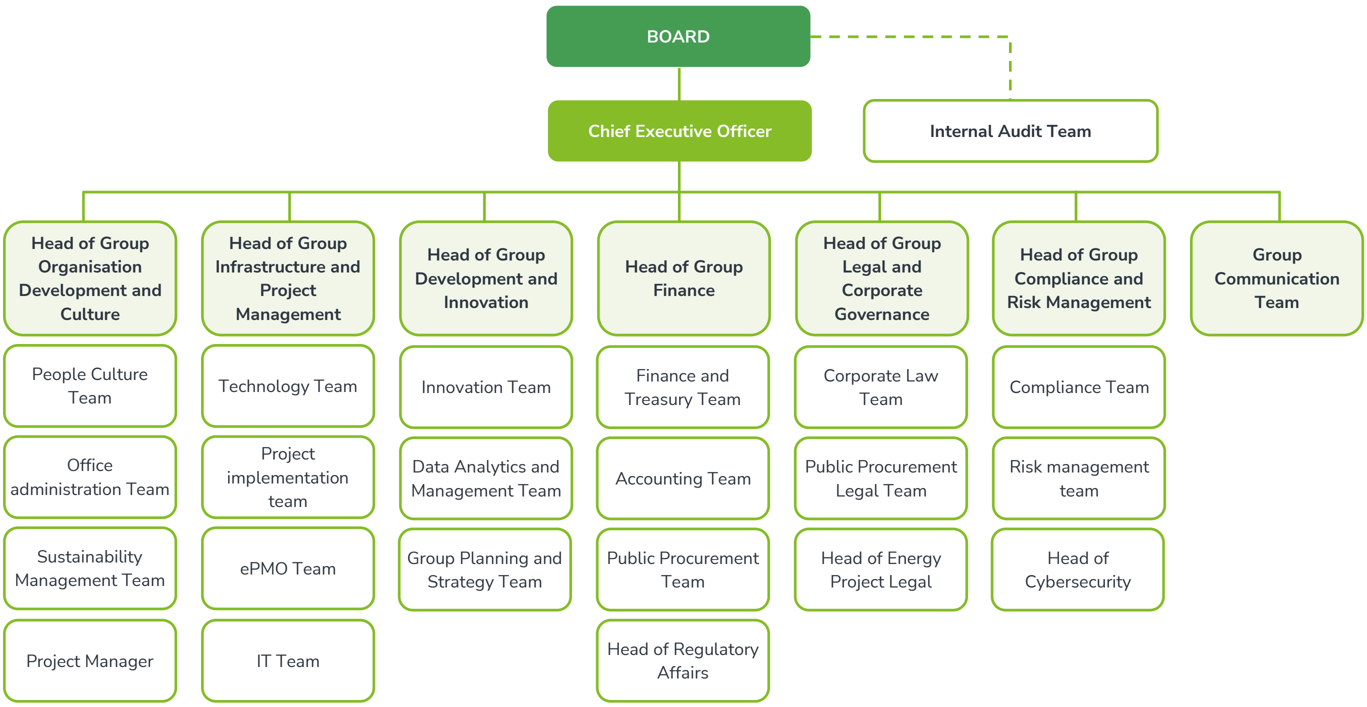
The EPSO-G's Articles of Association of are available at the website: www.epsog.lt in the menu item "Corporate Governance".

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.



Organisational structure of EPSO-G



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

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

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 on corporate governance, collegiate body remuneration, etc.).

In 2023, EPSO-G's sole shareholder took the following key decisions:

Date	Key decisions
6 March 2023	Increased the audit fee payable to PricewaterhouseCoopers for the audit of financial statements for 2022.
24 March 2023	Elected the Board of EPSO-G for a new term of office, consisting of three independent members: Robertas Vyšniauskas, Asta Sungailienė and Liudas Liutkevičius, and the Ministry of Energy's delegates Dainius Bražiūnas and Tomas Daukantas
13 April 2023	Approved the set of EPSO-G's consolidated and company's financial statements for 2022. Approved the decision on profit distribution.
21 April 2023	Tomas Daukantas was removed from the Audit Committee of EPSO-G and Dainius Bražiūnas was elected for the remaining term of office of the Audit Committee.
29 August 2023	Selected PricewaterhouseCoopers UAB as the audit firm to perform the audit of the set of consolidated and the company's financial statements prepared in accordance with the international financial reporting standards adopted in the European Union and the consolidated annual report of EPSO-G for 2023–2025 and determined the remuneration for the provision of these services.
6 November 2023	From 15 November 2023 the registered address of EPSO-G is changed from Gedimino ave. 20, Vilnius, LT-01103 to Laisvės ave. 10, Vilnius, LT-04215.

7.4 The Board of EPSO-G

According to the current version of the Articles of Association of EPSO-G, the Board consists of five members. The members of the Board are elected for a four-year term of office by the General Meeting of Shareholders, to which the Board is accountable. At the request of General Meeting of Shareholders, the Remuneration and Nomination Committee makes a recommendation on the nomination of members of the Board.

The continuous term of office of a member of the Board shall not exceed two full consecutive terms, i.e. in any event no more than 10 consecutive years. Members of the Board are elected in accordance with the Resolution No 631 of the Government of the Republic of Lithuania of 17 June 2015 on the Approval of the Description of the Procedure for the Selection of Candidates to the Collegial Supervisory Body or Management Body of Municipal Enterprise, State or Municipal Company or Subsidiary.

On 24 March 2023, a new EPSO-G Board, which will consist of three independent members Robertas Vyšniauskas, Asta Sungailienė and Liudas Liutkevičius, and the Ministry of Energy's delegates Dainius Bražiūnas and Tomas Daukantas. In April 2023, Robertas Vyšniauskas, an independent member of the EPSO-G Board, was elected the Chairman of the Board, who served as chair of the Board in the previous term of office since February 2022. Until then, from March 2019, Gediminas Almantas held this position.

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;
- Approves the Group's strategy and monitors the implementation;
- 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;
- Approves key Group-level documents: guidelines, policies, etc.
- Performs supervisory functions as provided for in the Law on Companies of the Republic of Lithuania.

During the reporting period, 18 meetings of the Board were held, in which 4 decisions were adopted by a written vote. During the reporting year, one cooperation session was also held.

The Board, having carried out performance assessment for 2022 and identified areas for improvement of the Board's activities regarding the joint work, expectations and objectives of the Board and the CEO, reviewing the Company's strategy and structure and their renewal in the context of the Letter of Expectations of the Shareholder, prepared the Company Board's action plan for 2023.

In implementing this plan, the Board made decisions on reviewing the Company's strategy, the remuneration system, changing the organizational structure, to form the Group Executives' Committee, risk management, development of organizational culture.

EPSO-G's Board composition

Member of the Board	Position	Term of office	Other positions	Education
Robertas Vyšniauskas	Independent member, Chair (from February 2022 to 20/03/2023, and again from April 2023)	From 24/03/2023 (again from 20/03/2019 to 20/03/2023)	CEO of Valstybės Investicinis Kapitalas UAB; Member of the Board of Vilniaus Vystymo Kompanija UAB, Chair of the Supervisory Board of Klaipėdos Nafta	Mykolas Romeris University, Master in Law.
Liudas Liutkevičius	Independent member	From 24/03/2023	Managing Partner at INVL Renewable Energy Fund I	Vilnius University, Master in International Finances.
Asta Sungailienė	Independent member	From 24/03/2023	-	Vytautas Magnus University, Master in Business and Management
Dainius Bražiūnas	Member	From 24/03/2023 (again from 20/03/2019 to 20/03/2023)	Head of Energy Security Group at the Ministry of Energy of the Republic of Lithuania	Vilnius Gediminas Technical University, Bachelor in Energy Sciences.
Tomas Daukantas	Member	From 24/03/2023 (again from 06/05/2022 to 20/03/2023)	Head of Legal and HR Group at the Ministry of Energy of the Republic of Lithuania	Mykolas Romeris University, Master in Law.
Gediminas Almantas	Independent member	From 20/03/2019 to 20/03/2023	Independent Member of the Board of the State Enterpriser Lietuvos Oro Navigacija AB; Chairman of the Board of LTG Infra, Member of the Compliance and Mediation Committee at the International Federation of the Red Cross and Crescent Societies, Chairman of the Open Lithuania Foundation, the member of the Procurement and Investment Policy Committee of the Lithuanian National Radio and Television.	Vilnius University, Master in Law; University of Bern, Switzerland, Master in Law; Copenhagen Business School, Ethics of Business Negotiation, PhD in Industry.

Participation statistics of board meetings in 2023:

No	Meeting date	Gediminas Almantas*	Dainius Bražiūnas	Tomas Daukantas	Robertas Vyšniauskas	Liudas Liutkevičius*	Asta Sungailienė*
1.	01-09	●	●	●	●	-	-
2.	02-02	●	●	●	●	-	-
3.	02-10	●	●	●	●	-	-
4.	02-23	●	●	●	●	-	-
5.	03-13	●	●	●	●	-	-
6.	03-20	●	●	●	●	-	-
7.	04-07	-	●	●	●	●	●
8.	05-03	-	●	●	●	●	●
9.	05-19	-	●	●	●	●	●
10.	05-31	-	●	●	●	●	●
11.	06-29	-	●	●	●	●	●
12.	08-11	-	●	●	●	●	●
13.	08-24	-	●	●	●	●	●
14.	09-28	-	●	●	●	●	●
15.	10-25	-	●	●	●	●	●
16.	11-14	-	●	●	●	●	●
17.	11-29	-	●	●	●	●	●
18.	12-15	-	●	●	●	●	●

* Mr. Liutkevičius and Mrs. Sungailienė were elected to the Board on 24/03/2023; term of office of Mr. Almantas expired on 20/03/2023 (inclusive).

● Attended

○ Did not attend

- The member did not attend meeting of the Board because he/she was not elected during the period or his/her term of office expired.

Key decisions of the Board in 2023:

2023-01	2023-02	2023-03	2023-04	2023-05	2023-06
01-06 The updated Group Strategy of EPSO-G until 2030 was approved The objectives of the CEO of EPSOG for 2023 were set, which are identical to those of the Company The budget of EPSO-G for 2023 was approved	02-02 The report on the implementation of the 2022 performance targets was approved. General Meetings of Shareholders of LITGRID and Amber Grid have been initiated to approve the new version of the Articles of Association of Litgrid and Amber Grid. The material terms of the lending and borrowing agreements between Litgrid, Baltpool and EPSO-G were amended. The new version of the Compliance Management Policy of the EPSO-G Group was approved A new version of the list of compliance priorities for EPSO-G was approved. List of group level risks for 2023 of EPSO-G was approved 02-10 A decision adopted to open a public selection procedure for the position of Independent Member of the Board of Tetas in the area of Production Management Competences. 02-23 The preliminary material terms and conditions for the sale of shares in GET Baltic by way of share purchase and shareholders'	03-13 A decision was taken to instruct the Remuneration and Nomination Committee to conduct a public selection process for the nomination of a member of the Board of Energy Cells, the parent company of the Innovation and Business Development Competence Area. 03-20 Decisions were taken to approve the Company's and the consolidated annual report, including information on the implementation of the Company's business strategy, to approve the Company's and the consolidated annual financial statements, to approve the draft distribution of profits, and to convene the Ordinary General Meeting of Shareholders of EPSO-G. Decisions were adopted on voting at the Ordinary General Meetings of Shareholders of Litgrid, Amber Grid (approval of the sale of shares of GET Baltic by concluding share purchase and sale agreements), Baltpool, Tetas, and Energy Cells, companies controlled by EPSO-G. The report on the implementation of	04-07 Robertas Vyšniauskas was elected Chair of the Board. The decision was taken to set up a Remuneration and Nomination Committee (the "NRC") with three members, and to appoint two members to the Nomination and Remuneration Committee until the end of the Board's term from among the members of the Board: Tomas Daukantas and Asta Sungailienė, to authorise and instruct the Selection Panel to carry out the selection of candidates for the position of independent member of the NRC. A decision was adopted to approve the updated calendar of meetings and the activity plan of the Board of	05-03 It was decided to vote at the Extraordinary General Meeting of Shareholders of Energy Cells to elect Paulius Butkus as a nominated member of the Board of EPSOG until the expiry of the term of office of the current Board of Energy Cells. The new version of the Group Risk Management Policy of the EPSO-G Group was approved Determination of the annual remuneration for the manager of EPSO-G. 05-19 It was agreed that EPSO-G, as the sole shareholder of Energy Cells (hereinafter referred to as "the Company"), would take a decision to approve the decision of the Board of Energy Cells on the amendment of the terms of the transaction. 05-31 The decision to elect Andrius Šemeškevičius as an independent member of the	06-29 A decision was taken to amend the terms of the lending and borrowing agreement between Amber Grid and EPSO-G. The new version of the Corporate Governance Policy of the EPSO-G Group was approved. It was agreed that Asta Sungailienė would act as Chair of RNC. A decision was taken to approve the updated organisational structure, list of posts and list of management posts of EPSO-G as of 1 July 2023. The new version of the Anti-Corruption Policy of the EPSO-G Group was approved. The policy on related party transactions of the EPSOG group of companies has been repealed.

	agreements were approved. The General Meeting of Shareholders of Energy Cells is initiated to approve the new version of the Articles of Association of Energy Cells. A decision taken to conduct public selections for the positions of members of the Board of Litgrid and Amber Grid. Approval was given for EPSO-G to join the Lithuanian Responsible Business Association. The report by the Head of Internal Audit of EPSO-G on the achievement of the 2022 objectives was approved. The Remuneration and Nomination Committee's activity report for 2022 was approved. The Board has evaluated its performance and has drawn up a plan to improve its performance in 2023. The General Meeting of Shareholders of EPSO-G was initiated to determine the revised terms of payment for audit services for 2022.	EPSO Strategy 2030 in 2022 was approved. The report of the Audit Committee was approved was approved. The EPSO-G Group Executives' Committee was formed. The Internal Audit Plan for 2023-2025 for the centralised internal audits of the UAB EPSO-G group of companies, and the performance targets for the Head of Internal Audit of UAB EPSO-G for 2023 were approved. The management fee model applicable to the subsidiaries of EPSO-G UAB and its subsidiaries at a later level was set. A decision was taken to conclude a Lending and Borrowing Agreement between BALTPOOL and EPSO-G. A decision was taken to join the Association of Personnel Management Professionals.	EPSO-G for 2023.	Board at the Extraordinary General Meeting of Shareholders of LITGRID was adopted. It was decided to appoint Ramūnas Bagdonas, an independent member, to the RNC until the end of the Board's term of office. The decision to vote "FOR" all the votes attaching to the shares in EPSOG UAB at the Ordinary General Meeting of Shareholders of TSO Holding AS was adopted.

2023-08	2023-09	2023-10	2023-11	2023-12
08-11 The General Meeting of Shareholders was convened to elect the audit company of EPSO-G and to set the terms of remuneration for the audit services for 2023-2025 **08-29** It was decided to vote at the Extraordinary General Meeting of Shareholders of Baltpool on the Management Holding Services Agreement with EPSO-G. The updated organisational structure of EPSO-G was approved. The updated action plan of the Audit Committee of EPSO-G for 2023 was approved.	**09-28** The updated organisational structure of EPSO-G UAB was approved. A new version of the Regulations of the Remuneration and Nomination Committee were approved.	**10-25** The Extraordinary General Meeting of Shareholders of EPSO-G was convened to change registered address. Decision was taken to approve a new version of the Policy of Management of Interests of Members of Collegial Bodies, Executives and Employees of the EPSO-G Group of Companies and the Transport Policy of the EPSO-G Group of Companies.	**11-14** The project of the updated Group Strategy of EPSO-G until 2030 and its submission to VŠĮ Valdymo Koordinavimo Centras was approved. **11-29** Decision was taken to approve monthly remuneration bands for the Group's employees applicable from 1 January 2024. EPSO-G internal audit budget for 2024 was approved.	**12-15** It was agreed that EPSO-G, as the sole shareholder of Energy Cells, would take a decision on amendments to the agreement for purchase and sale of technical maintenance services. It was agreed that EPSO-G, as the sole shareholder of Tetas, would take a decision to increase in issued capital. The skill matrices for the Boards of Litgrid and Amber Grid were approved. The action plan of the Audit Committee of EPSO-G for 2024 was approved. The action plan of the Remuneration and Nomination Committee of EPSO-G for 2024 was approved. The calendar for the meetings and activity plan of EPSO-G Board for 2024 were approved.

7.5 The Remuneration and Nomination Committee of EPSO-G

Under the current Articles of Association of EPSO-G, the Remuneration and Nomination Committee shall be composed of at least three members appointed by the Board for a period of up to four years by a reasoned decision. The nomination of members of the Remuneration and Nomination Committee ensures that this Committee has at least 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 term of office of RNC coincides with the term of office of the Board.

In 2023, Gediminas Almantas, Dainius Bražiūnas and the Chair Jolita Lauciuvienė worked in the Remuneration and Nomination Committee until 20 March 2023. On 7 April 2023, a new Remuneration and Nomination Committee was set up, with Tomas Daukantas and Asta Sungailienė (Chair) appointed as members, and the third member, Ramūnas Bagdonas, was appointed as of 6 June 2023.

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;
- makes recommendations on the Group's corporate governance documents relating to the selection, appointment and determination of independence criteria for the governing bodies, senior management;
- makes recommendations on the system for succession of the Group's managers and critical positions;
- makes recommendations on the system of equal opportunities, inclusion and diversity promotion within the Group;
- and etc.

In 2023, 12 meetings of the Remuneration and Nomination Committee were held.

Remuneration and Nomination Committee composition

Committee member	Position	Term of office	Other positions	Education
Asta Sungailienė	Independent Member, Chair	From 07/04/2023	–	Vytautas Magnus University, Master in Business and Management
Tomas Daukantas	Member	From 07/04/2023	Head of Legal and HR Group at the Ministry of Energy of the Republic of Lithuania	Mykolas Romeris University, Master in Law
Ramūnas Bagdonas	Independent member	From 06/06/2023	Head of HR at Telia Lietuva Founder of the Association of Personnel Management Professionals and chair of the Board	Vytautas Magnus University, Master degree in Business Administration and Management Baltic Management Institute, EMBA
Jolita Lauciuvienė	Independent Member, Chair	From 20/05/2019 to 20/03/2023	Personalo Vertė Verslui UAB, Director	Vilnius University, Master in Economics; Lithuanian University of Educational Sciences, Bachelor in Psychological Sciences

Dainius Bražiūnas	Member	From 29/03/2019 to 20/03/2023	Head of Energy Security Group at the Ministry of Energy of the Republic of Lithuania	Vilnius Gediminas Technical University, Bachelor in Energy Sciences.
Gediminas Almantas	Independent member	From 29/03/2019 to 20/03/2023	Independent Member of the Board of the State Enterpriser Lietuvos Oro Navigacija; Chairman of the Board of LTG Infra, Member of the Compliance and Mediation Committee at	Vilnius University, Master in Law; University of Bern, Switzerland, Master in Law; Copenhagen Business School, Ethics of Business Negotiation, PhD in Industry.

Attendance and key decisions of the Remuneration and Nomination Committee in 2023

No	Meeting date	Asta Sungailienė	Tomas Daukantas	Ramūnas Bagdonas	Jolita Lauciuvienė	Gediminas Almantas	Dainius Bražiūnas
1	02-08	-	-	-	●	●	●
2	03-08	-	-	-	●	●	●
3	03-17	-	-	-	●	●	●
4	04-24	●	●	-	-	-	-
5	05-04	●	●	-	-	-	-
6	06-13	●	●	●	-	-	-
7	09-06	●	●	●	-	-	-
8	10-04	●	●	●	-	-	-
9	10-20	●	●	●	-	-	-
10	11-15	●	●	●	-	-	-
11	12-06	●	●	●	-	-	-
12	12-21	●	●	●	-	-	-

● Attended
○ Did not attend
- The member did not attend meeting of the Remuneration and Nomination Committee because he/she was not elected during the period or his/her term of office expired

Key decisions of the Remuneration and Nomination Committee in 2023:

2023-02	2023-03	2023-04	2023-05
02-08 Approval of the activity report of RNC for 2022; RNC assessment of performance for 2022; Recommendation on the candidates for election to the Board of Tetas, including recommendation on the Board skills matrix of Tetas	03-08 Discussion of the performance assessment process of the Group's collegial bodies, the achievement of the objectives of the Group's executives, approval of the general areas of improvement of the Group's activities; 03-17 Recommendation on the candidate for election to the Board of Amber Grid	04-24 Recommendation on the candidate for election to the Board of Energy Cells	05-04 Recommendation on the candidate nominated by Amber Grid for election to the Board of GET Baltic

2023-06	2023-09	2023-10	2023-11	2023-12
06-13 Election of the chair of RNC; Periodic assessment of the independence of RNC members; Recommendation on the action plan for the management training of Tetas Discussion on the review of the areas of responsibilities and functions of RNC; Consideration of the report on the Employee Remuneration, Performance Review and Training Policy and the Policy on Management of Interests of Members, Heads and Employees of Collegial Bodies (to the extent it is related to the independence criteria of the CB and their assessment);	09-06 Recommendation to the Board of EPSO-G on approval of the updated regulations of RNC.	10-04 Recommendation on the Board skills matrix for newly elected Boards of Litgrid and Amber Grid; Meeting with representatives of Litgrid regarding HR management matters. 10-20 Approval of the schedule of ordinary meetings of RNC for 2024 and the action plan of RNC for 2024.	11-15 Recommendation on the Group's remuneration bands from 2024.	12-06 Meeting with representatives of Amber Grid regarding HR management matters. Assessment of performance appraisal questionnaires for the Group boards and committees; Recommendation on the employee succession planning and management, critical positions and future employee competencies; 12-21 Recommendation on the skill matrix for the newly elected Board of Baltpool

7.6 The Audit Committee of EPSO-G

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

During the reporting period, the Audit Committee had two independent members: Gediminas Šiušas and Robertas Vyšniauskas. On 22 April 2023, Dainius Bražiūnas was nominated by the Ministry of Energy as a member of the Audit Committee, replacing Gediminas Karalius, former member of the Audit Committee.

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.

During the reporting period, 25 meetings of the Audit Committee were held in which 8 decisions were adopted by a written vote.
EPSO-G' Audit Committee composition as at 31 December 2023

Full name	Position	Term of office	Other positions	Education
Gediminas Šiušas	Independent member, Chair	From 22/10/2020	CFO at Convera Europe Financial S.A.	Stockholm School of Economics in Riga, Bachelor in Economics and Business Administration Vilnius University, Bachelor in Management and Business Administration; Vilnius University, Master in Economics.
Robertas Vyšniauskas	Independent member	From 22/10/2020	CEO of Valstybės Investicinis Kapitalas UAB; Member of the Board of Vilniaus Vystymo Kompanija UAB Lecturer at Vilnius University Member of the Supervisory Council at KN Energies Member of the Audit Committee at KN Energies	Mykolas Romeris University, Master in Law.
Dainius Bražiūnas	Member	From 22/04/2023	Head of Energy Security Group at the Ministry of Energy of the Republic of Lithuania; Director of the association Koturna	Vilnius Gediminas Technical University, Bachelor in Energy Sciences

Attendance and key decisions of the Audit Committee in 2023

Gediminas Šiušas	Robertas Vyšniauskas	Dainius Bražiūnas (from 22/04/2023)	Tomas Daukantas (until 22/04/2023)
25/25	25/25	15/25	10/25

Key decisions of the Audit Committee in 2023

2023-01	2023-02	2023-03	2023-04	2023-05	2023-06
01-23 New lists of compliance priorities for Tetas, EPSO-G and Litgrid were approved. A new version of the Group's Compliance Management Policy was endorsed. It was recommended that the EPSO-G Board initiate external audit procedures on the implementation of the Physical Barrier Project. The Audit Committee's opinion on the transaction to be concluded by Litgrid with the related party was approved. The list of Group level risks was approved. Amber Grid, Litgrid, Tetas, Baltpool, Energy Cells and GET Baltic were advised to add recommended risks to their risk lists. The shortage of project managers in Litgrid was brought to the attention of the company's Board.	02-20 The Audit Committee's improvement plan for 2023 was approved. The report by the Head of Internal Audit on the achievement of the objectives was endorsed. EPSO-G Board was advised on the selection of an external auditor. The independence of two members of the Audit Committee was assessed. 02-28 The Audit Committee's conclusions on the financial statements of Baltpool and GET Baltic for 2022 were approved.	03-07 The Audit Committee's conclusion on the audited financial statements of Tetas and Energy Cells for 2022 was approved. 03-18 The Audit Committee's conclusions on the financial statements of Amber Grid and Litgrid for 2022 were approved. Approval of the Audit Committee's activity report for 2022. EPSO-G Board was advised on approval of the report by the Head of Internal Audit on the achievement of the 2023 objectives. It was confirmed that the review of the decisions made by the Boards and Executives of Litgrid and Tetas for H2 2022 did not reveal any material irregularities and/or weaknesses. Recommendation to the EPSO-G Board on the review of the procedures for the indexation of contracts. Amendments to the list of risks and their management measures for Amber Grid, Litgrid, Baltpool, Tetas for 2023 were endorsed.	04-24 Approval of the AC conclusion on the audited financial statements of EPSO-G for 2022. A new version of the Group's Risk Management Policy was endorsed. EPSO-G Board was advised on the employee turnover management in the Group. The Boards of the Group companies were advised on assessment of annual goals.	05-04 Approval of the AC opinion on the transaction to be concluded by GET Baltic with the related parties approved. EPSO-G Board was advised on initiation of a root cause analysis of the project managers' shortages.	06-14 The Audit Committee was advised on the external auditor's independenc e. 06-19 Decision to repeal the Policy on Related Party Transactions was endorsed. The Group's Policy of Anti-Corruption Activities was endorsed. Litgrid Board was advised on additions to the List of Risks.

		EPSO-G Board was advised on Tetas' cost management and the adequacy of financial data.			

2023-07	2023-08	2023-09	2023-10	2023-11	2023-12
07-24 The amendments to the List of Risks of Amber Grid were endorsed. 07-28 The report on the conclusions of the selection procedures of the Group's external auditor was approved. The Boards of the Group companies were advised on the selection of an external auditor.	08-21 A new version of the Audit Committee's action plan was endorsed. The Boards of Litgrid and Amber Grid were advised on the implementation of the internal audit recommendations. The Board of Litgrid was advised on plans to restore and modernise the transmission grid. The Board of Litgrid was advised on inventory of facilities located in protection zones of overhead lines.	09-15 The amendments to the List of Risks of Amber Grid were endorsed.	10-23 The internal audit budget for 2024 was endorsed. The Board of Litgrid was advised on procurement efficiency. The Board of Litgrid was advised on the reasonableness and adequacy of the grid upgrade plan. The new version of the Group's Policy of Management of Interests of Employees and Members of Collegial Bodies was endorsed.	11-17 The Audit Committee's action plan for 2024 was approved.	12-07 The advised was given on the external auditor's independence. 12-22 EPSO-G, Litgrid and Amber Grid's risk appetite and plans on risk management measures for 2024 were endorsed. Tetas, Baltpool and Energy Cell's risk appetite and plans on risk management measures for 2024 were endorsed.

7.7 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. Keizeris was elected as the CEO of EPSO-G from 22 August 2022.

After the registration of the new version of the Articles of Association of EPSO-G on 5 January 2023, the title of the position of the Company's CEO was changed to the Manager.

The competence of the Manager 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. The Manager of EPSO-G:

- arranges and controls the implementation of the Group's strategy, approves the Group strategy's action plan, and ensures the implementation of the Group's strategy, within the limits set by law;
- Controls the activities of the subsidiaries, makes suggestions and conclusions to the Board of EPSO-G regarding the organization of the Group's activities and development thereof;
- implements the guidelines, procedures, policies, codes and other documents approved by the Board in relation to the Group's activities and functioning within the Company, and, within the scope of his/her authority, takes measures to ensure their implementation in the Group companies;

- approves Group-wide procedures, rules, descriptions and other Group-level documents, if the relevant areas of the Group are not governed by Group-level documents approved by the Board or the relevant Group-level documents approved by the Board confer the relevant competences on the CEO;
- and etc.

Mr. Keizeris has been the member of the Board of Litgrid since December 2022.

7.8 Additional information on the Chairman of the Board, the Manager, the Chief Financial Officer and the Head of the Internal Audit

Robertas Vyšniauskas (chair of the Board from February 2022 to 20 March 2023 and from April 2023) Mr. Vyšniauskas also holds the position of the CEO at the company Valstybės Investicinis Kapitalas (State Investment Capital), is the member of the Board of the company Vilniaus Vystymo Kompanija (Vilnius Development Company), the Chairman of the Supervisory Board of KN Energies, and is a consultant in the field of corporate governance, law and taxes.

Mindaugas Keizeris (CEO) holds this position from 22 August 2022. Mr. Keizeris has been the member of the Board of Litgrid since December 2022. Mr. Keizeris graduated from Vilnius University with completed studies of business administration and management and a master's degree in international business, and also completed the training program for professional board members at Baltic Institute of Corporate Governance.

Darius Kašauskas took up his duties as **the Head of Finance of the EPSO-G Group** from 16 January 2023. From 30 March 2023 Darius Kašauskas is Chairman of the Board of Tetas. Mr. Kašauskas holds Master in Economics and Management at Vilnius University and ISM University of Management and Economics, and also studied for his doctoral degree in Social Sciences and Economics at the latter university.

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 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.

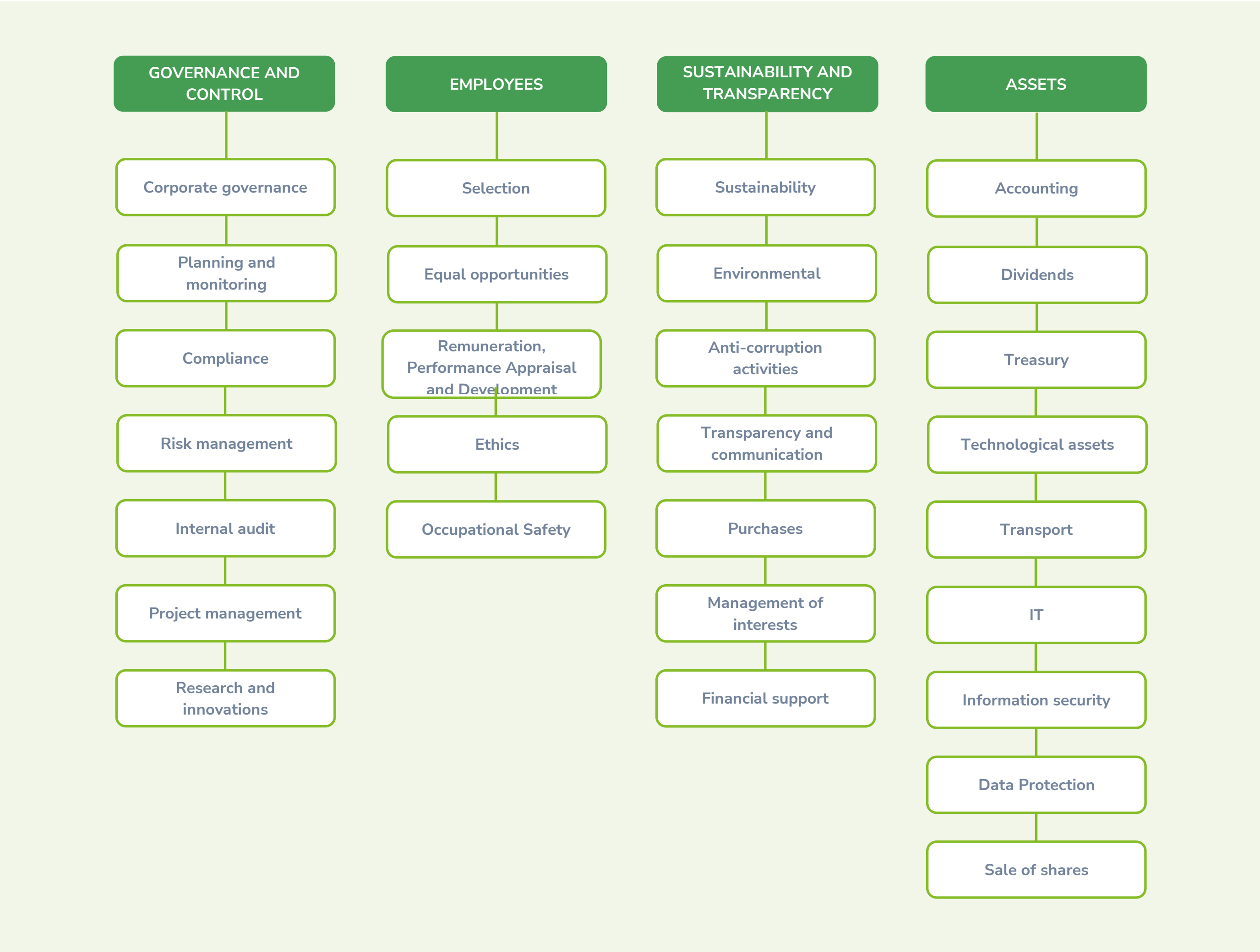
Ms. Rasa Juodelytė, Head of Internal Audit. Holds the position of the Head of Internal Audit Unit at EPSO-G from January 2017. Before starting to serve in this position, she was responsible for the Internal Audit Unit's activities at the subsidiary Litgrid for four years; she held the same position at the international company of wholesale and retail trade in petroleum products. In 2020, Ms. Juodelytė was also a member of the Audit and Risk Committee of SE Ignalina Nuclear Power Plant. Ms. Juodelytė holds a Master 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.

7.9 Operating Policies

Good governance practices in the 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 the 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.

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



During the reporting period the following policies were updated: Risk Management, Anti-Corruption Activities, Management of Interests of Employees and Members of Collegial Bodies, Corporate Governance, Interest Management and Transport Management.

Policies or their summaries are available on the EPSO-G website at www.epsog.lt, in the menu item Operating Policies.

7.10 Functional Area Governance

In H1 2023, the holding company EPSO-G applied a functional governance model to it operations, which, based on international practice, creates the greatest value for the Group companies. In application of the functional governance 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.

The effectiveness of the governance model is measured by EPSO-G through an employee engagement survey. Based on the survey results, areas for improvement are identified and a further action plan for the development of the organization is adjusted accordingly.

Based on the provisions of the new version of the Corporate Governance Policy approved by the Board of the Company on 29 June 2023, the Corporate Governance Model of the EPSO-G Group is implemented on the basis of two main governance mechanisms: (i) Corporate Governance and (ii) Functional Governance.

7.11 Performance Assessment and Results of the Activities of the Collegial Supervisory and Management Bodies

With respect to the guidelines prepared by the Remuneration and Nomination Committee, at the beginning of 2024, the governing bodies of the holding company EPSO-G and its subsidiaries carried out the assessment of their performance in 2023. The summarized performance 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 for 2024.

7.12 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. 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 Annex 3 of the Annual Report.

7.13 Information on Compliance with Transparency Guidelines

The EPSO-G 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.

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 3 to the Annual Report.

8

REPORT ON THE IMPLEMENTATION OF THE REMUNERATION POLICY

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 can take responsibility for their decisions and actions. In our activities we are guided by these values: professionalism, cooperation, and progress.

When implementing the strategic and business goals set by the shareholder: to create an energy transmission and exchange platform interconnected with the European Union countries and enabling sustainable and efficient energy exchange for regional consumers, and thus increasing the competitiveness of the country's business and the well-being of Lithuanian people, 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 develop employees' professional (functional) and general (values-based) competencies. We encourage 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 formation and implementation supervision of the Remuneration and Nomination Policy of EPSO-G. In order to ensure the proper formation, monitoring and management of the remuneration fund, the 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:
- in the cases provided for in the company's articles of association, or at the request of the bodies of the company or of the Group companies, makes recommendations to them on the appointment of the members of the collegial bodies and on the terms of their contracts, including on the level of their remuneration in accordance with the remuneration guidelines;
- makes recommendations on the appointment of managers of the Group companies, the forms of standard employment contracts and the terms of contracts with managers being appointed, including the remuneration and/or its band;
- at least once a year, assesses the structure, size, composition and performance of the management bodies of the Group companies, and may assess the skills, knowledge and expertise of individual members of the management body, and makes recommendations for improvement;
- makes recommendations on the structure, amount of remuneration of managers of the Group companies, on key performance assessment criteria and the remuneration review in accordance with the Group's remuneration, performance assessment and training policy;
- can make recommendations on the implementation of the Group's Remuneration Policy and measures necessary for its implementation;
- makes recommendations on the Group's remuneration policy for senior management and board members, its implementation, including the transparency of the remuneration system;
- assesses the level and structure of remuneration of the members of the Group's collegial management bodies, and oversees the implementation of the remuneration guidelines;
- at the request of General Meeting of Shareholders, can make recommendations on the remuneration guidelines.
- makes recommendations on the system for succession of the Group's managers and critical positions;
- makes recommendations on the system of equal opportunities, inclusion and diversity promotion within the Group;
- The management bodies of the Group companies have the right to obtain from RNC recommendations, conclusions on specific issues raised by them, if these issues fall within the competence of the RNC.

8.2 Remuneration Policy

The EPSO-G Group has a uniform remuneration policy based on the principles of responsibility and accountability. Its aim is to effectively manage the Group's payroll costs and to create motivational incentives to ensure that the level of remuneration is directly linked to the achievement of the objectives set for the company and for each employee.

This means that performance appraisals are taken into account in determining remuneration. The remuneration of EPSO-G's management and staff therefore consisted of two main components: monthly remuneration and financial incentives. The monthly remuneration depends on the level of responsibility of the job position, which is determined according to a methodology used in international practice. As of 1 January 2023, a new remuneration policy is in force in the EPSO-G Group, which stipulates that a financial incentive is paid when the annual targets of the relevant Group company are achieved by at least 80%. Financial incentives for individual staff members depend on their individual performance. Individual performance assessment results depend on the achievement of the staff member's annual objectives, value behaviours and performance criteria.

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 principles of the remuneration policy are identical for executives and employees.
- 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 EPSO-G's management and staff consists of two parts: monthly remuneration and financial incentives.
- Monthly salary depends on the level and competencies of the employee, while financial incentives depend on the achievement of the Group's annual targets and on the individual performance of the employee.
- No financial incentive is payable if performance does not meet expectations according to the established evaluation criteria.
- The amount of a financial incentive is estimated in the Company's budget and recorded in the financial result, which is audited and made public;
- The financial incentives of the company's manager depend on the outcome of the company's annual objectives, which are linked to the implementation of the company's strategy and published on the company's website.
- Members of the collegiate bodies are not paid a financial incentive.
- The termination benefits for executives and staff do not exceed the amount set by the legislation of the Republic of Lithuania.
- A premium may be awarded for outstanding performance.
- The relevant board of the Group company must be informed about the financial incentive to be granted at its next meeting.
- Prior agreements on severance pays, except for companies' managers 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 entitling the company manager, a member of the collegial body or an employee to shares, stock options or to receive remuneration based on changes in share prices other financial instruments;
- To promote employee engagement and loyalty, the EPSO-G Group companies provide non-financial rewards, including voluntary health insurance, seminars on wellness and psychological well-being, seasonal vaccinations, employee events, recognition, and career advancement within the Group.

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 the EPSO-G Group companies 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. External consultants were not engaged to prepare the Remuneration Policy of EPSO-G.

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 the EPSO-G Group companies and creating a positive relationship between the leaders and their subordinates, allows planning employee careers, increasing their motivation and engagement.

The annual and interim performance appraisal meetings are a performance assessment tool ensuring that personal objectives of

EPSO-G employees are tailored to the objectives of the Company. The meetings are intended to discuss and set measurable, time-defined and motivating objectives for the employees, to discuss and assess an employee's performance compliance with the value behaviours and quality criteria.

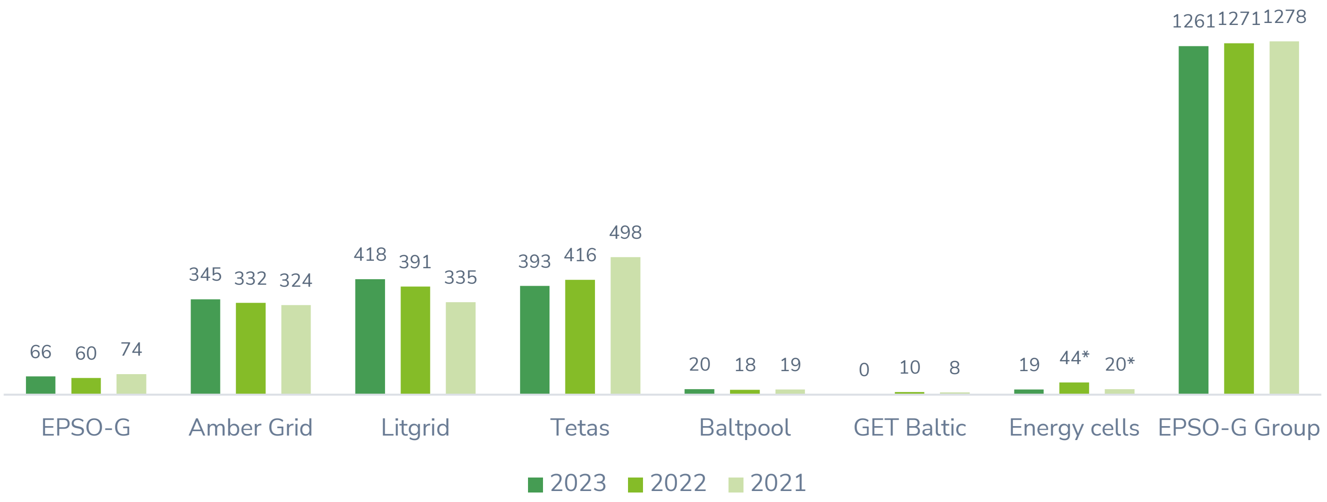
The annual and interim performance appraisal meetings are intended to assess the achievement of objectives set for an employee of EPSO-G and to set the new ones, forms a feedback culture between a leader and a subordinate. The need for the employee's competence development and further professional growth,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

In the companies of the 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.

After the Employee Remuneration, Performance Review and Training Policy of the EPSO-G Group companies was adopted, the principles of setting individual objectives for employees did not change – result and quality orientation remained, the performance assessment process was complemented by the assessment of compliance with performance quality criteria.

8.4 Employees

Number of employees in the EPSO-G Group and separate companies in 2021-2023



* Due to the specifics of the project work, most of the employees of Energy Cells work under fixed-term contracts and part-time in 2021-2022. In FTE terms, the Company had 19.5 FTEs as at 31 December 2022 and 11 FTEs as at 31 December 2021.

For detailed information about employees please refer to chapter 10 of the Sustainability Report.

8.5 Information on Remuneration

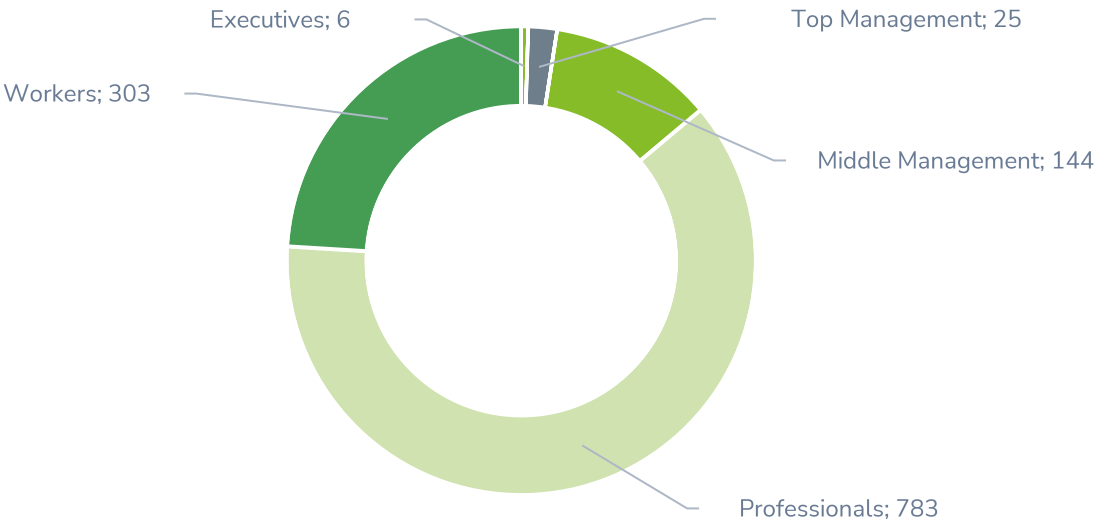
As at 31 December 2023, the EPSO-G Group companies had 1,261 employee (as at 31 December 2022: 1,271 employee). Wage Guarantee Fund of the EPSO-G Group for 2023 was EUR 52,937 thousand (2022: EUR 45,460 thousand).

Information on remuneration

Remuneration by category of employees	Group					
	Number of employees (at the end of the period)			Average monthly pay (including the variable pay component)		
	2023	2022	2021	2023	2022	2021
Executives	6	7	7	12,092	10,256	9,063
Top Management	25	23	21	8,862	7,929	7,999
Middle Management	144	145	135	5,790	4,970	4,518

Professionals	783	780	725	3,450	2,910	2,582
Workers	303	316	390	1,937	1,583	1,375
Total	1,261	1,271	1,278	3,492	2,857	2,561
Wage Guarantee Fund, EUR thousand				52,937	45,460	35,133

Employee structure by groups of posts as at 31 December 2023



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

Remuneration by category of employees	Company								
	Number of employees (at the end of the period)			2023		2022		2021	
	2023	2022	2021	Average monthly pay, EUR	Variable pay component for results achieved in 2022, EUR	Average monthly pay, EUR	Variable pay component for results achieved in 2021, EUR	Average monthly pay, EUR	Variable pay component for results achieved in 2020, EUR
Chief Executive Officer	1	1	1	13,803	971	9,708		8,078	2,140
Top Management	6	3	5	8,034	1,207	7,099	1,791	7,142	1,794
Middle Management	19	17	17	6,379	1,243	5,040	1,019	4676	798
Professionals	40	39	51	3,792	458	3,278	276	3,031	177
Total	66	60	74	5,049	748	4,063	559	4,254	647
Wage Guarantee Fund, EUR thousand					4 447		4,171		2,495

* On 1 January 2023, a new remuneration system was introduced in the Company: a part of the variable pay component previously paid once a year was added to a monthly remuneration. The update has been applied to the remuneration of the CEO since 1 June.

8.6 Information on Remuneration of Collegial Members

The members of EPSO-G's collegial bodies, the Board, RNC and AC, are appointed for the term of office of four years. Civil contracts have been signed with members, detailing their responsibilities, duties, rights and functions.

The sole shareholder of the company, the Ministry of Energy of the Republic of Lithuania, approved the new version of the Guidelines for Determining the Remuneration for Activities in the Management Bodies of EPSO-G UAB and the EPSO-G Group of Companies (hereinafter the "Remuneration Guidelines") on 21 October 2022.

The currently valid version of the Remuneration Guidelines establishes that remuneration for activities in the collegial bodies of the Group companies can be paid to such members who meet at least one of the conditions set below and the payment of remuneration to these members is not prohibited by the legislation in force in the Republic of Lithuania:

independent members the independence of whom is determined in accordance with applicable normative legal acts and internal documents;
members who are civil servants.

Remuneration is not paid to employees of the Group companies and/or employees of shareholders of the Group companies.

	EPSO-G	Subsidiaries and downstream subsidiaries
Chair of the Board	1/3 AMP (CEO)*	1/3 AMP (CEO)
Member of the Board	1/4 AMP (CEO)	1/4 AMP (CEO)
Member of the Board (civil servant)	1/4 AMP (CEO)**	1/5 AMP (CEO)**
Chair of the Group's AC and RNC	1/3 AMP (CEO) less 400 EUR	-
Member of the Group's AC and RNC	1/4 AMP (CEO) less 400 EUR	-

* AMP (CEO) means average monthly pay of the CEO of EPSO-G or the CEO of a subsidiary or downstream subsidiary.

** In the event that a Board member (civil servant) holds the position and is engaged in activities of the collegial body of another state enterprise/state-owned enterprise and/or municipal enterprise/municipally-owned enterprise, they are paid 1/8 of the average monthly salary of the head of the relevant Group company. The Board member (civil servant) is not remunerated for activities in the Board Committee.

A fixed monthly remuneration for EPSO-G collegial body members is calculated from the average monthly salary calculated and paid by the CEO of the Company for the previous calendar year at the time of remuneration determination and is not recalculated for the entire term of office of the CO member, except if the previously determined remuneration no longer meets the requirements established in legal acts.

By the decision of the sole shareholder of 21 October 2022, the following fixed monthly pay components (excluding payable taxes) were established for the members of EPSO-G Board and the Audit Committee, which apply from 1 October 2022:

Position	Monthly fixed pay component (EUR)
Chair of the Board	3,406
Member of the Board	2,555
Member of the Board (civil servant), if the civil servant does not hold the position and is not engaged in activities of the collegial body of another SE/SOE and/or ME/MOE*	2,044
Member of the Board (civil servant), if the civil servant holds the position and is engaged in activities of the collegial body of another SE/SOE and/or ME/MOE	1,277
Chair of the Audit Committee	3,006
Member of the Audit Committee	2,155

* SE - state enterprise, SOE - state-owned enterprise, ME - municipal enterprise, MOE - municipality-owned enterprise

By the decision of the Board of EPSO-G of 25 November 2022, the following amounts of remuneration were set for the members of the Remuneration and Nomination Committee (excluding payable fees): the Chair – EUR 3,006, the member – EUR 2,155. The variable pay component for the members of collegial bodies is not set.
In the event that a member of the Board of the Company is elected as a member of the Board Committee formed in the Group and/or the Chairman of the Board, or a member of the Board of the Company is revoked/resigns from the position of a member of the Board Committee formed in the Group and/or the Chairman of the Board, the remuneration of such member of the Board of the Company shall be changed without a separate decision of the Company's shareholder with reference to a salary set by the Company shareholder's decision depending on the position held.

10% from the total relevant collegial body's budget of the Company is allocated to the additional costs of the Company intended to ensure the activities of the collegial body. The budget allocated to the costs of ensuring the activities of the collegial body can be used for the organization of joint collegial bodies' trainings, cooperation sessions or joint events of collegial bodies organized in any other form, where knowledge and good practices are exchanged. The Company's collegial bodies' training budgets are not used for individual training of collegial bodies' members.

The contracts entered into with the members of supervisory and management bodies do not grant any rights to the shares of the companies of the 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 the members of the holding company EPSO-G's collegial supervisory and management bodies

	As at 31 December 2023	As at 31 December 2022	As at 31 December 2021
Number of meetings of collegial supervisory and management	55	94	94
Number of members of collegial bodies remunerated (persons)*	6	6	4
Pay-outs related to members of management bodies (thousand EUR)	259	209	94

Information on individual payments to members of collegial supervisory and management bodies

Member's full name	As at 31 December 2023	As at 31 December 2022	As at 31 December 2021
Robertas Vyšniauskas*	66,013	62,960	21,000
Gediminas Almantas*	12,459	54,553	25,800
Asta Sungailienė*	47,781	-	-
Liudas Liutkevičius*	23 654	-	-
Tomas Daukantas*	24,330	6,132	-
Dainius Bražiūnas*	24,330	6,132	-
Gediminas Šiušas**	36,072	34,473	13,200
Ramūnas Bagdonas**	16,881	-	-
Jolita Lauciuvienė**	7,951	34,473	13,200
Ramūnas Abazorius*	-	9,902	-
Tomas Tumėnas*		-	20,546

* A total remuneration for activities as an independent member of the Board and a member of a corresponding the EPSO-G Group's Board Committee.
** A remuneration for activities as a member of the EPSO-G Group's Board Committee.

8.7 Legal disputes and uncertainties

In the Years 2023 EPSO-G and the Group had no n legal disputes related with financial liabilities or that could effect financial results of the Company or the Group

9

INFORMATION ON SPECIAL OBLIGATIONS

9 INFORMATION ON SPECIAL OBLIGATIONS

9.1 PSO funds administration activities

To serve the interests of all electricity consumers, inter alia, by ensuring the reliability and security of electricity supply, diversification of electricity resources, and increasing Lithuania's energy independence, the Public Service Obligations (hereinafter the "PSO") are provided in the electricity sector of the Republic of Lithuania in accordance with the procedure established by the legislation.

Baltpool, a company of the EPSO-G Group, 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 from 1 January 2013 under the Resolution No 1338 of the Government of the Republic of Lithuania of 7 November 2012 On the Appointment of the Administrator of Funds of Public Service Obligations in the Power Sector.

This activity included in the List of Special Obligations Performed by State-Owned Enterprises and their Subsidiaries, as approved by the Order No 4- 193 of the Minister of Economy and Innovation of the Republic of Lithuania of 16 March 2021 (hereinafter the "List of Special Obligations"), is performed by Baltpool in accordance with the Law on Electricity of the Republic of Lithuania, the Law on Energy from Renewable Source of the Republic of Lithuania, the Description of the Procedure for Rendering Public Interest Services in the Electricity Sector, as approved by the Resolution of the Government of the Republic of Lithuania No 916 On the Approval of the Description of the Procedure for Rendering Public Interest Services in the Electricity Sector of 18 July 2012, the Description of the Procedure for the Administration of Funds Raised from Public Interest Services in the Electricity Sector, as approved by the Resolution of the Government of the Republic of Lithuania No 1157 of 19 September 2012 (hereinafter the "Description of the Procedure for the Administration of PSO Funds") and other regulations governing administration of PSO funds.

The objective of the administration of the PSO funds is to ensure the proper and legal collection, payment, recovery and administration of the PSO funds. To ensure the proper implementation of this objective, Baltpool puts special emphasis on the proper safekeeping of the PSO funds balance, the smooth and transparent collection and payment of the PSO funds, and the proper representation of Baltpool in legal disputes related to the administration of the PSO funds. In light of this, Baltpool has identified in its documents governing planning, compliance and risk management, and carried out in 2023 and will carry out in 2024, regular monitoring of the proper implementation of these performance targets:

- information related to the administration of PSO funds is made public and/or submitted to the National Energy Regulatory Council (hereinafter the "the Council") within time limits set in the applicable legislation (target delay value: 0 days);
- the balancing of PSO funds is ensured by flow forecasting of PSO funds, controlling of PSO funds balance through borrowing arrangements which, in the event of a shortfall in PSO funds balance, would enable immediate and proper fulfilment of Baltpool's obligations for payment of PSO funds;
- Baltpool participation in legal disputes related to the administration of PSO funds (target value: 100%).

The legislation governing the administration of PSO funds does not entitle Baltpool to profit from these activities. In accordance with the provisions of the description of the procedure for the administering PSO funds, Baltpool costs incurred in performing the activity of administering PSO funds are compensated from the collected PSO funds, but not more than 1/12 of the amount of the administration of PSO funds approved by the Council for the current calendar year, which is set on an annual basis in accordance with the Methodology for the pricing of public-interest services in the electricity sector as adopted by the Council by its resolution No O3-279 of 28 September 2012 (hereinafter the "PSO Methodology"). Baltpool accounts PSO funds separately from its other activities. PSO prices for the coming calendar year and the amounts of PSO funds to be paid to the providers of PSO services in the current calendar year are set by the Council in accordance with the PSO Methodology.

In 2023, the public interest in the electricity sector was aimed at promoting the use of RES for electricity production by supporting the production of electricity from RES (hereinafter the "RES electricity"), the balancing and the centralised trading of such electricity through the use of PSO funds, in accordance with the procedure laid down by the legislation. By Resolution No O3E-1469 of 24 October 2022, the Council decided, *inter alia*, to award: (i) EUR 4,098 thousand to electricity producers for RES electricity fed into the grid; (ii) EUR 5,250 thousand to transmission system and distribution grid operators for the balancing of RES electricity; EUR 31 thousand to the centralised RES electricity purchasing entity; and (iv) EUR 181 thousand to compensate costs of administering PSO funds in 2023. Following the assessment of the balance of PSO funds accumulated in previous periods in accordance with the procedure set out in the PSO Methodology, the Council fixed the PSO price of less than zero (0) (- 0.780 ct/kWh excl. VAT) to be applicable in 2023 by its said Resolution No O3E-1469 of 24 October 2022.

During 2023, Baltpool provided the Council with the data necessary to determine the need for PSO funds and PSO prices for 2024 in accordance with the PSO Methodology. By Resolution No O3E-1480 of 12 October 2023, the Council decided to allocate EUR 245 thousand to Baltpool to compensate the costs of administering PSO funds in 2024, and fixed PSO price at 0 ct/kWh excl. VAT for 2024. The cash flow forecast of PSO funds, together with other reports on the administration of PSO funds and detailed information on PSO, is available on Baltpool's website at:
https://www.baltpool.eu/lt/ataskaitos-2/ ir https://www.baltpool.eu/viap-lesos/viap-administravimas/.

The balance sheet of TSO Funds administration activities as at 31 December 2023 and 2022 was as follows: balance of PSO funds, PSO funds receivable, related obligations are listed in the following table:

	2023	2022	Change	
			+/-	%
Administered PSO funds receivable	33,427	27,953	5,474	20
Balance of PSO funds	35,571	132,554	-96,983	-73
	68,998	**160,507**	**-91,509**	**-57**
Short-term financial debts	-	-	-	-
PSO funds payable	12,636	-	12,636	100
VAT payable	0	1,196	-1,196	-100
Accrued PSO funds payable	56,362	159,311	-102,949	-65
	68,998	**160,507**	**-91,509**	**-57**

In carrying out the PSO Funds administration activities in 2023 and 2022, Baltpool, the EPSO-G Group company, incurred the below costs which were reimbursed in accordance with the Council's methodology. The reimbursed costs were recognised as income, and therefore revenue and costs, including financial result, related to PSO activities were reported under the following line items in the income statement of EPSO-G:

	2023	2022	Change	
			+/-	%
Revenue	181	192	-11	-0.06
Total revenue and other income:	**181**	**192**	**-11**	**-0.06**
Wages and salaries and related expenses	**-98**	**-106**	**8**	**-0.08**
Legal services and stamp duty	-22	-22	0	0
Other expenses	-45	-51	6	-0.12
Total expenses	**-165**	**-179**	**11**	**-0.08**
EBIDTA	16	13	3	23.08
Depreciation and amortisation	-16	-13	-3	0.23
Operating profit (loss) EBIT	0	0	0	0
Income tax	0	0	0	0
Net profit (loss)	0	0	0	0

9.2 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), EPSO-G UAB was 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, under the Resolution No 680 of the Government of the Republic of Lithuania of 23 August 2021 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. EPSO-G used its controlled legal entities to perform the assigned functions.

The physical barrier installation works were completed on time (30 December of 2022) and within the scope of the budget.

Detailed information on the physical barrier project implemented, and related project objectives is available on EPSO-G website.

Information on these special obligations committed (fulfilled) by EPSO-G and its subsidiaries is also provided in the List of Special Obligations.

Given that EPSO-G has implemented the functions of the project executor for the installation of a physical barrier at the border with Belarus, it is expected that the functions of the project executor for the installation of a physical barrier at the border with Belarus, as a specific obligation of EPSO-G, will be removed from the List of Special Obligations in the near future.

10

SUSTAINABILITY (NON-FINANCIAL DISCLOSURE) REPORT

10.1 Environment
10.2 Social Responsibility
10.3 Governance

10 SUSTAINABILITY (NON-FINANCIAL DISCLOSURE) REPORT

About the Sustainability Report

Principles and scope of reporting

The EPSO-G Group Sustainability Report (disclosure of non-financial information) is presented in accordance with the Law of the Republic of Lithuania on Financial Reporting of Undertakings and the European Union's Non-Financial Reporting Directive. This Sustainability Report is part of the EPSO-G Group's Consolidated Annual Report for 2023.

Disclosures in the Sustainability Report were made in accordance with the Global Reporting Initiative (GRI) Core Standards. The recommendations of the Bank of Lithuania, the Governance Coordination Centre (GCC) on disclosure of sustainability-related information have also been taken into account in the preparation of this report.

The information in this report covers relevant data and events within the period from 1 January to 31 December 2023. In order to improve the comparability of the results presented, and in line with the requirements of GRI standards, this report also includes additional data for previous years. Given stakeholders' expectations, the scope of disclosures has been expanded compared to the previous year's Report, with amendments made to certain data disclosed in previous periods to reflect changes in calculation methodology or new information. The content of the Sustainability Report shall include the most recent information available at the time of publication. The Sustainability Report is unaudited.

The EPSO-G Group Sustainability Report provides information on the significant environmental, social and governance impacts of the Group's activities and describes EPSO-G's contribution to the United Nations Sustainable Development Goals. Sustainability Report is part of the EPSO-G Group's consolidated annual report for 2023. Unless otherwise stated, the disclosures in the Report comprise information of all the Group companies: Amber Grid, Baltpool, Energy Cells, Litgrid and Tetas. The Group subsidiaries include a cross-reference to the Sustainability Report in their annual reports.

The previous "EPSO-G" sustainability report, published on March 21, 2023, along with the 2022 consolidated annual report, and other information regarding the Group's sustainability management are available in the 'Sustainability' section on the EPSO-G website.

Klaudija Kionies, a Head of Sustainability Development at EPSO-G (klaudija.kionies@epsog.lt.) is responsible for preparing the content of this sustainability report.

Information on the operating model

EPSO-G has a key role to play in ensuring Lithuania's smooth and reliable transition to an energy system integrating large amounts of renewable energy sources, enabling the decarbonisation of the sector, initiating system interconnection projects, and facilitating the exchange of climate neutral energy. EPSO-G's activities are understood through the platform business model. EPSO-G is working to create a coherent, transparent ecosystem based on uniform standards, facilitating exchanges between producers, suppliers, and consumers. The Group also creates value for society by empowering sustainable energy choices and contributing to national competitiveness.

Detailed information on the EPSO-G Group's business model, business environment, organisation and structure, market, objectives, and strategy is provided in the relevant parts of this consolidated annual report of the EPSO-G Group.

General information on sustainability in the EPSO-G Group

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

The EPSO-G Group aims to transform the energy sector by striking a sustainable balance between environmental, social, and economic objectives.

The Group integrates sustainability principles into the operations and processes of all Group companies. As an operator of strategically important energy infrastructure, EPSO-G contributes to the implementation of the climate change and environmental commitments set out in the Paris Agreement, the European Green Deal, the National Energy Independence Strategy, and the National Climate Change Management Agenda. EPSO-G also aims to contribute directly to the United Nations Sustainable

Development Goals by focusing on ensuring access to affordable and clen energy, combating climate change, developing modern infrastructure and innovation, safe and decent working conditions, worker well-being and a sustainable supply chain.

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

- **Environmental** - the empowerment of climate-neutral energy by reducing the environmental impact of activities.
- **Social** - building a progressive, sustainable organisation.
- **Governance** - transparent and efficient management and development of the energy exchange platform.

EPSO-G's sustainability performance is disclosed in the context of a group-wide analysis of the significance of impacts. This analysis, carried out in 2022 on a Group-wide basis, involved three steps: identification of the most significant environmental, social and governance impacts; a survey of stakeholders and Group management; and identification of the most significant impacts on EPSO-G's operations. The survey, implemented in early 2022, involved 645 respondents, including employees, suppliers, customers, business partners, local communities, associations, trade unions, the Ministry of Energy, investors, and executives and board members of the Group companies.

Under the EPSO-G Group's Sustainability Policy, approved by the Board in 2021, the Group commits to reviewing its environmental, socio-economic impacts and sustainability priority topics on a regular basis, but at least once every two years, by carrying out a materiality assessment, ensuring the involvement of stakeholders.

EPSO-G assessed the significance of 19 identified sustainability impacts, which were determined in accordance with the specificities of the Group's business activities, EPSO-G's long-term strategy until 2030, and the SASB and GRI guidelines for determining significance, as set out in international standards. The main impacts identified in operations of EPSO-G are explained below:

Environmental impacts:

- Reducing environmental impacts and GHG emissions in operations - reducing environmental impacts (air, water, soil quality), pollution and GHG emissions (CO_2, CH_4, SF_6, etc.) in the company's operations.
- Biodiversity and ecosystem conservation – protecting terrestrial and aquatic wildlife, natural vegetation, and habitats of high ecological value through activities.
- Sustainable and efficient use of resources in the company's operations - using green energy in the company's operations, using water and other resources efficiently.
- Waste minimisation, responsible sourcing, and management - reducing the amount of waste generated by operations and ensuring the safe and proper management of hazardous and non-hazardous waste.
- Creating favourable conditions for the growth of RES - ensuring efficient grid connection of renewable energy producers, smooth operation of the Energy Guarantee System.
- Decarbonising energy systems - adapting transmission grids to reliably transport new and increased quantities of renewable energy sources (electricity/biogas, methane, and green hydrogen).

Social impacts:

- Ensuring human rights and equal opportunities for employees - Ensuring human rights, creating a culture based on equal opportunities and non-discrimination within the company.
- Ensuring professional development for employees – providing professional and personal development opportunities for employees and actively developing the necessary competences.
- Employee well-being and job satisfaction – creating the environment that enhances employee well-being and satisfaction and ensures work-life balance.
- Occupational health and safety - ensuring that company and contractor employees comply with safety requirements when carrying out work, and actively ensuring the good health of employees.
- Dialogue and involvement of local communities – actively informing local communities about the activities taking place in their environment, fostering a culture of dialogue and community involvement.
- Customer satisfaction with services – the quality of services provided to customers, improving customer-centric services.
- Public action, volunteering, and social partnerships - promoting volunteering, educational activities and targeted cooperation with NGOs, research institutions and public authorities.

Governance impacts:

- Reliability and security of transmission networks – ensuring the safe, reliable, and efficient operation of energy transmission systems.
- Transparent governance and creating an anti-corruption environment - upholding standards of transparency and business ethics, not tolerating corruption and actively fighting all forms of it.
- Cybersecurity and data protection – ensuring the security of critical data, building a cyber-attack resistant IT infrastructure, and creating the organizational culture.
- Sustainable value for the economy and financial return for the State - meeting shareholders' financial return targets, ensuring return on investment, economic and social returns.
- Innovation, research, digitalisation - creating an organisational culture that fosters innovation and ensuring adequate funding for innovation.
- Sustainable management of the supply chain – increasing the share of public procurement of goods and services that meet environmental and sustainability standards, actively encouraging contractors, suppliers, and other partners to follow the recognized environmental, anti-corruption and social standards.

A matrix of the significance of the EPSO-G Group's impacts, based on the results of a survey of stakeholders and the Group's management:

EPSO-G materiality matrix

Environment:

1	Reducing Environmental Impacts and GHG Emissions in Operations	10.1.2
2	Preserving Biodiversity and Ecosystems	10.1.3.4
3	Sustainable and Efficient Use of Resources in Operations	10.1.1
4	Waste Reduction, Responsible Sourcing, and Management	10.1.3.1
5	Facilitating the Growth of RES	10.1.2.3
6	Adapting Energy Systems for Decarbonisation	10.1.2.3

Social:

7	Ensuring Human Rights and Equal Opportunities for Employees	10.2.1.4
8	Providing Professional Development for Staff	10.2.1.2
9	Employee Well-being and Job Satisfaction	10.2.1.1
10	Occupational Safety and Health	10.2.1.3
11	Dialogue and Involvement of Local Communities	10.2.2.2
12	Customer Satisfaction with Services	10.2.2.1
13	Community Action, Volunteering and Social Partnerships	10.2.2.3

Governance:

14	Reliability and Security of Transmission Networks	10.3.2
15	Transparent Governance and Creating an Anti-Corruption Environment	10.3.1.1
16	Cyber Security and Data Protection	10.3.1.3
17	Sustainable Value for the Economy and Financial Return for the State	10.3.1
18	Innovation, Research Development, Digitisation	10.3.3
19	Sustainable Supply Chain Management	10.3.1.2

A double materiality assessment is scheduled for 2024 to identify the Company's impact on the environment and society (impact materiality) and, in turn, the impact of these external factors on the Company's financial position (financial materiality).

EPSO-G's sustainability objectives have been defined by taking into account 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 strategy, the implementation of which will help to ensure the transformation of the energy sector and the transition to climate- neutral energy. As part of their long-term sustainability goals for 2030, the EPSO-G Group companies are guided by the United Nations' Sustainable Development Goals (SDGs) and are working towards the targets defined in these goals.

Topic	Goals and targets EPSO-G long-term sustainability goals for 2030	2023
Environmental	• 30 % reduction of GHG (Scope 1 and 2) emissions by 2026; 50% reduction of GHG (Scope 1 and 2) emissions by 2030 (both compared to 2019 baseline).	-12%
	• 0 significant environmental incidents in operations	1 (see chapter "Environmental area")
	• Gas transmission systems adapted to transport hydrogen	See chapter "Energy systems for decarbonisation"; "Research and development activities"
	• Enabling conditions for connecting green energy producers to infrastructure	See chapter "Adapting energy systems for decarbonisation"
Social	• 0 cases of human rights violations or discrimination	0
	• ≥ 21% women in senior management positions by 2027 (compared to 2022)	In 2023, 85% of the Board and Top Management members were men and 15% women (2022: 84% and 16%, respectively).
	• 0 serious or fatal accidents	0
	• Customer satisfaction – at least 80 according to the GCSI methodology	In 2023, the Group companies' indices according to the GCSI methodology ranged from 68 (Tetas) to >80 (Baltpool, Litgrid and Amber Grid).
Governance	• 0 cases of corruption	0
	• VCC Good Governance Index – A+	In 2022/23, the EPSO-G Group companies' Good Governance Index – A
	• 100% of public procurement is green	>95% (some procurements were carried over from 2022, therefore the result is below 100%)
	• Reliable and safe operation of electricity and gas transmission systems	See chapter "Reliability and security of transmission networks"
	• Sustainability criteria integrated into supplier requirements	See chapter "Sustainable supply chain management"
	• Innovation projects are financed as a share of the transfer revenue - at least 0.5%	See chapter "Innovation, research development, and digitisation"

Sustainability and risk management

At EPSO-G, sustainability principles are integrated into the Group's business processes, and the management of sustainability areas of competence covers all levels.

The Company's Board is responsible for setting, reviewing the long-term strategic sustainability objectives and monitoring indicators. The Board also approves policies on the environment, equal opportunities, health and safety, anti-corruption, remuneration, performance evaluation and development. Within its remit, the Board also approves the Company's annual objectives, which include sustainability-related objectives.

EPSO-G's Board also approves a list of risks at Group level, which includes risks related to sustainability: risks of non-compliance with occupational health and safety requirements, lack of adequate skills, turnover, motivation risks, risks of damage caused by natural phenomena, etc. The results of the monitoring of the implementation of the identified risks and the risk management plan are regularly communicated to the Group's corporate managers, the corporate and Group Boards of Directors, and the Audit Committee, in accordance with the remit of each of them.

The Group Sustainability Development Manager is responsible for monitoring and coordinating the achievement of the Group's sustainability objectives. Meanwhile, within the Group companies, the relevant environmental, social and governance objectives are delegated to individual functional units within the EPSO-G Group companies (e.g. environmental, occupational safety, human resources, risk, and compliance management, etc.) according to their respective competences. EPSO-G Group companies with more than 50 employees have delegated individual people responsible for ensuring equal opportunities within the company.

EPSO-G Group companies are guided by common Group-wide policies governing the unified management of environmental, social and governance issues:

- Sustainability Policy
- Occupational Safety and Health policy
- Equal Opportunities Policy
- Environmental Policy
- Transparency and Communication Policy
- Anti-Corruption Policy
- Remuneration, Performance Appraisal and Development Policy
- Corporate Governance Policy
- Procurement Policy
- Dividend Policy
- Policy of Management of Interests of Employees and Members of Collegial Bodies
- Guidelines for Research and Experimental Development and Innovation Activities
- Support Policy
- Code of Ethics
- Supplier Code of Conduct

The Group's policies are available on EPSO-G website.

EPSO-G Group companies have identified environmental, social and governance risks and, depending on the nature of their activities, have implemented measures to monitor and mitigate them.

10.1 Environment

In the field of environmental conservation, the "EPSO-G" group is dedicated to its primary objective of facilitating climate-neutral energy and mitigating the environmental impacts and emissions resulting from the activities of its companies. As outlined in the environmental policy ratified by the "EPSO-G" board in 2021, the group has pledged to monitor the environmental repercussions of its operations closely. Furthermore, it is committed to implementing state-of-the-art technologies and measures aimed at significantly reducing its environmental footprint. When operating, expanding, or modernising the infrastructure of energy systems, the Group companies have committed to ensure the protection of biodiversity, and to implement environmental management systems in its operations and to ensure that these systems comply with the requirements set. Both Amber Grid and Tetas have achieved certification of their environmental management activities according to the ISO 14001 standard. Similarly, in 2023, Litgrid obtained accreditation for its operations.
All EPSO-G Group companies have a goal of zero tolerance to environmental pollution and zero environmental incidents. EPSO-G companies take the precautionary approach by carrying out environmental impact assessments in accordance with legal requirements before undertaking projects that may have a significant impact on the environment, biodiversity, or society.

The implementation of the environmental policy is the responsibility of EPSO-G's corporate managers and environmental functional managers, who ensure that environmental aspects are identified, environmental objectives are set, plans are drawn up, targets are set to improve the environmental situation and sufficient resources are allocated to their implementation, results are monitored periodically, and processes are audited.

During the reporting period, one environmental incident was reported in the EPSO-G Group companies and related to the activities of Amber Grid. In an incident in Pasvalys district on 13 January, Amber Grid's main gas pipeline cracked, and the gas ignited. The high wall of fire and the high heat generated by the incident burnt the crops growing in the field and the herbaceous vegetation growing in the protection zone of the category II national road No 150 Šiauliai-Pakruojis-Pasvalys (the burnt area on the right side of the road is 4.5 m wide and 104 m long, and on the left side of the road 3.5 m wide and 78 m long). The combustion of natural gas released CO_2 (carbon dioxide) into the ambient air (20,200.776 MWh). Natural gas was not emitted directly into the ambient air. The environmental damage is currently under investigation. The surrounding area was returned to the original state.

10.1.1 Energy

EPSO-G Group companies strive to create an organisational culture based on a philosophy of conservation of nature and other resources. In the Group's environmental policy, EPSO-G companies are committed to using certified green electricity in their administrative activities, to expanding the use of renewable energy sources to meet the technological energy needs of the transmission network infrastructure, to prioritising and expanding the use of clean transport, and to consistently reducing the use of polluting fuels and energy efficiency measures. All these initiatives are continuously integrated within the Group. This is reflected in the aggregated energy consumption indicators presented in the table below.

Group's energy consumption indicators in 2021-2023

	2023	2022	2021
Energy from RES, MWh			
Electricity from RES	7,290	514	16
Electricity from own solar power plants	513	289	-
Non-renewable energy, MWh			
Electricity	35,411	34,977	35,749
Fuel for transport	11,966	14,552	11,558
Fuel for technical needs	70,001	75,665	29,587
Natural gas	71,124	76,644	30,394
Heating	473	440	476
Grid losses, MWh			
Electricity losses in grid	337,417	346,542	318,894
Natural gas losses in grid	69,856	75,540	29,498
Energy intensity, MWh			
Total electricity consumption (including grid losses)	380,631	382,322	354,660
Total energy consumption	604,051	625,162	456,172
Energy intensity by revenue (MWh/EUR thousand)	1.26	1.06	1.29
Share of renewable energy, %			
Share of renewable electricity in the Group's total electricity consumption (%)	2.05	0.21	0.00

In 2023, compared to 2021, the consumption of renewable energy increased by over 30 times. This demonstrates the Group's efforts to increase the use of energy from renewable sources. The primary driver of this change is the fact that the offices of the Group's companies use certified renewable electricity for their needs. Electricity and natural gas losses in 2023 decreased by 7.5% compared to 2022, indicating a more efficient process of energy transmission and utilization. The total electricity consumption in the Group's companies decreased by 3.4% annually, compared to 2021 and 2022.The use of fuel for transport at the Group level decreased by 17.8% from 2022 to 2023. This is driven by the upgrade of the fleet with more efficient vehicles and the increased integration of electric vehicles for transport. Additionally, fuel consumption for technical purposes decreased by 7.5% annually. This was influenced by the electrification of certain technical processes.

Additionally, the share of renewable electricity is increasing, along with electricity generation from self-owned solar power plants for internal use**. In** 2020, EPSO-G, Amber Grid, Litgrid and the Ministry of Energy of the Republic of Lithuania signed the agreement, whereby Litgrid committed to save 3.04 GWh of electricity in final consumer devices and/or facilities by 2030. The amount of electricity saved in 2023, compared to 2022, reached 8.41 GWh. This savings was primarily driven by nearly 10 GWh lower electricity losses in the transmission grid. On October 23, 2020, a four-party agreement No. 8-52 was concluded between EPSO-G, Amber Grid, Litgrid, and the Ministry of Energy, whereby Amber Grid commits to saving 1.15 GWh of energy by the end of 2030 in final consumer devices and (or) facilities. The amount of energy saved between 2022 and 2023 reached 5.21 GWh. This was driven by 20% reduction in diesel usage for technical purposes. Additionally, the consumption of natural gas for technical purposes decreased by 8%. (This figure does not include the 20,200.776 MWh of natural gas that leaked during an incident in the Pasvalys district on January 13, 2023, when a section of Amber Grid's main gas pipeline was damaged, causing the gas it contained to ignite.)

10.1.2 Greenhouse Gas Emissions and Climate Impact

10.1.2.1 Greenhouse Gas Emissions

The greenhouse gas emissions were calculated in accordance with the GHG Protocol: The Corporate Accounting and Reporting Standard and The Corporate Value Chain Accounting methodologies. GHG emissions are classified into three scopes: direct (Scope 1), indirect (Scope 2) and other indirect emission sources (Scope 3). In 2023, the Group and the Group companies' Scope 3 emissions were calculated, and the inventory thereof was carried out for the first time. The table below presents the consolidated Scope 3 emissions for 2022 and 2023.

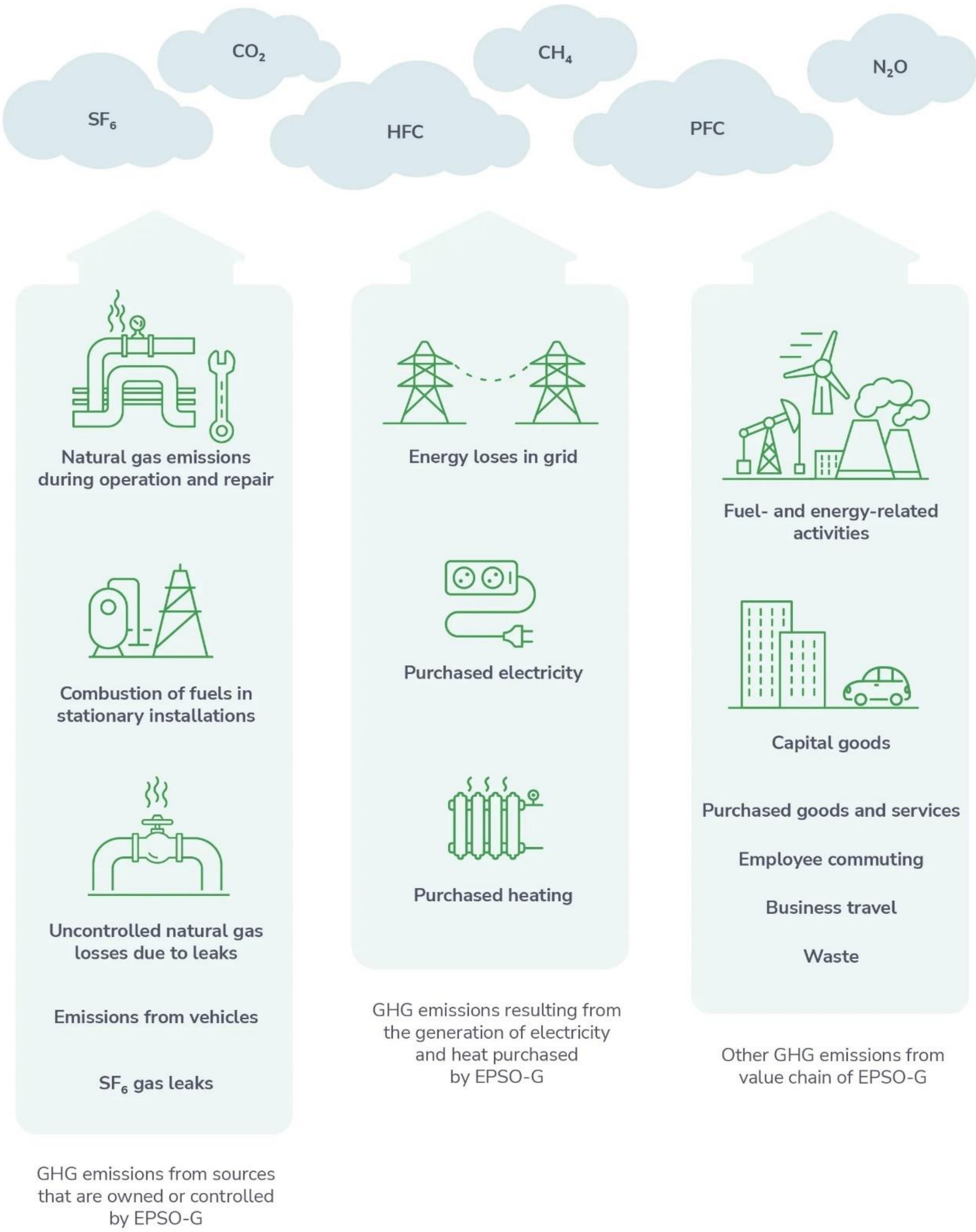
We aim to ensure increasingly precise accuracy of our GHG emissions calculations in the Group's report and disclosures in line with stakeholder expectations. It is noteworthy that the inventorying and calculations of greenhouse gas emissions in 2023 were supplemented with data from Energy Cells due to the operation of battery storage systems in 2023.

Sources of the Group's GHG emissions

The main sources of GHG emissions from the Group's operations are electricity losses in the transmission grid (Scope 2), natural gas leaks (Scope 1), fuel usage in stationary equipment (Scope 1), and emissions resulting from the acquisition of long-term assets (Scope 3, Category 2).

In terms of total GHG emissions in 2023, Scope 2 emissions accounted for the largest share - 62%, Scope 1 emissions for 16% and Scope 3 emissions for 22%.

GHG emissions in the EPSO-G group



Group's GHG emissions by sources

		tCO_2e in 2023	tCO_2e in 2022	tCO_2e in 2021	Change, % (2023/2022)	Change compared to baseline year, %
Scope 1	Natural gas emissions during operation and repair	17,608	4,946	39 063	37	-24
	Uncontrolled natural gas losses due to leaks	12,993	13,452	12,309		
	Fuel in mobile equipment	2,719	3,309	2,721		
	Combustion of fuels in stationary installations	18,927	15,998	6,573		
	Gas leakages	353	566	475		
	Total Scope 1 emissions	**52,599**	**38,271**	**61,141**		
Scope 2	Electricity losses in the transmission network	186,056	191,606	176,352	0.2	-8
	Purchased electricity for own use	19,521	19,134	19,768		
	Acquired district heating energy	23	23	18		
	Total market-based Scope 2 emissions*	**205,600**	**210,764**	**196,140**		
	Total location-based Scope 2 emissions**	**90,144**	**90,747**	**77,609**		
Scope 3 (indirect GHG emissions in the supply chain)		**73,810**	**44,573**	-		-
Total Scope 1 and 2 emissions (market-based):		**258,199**	**249,034**	**257,281**	6	-12
Total emissions:		**332,009**	**293,607**	-		-
Intensity of GHG emissions (Scope 1 and 2) by revenue, t CO_2e per EUR 1 million						
		538.8	422.2	708.5		

** For the market-based calculation of emission were based the derived emission factors calculated by "One Click LCA" - Life Cycle Metrics software using the IPCC Emission Factor Database (EFDB) and the reports of the Association of Issuing bodies (AIB). The "market -based method" emission factors were provided to the Group by independent third-party consultants licensed to use the One Click LCA software. The Group used the same factors for all reporting years presented in the table as updated factor values have not yet been calculated.*
*** The location-based Scope 2 emissions were calculated using emission factors based on data published by AIP.*

It should be noted that the emissions data for 2021-2022 differ to some extent from the last year's annual report due to revised calculations during the verification process.

The assessment of total greenhouse gas (GHG) emissions from Scope 1 and 2 in 2023, compared with the baseline of 2019, reveals a notable decrease of 12% and increase by 6% compared to 2022. In 2023, GHG emissions related to the electricity losses in the transmission grid (Scope 2) decreased by 3% compared to 2022. The amount of emissions from technological losses are influenced by grid reconstruction work within the network, associated planned and unplanned disconnections. Compared to 2019, sulphur hexafluoride gas (insulating gases, SF_6) decreased by 38%. Within Scope 1 emissions, SF6 gases account for 52% of Litgrid's emissions (Scope 1). However, at the Group level, SF6 gases represent only 1% of emissions within Scope 1.

Scope 1 emissions (natural gas leakage) from transmission of natural gas increased by 44%. The increase was primarily driven by the incident at the gas pipeline in the Pasvalys district on 13 January 2023, as well as the reconstruction work on the Vilnius-Kaunas gas pipeline over a distance of 16 km, the reconstruction of five gas distribution stations (Šiauliai, Telšiai, Grigiškės, Kėdainiai, and Vievis), and the reconstruction of the gas pressure relief valve. Compared to the baseline year, this scope's emissions from Amber Grid's operations decreased by 25%. The use of a mobile gas compressor and the replacement of gas boilers with condensing units at gas distribution stations contributed to the reduction in emissions.

Other indirect GHG emissions (Scope 3) comprise all other indirect consolidated emissions from the Group's operations, i.e. from sources neither owned nor controlled by the Group (occurring in the supply chain).
In 2023, the Scope 3 inventory included six relevant emissions categories (out of 15):

Category 1: Purchased goods and services. Third-party emissions from manufacturing of the goods and services used by the Group in its operations.
Category 2: Capital goods. Emissions from the acquisition of capital goods. This category includes emissions from the production of capital goods.
Category 3: Fuel extraction and transport (excluded from Scope 1 and 2). Third-party emissions from extraction, production, and transportation of fuels (*Well to tank; Tank to wheel*) and electricity (*Transmission & distribution*).
Category 5: Waste generated in the Group's operations. Based on actual and estimated generated amount of waste of the Group companies.
Category 6: Business Travel. Emissions associated with flights taken by employees for business travel purposes.
Category 7: Employee commuting.

The largest Scope 3 emission categories in 2023 were as follows: Capital goods (Cat. 2) - 57%, Fuel extraction and Transport (Cat. 3) - 35%, Purchased goods and services (Cat. 1) - 4%.

Currently, GHG emission reduction plans only cover Scope 1 and Scope 2 emissions, with Scope 3 emissions to be integrated into the Group's emission reduction plans in 2024.

Reduction of GHG emissions

The Group promotes and supports the global commitment to prevent the impacts of climate change and to pursue efforts to limit global warming to 1.5˚C above pre-industrial levels.

The Group's strategic objective is to reduce GHG Scope 1 and 2 emissions by 30% by 2026, and by 2030, the Group will aim to reduce emissions from its operations by at least 50%, compared to 2019 baseline. These objectives are also linked to the prospectus for sustainability-linked bonds.

In 2024, the Group intends to submit the Group's reduction targets for alignment with the Science-Based Targets initiative (SBTi). This step will enable the Group's targets and reduction plans to be aligned with a warming scenario of up to 1.5˚C.

The Group companies' main GHG reduction measures focus on the largest contributors to emissions from the electricity and gas transmission activities. This includes investments in mobile gas compressors, optimization solutions for existing gas compressor capacities, acquisition of special equipment for the reconstruction and repair of gas pipelines, procurement of renewable energy for in-house production (installation of solar collectors in reconstructed and newly constructed transformer substations, distribution stations), and reduction of technological losses in grid - procurement of green energy through power purchase agreements, among others. In Litgrid's strategy and GHG reduction plan, the installation of transformer substations (TP) without sulphur hexafluoride (SF6) gases is planned for newly reconstructed ones. Currently, a total of 10 SF_6-free TSs are planned to be reconstructed by 2030.

Additionally, measures to reduce greenhouse gas emissions (GHG) include the electrification of the vehicle fleet (it is expected that all the Group's cars and some of its special vehicles will be less polluting by 2028) and the use of green energy for own needs. More information about the development of renewable energy can be found in chapter "Energy".

In 2023, Amber Grid signed a memorandum of understanding with the United Nations Environment Programme (UNEP) and joined the Oil and Gas Methane Partnership 2.0 (OGMP 2.0). UNEP is a flagship programme for oil and gas reporting and environmental impact reduction. The Company has committed to improve methane disclosures and to reduce its methane emissions by 20% by 2028 compared to 2022. For the data of 2022 reported in 2023, Amber Grid, among the other operators, was awarded the Gold Standard Pathway, the highest possible rating, given Amber Grid's reasonable plan to achieve the highest level of accuracy of the data reported.

Climate change

The energy sector is top-priority sector for climate policy. EPSO-G, as a group of transmission system and energy exchange operators, has a key role to ensure a smooth and reliable transformation of the energy system in Lithuania. This transformation includes the development of RES and the smooth integration of increasing volumes of RES into the energy system, enabling the sector to reduce its dependence on fossil fuels, to initiate system interconnection projects and to facilitate climate-neutral energy exchanges.

In 2022, EPSO-G issued the Sustainability-Linked Financing Framework. The Framework was independently assessed by CICERO Shades of Green, the international climate change research institute. The independent assessment identifies the sustainability objectives of the EPSO-G Framework as ambitious compared to the sustainability objectives set by other similar companies operating in Europe. These objectives are also seen as largely in line with the Paris Agreement's targets for reducing climate change impacts.

For more on climate change adaptation and possibilities see chapter "Energy systems for decarbonisation". Information on the climate change risks is disclosed in chapter "Sustainability and risk management", as well as in the annual report, chapter "Compliance and risk management".

10.1.2.2 Adapting energy systems for decarbonisation

In the context of the National Energy Independence Strategy (NEIS) and National Energy and Climate Action Plan (NECAP) objectives, it is relevant for the EPSO-G Group to focus on enabling the decarbonisation of the energy sector: preparing for large-scale integration of RES, including the adaptation of the gas system to transport hydrogen, preparing for the integration of large volumes of energy from offshore wind farms, and the development of guarantee of origin schemes.

Based on Litgrid's data, in 2023, the permitted generation capacity of solar power plants connected to Lithuania's electricity transmission and distribution grids increased by 538 MW (from 570 MW to 1108 MW), while the permitted generation capacity of wind power plants increased by 265 MW (from 963 MW to 1228 MW). The total generation capacity from solar and wind resources increased by 803 MW, from 1533 MW to 2336 MW. The capacity of other renewable energy sources (biomass/biofuels/hydropower) increased by 98 MW (from 99 MW to 197 MW). The total change for all types of renewable energy was 901 MW (from 1,632 MW to 2,533 MW).

The year 2023 was marked by important regulatory developments. Litgrid was instrumental in delivering the following innovations of particular importance to the network:

Conditions have been created to connect generation capacities up to three times larger to the transmission grid, by connecting up to 100% solar, 100% wind, and 100% storage capacities into one grid capacity zone. Conditions have been established to abandon "hard limits" (e.g., 2 GW for commercial solar projects), ensuring grid security through other means. Additional benefits are provided for investments in energy storage devices, incentivizing the breakthrough of new storage projects. These changes have led to the completion of a record number of development projects in 2023, with intentions for 4,083 MW of solar, 2,815 MW of wind, and 283 MW of storage projects in inland areas. Another 1,400 MW is planned for offshore wind farms, of which 700 MW were already allocated in the first tender of 2023.

2023 was a historic year for green energy in Lithuania. For the first time, the share of electricity generated by renewable energy plants accounts for around 67% of the total electricity generated in the country. In 2022, 60% of the country's electricity (2021: 48%) was generated by renewable energy plants.

The increase in the number of renewable power plants connected to the transmission and distribution grids has led to a significant increase in the amount of clean energy produced by both wind and solar power plants. Compared to 2022, clean energy production in Lithuania's wind farms has increased by 67% (2021: 11%), and in solar farms by 131% (2021; 74%). The latter is due to the rapid addition of new prosumers.

Taking into account the energy transformation towards economic decarbonisation and the implementation of the European Green Deal, Amber Grid launched its hydrogen transportation activities in 2023 with the aim to become Lithuanian hydrogen grid operator. This will allow for the timely development of new infrastructure, the adaptation of existing gas infrastructure for hydrogen transport and the integration into the European green hydrogen transport grid.

In 2023, Amber Grid together with its regional partners (the Baltic and Finnish gas transmission system operators) completed a technical feasibility study on the adaptation of the gas transmission grid for the transport of methane/hydrogen mixtures, which will also lead to the identification of the system investment needs for different hydrogen concentrations. The adaptation of the

GRI 3-3 GRI 305-4 GRI 305-5 GRI 305-3 GRI 305-4 gas infrastructure for the transport of hydrogen is expected to take place in several phases. By 2027, the Power-to-Gas (P2G) project for hydrogen blending in the natural gas grid will be implemented in cooperation with the gas distribution system and electricity transmission system operators as part of a research programme to assess the technical parameters for adapting the natural gas infrastructure for transporting the hydrogen/methane blend, the economic feasibility, the need for legislative changes, and the potential for adapting the P2G technology to ensure energy system flexibility. The specific potential amount of hydrogen to be blended and the investment in the natural gas network will be determined after taking into account the results of the planned studies, the infrastructure capacities of the neighbouring countries, the EU requirements and the results of the economic analysis. In the period up to 2030, gas transmission and distribution systems will be adapted to transport methane/hydrogen blend of a set level.

In 2023, Amber Grid together with gas transmission system operators in Finland, Estonia, Latvia, Poland, and Germany has initiated the Nordic-Baltic Hydrogen Corridor project to create a green hydrogen transport corridor between Finland and Germany as a way to connect hydrogen production, supply and storage hubs in Finland, Sweden, Estonia, Latvia, Lithuania, Poland and Germany. This project is expected to be implemented by 2030. In 2023, this project was granted the status of the infrastructure project of European interest (project of common interest) by the European Commission. A feasibility study for this project was launched at the end of 2023. The objective of the feasibility study is to assess the main business opportunities for a cross border hydrogen corridor and the main infrastructure parameters and implementation conditions. The study is scheduled to be completed by mid-2024.

As part of the decarbonisation of the gas sector in Lithuania, the first biomethane plant in the Baltics started operating in Pasvalys district in September 2023. The plant feeds green gas into the transmission system, which is expected to feed around 100,000 megawatt hours (MWh) of biomethane each year. In addition, during 2023, four connection agreements were signed with potential biomethane suppliers with a total biomethane injection capacity of around 500,000 MWh/year. In total, about 20 companies applied for the opportunity to supply biomethane to Amber Grid's grid in 2022-2023 and received preliminary conditions for connection to the transmission grid. It is estimated that if all the projects planned to be connected to the transmission system were to come to fruition, the grid would be able to receive around 2 TWh of biomethane per year. In the long term, Lithuania's biomethane production could increase to as much as 2.5 TWh/year.

As from 2019, Amber Grid administers the National Register of Guarantees of Origin for gas produced from RES, which performs the functions of issuing, transferring, and cancelling guarantees of origin, supervising, and controlling the use of guarantees of origin and recognizing in Lithuania of the guarantees of origin issued in other countries. The register is useful for energy consumers using green gas produced in Lithuania or other EU Member States. The Company cooperates with designated bodies in other countries and with organizations in the RES gas sector and their associations to facilitate the exchange of guarantees of origin between EU Member States. From the end of 2022, biomethane with guarantees of origin is imported from the Netherlands. This biomethane is used in transport as fuel and the guarantees of origin are used in the Renewable Energy Fuel Units (REFU) system to cover the obligations of fuel suppliers regarding the share of renewable fuels in the final fuel blend. In the summer of 2023, the first guarantees of origin were issued for biomethane produced in Lithuania and injected into the gas transmission system. By the end of 2023, 47 GWh of biomethane with guarantees of origin were produced.

10.1.3 Other environmental impacts

10.1.3.1 Waste

EPSO-G Group companies are guided by the principles of pollution prevention and strive to reduce the amount of waste generated and to ensure safe and responsible waste management. The Group's companies are committed to manage waste generated by their operations according to the waste hierarchy: prevention and reduction, recycling, recovery, and disposal.

In 2023, the Group companies generated five thousand tonnes of waste: almost 98% was sent for recycling and 2% for disposal (incineration with energy recovery or to landfills).

Waste generated by categories (in metric tonnes)

Waste category	2023			2022			2021		
	Total waste generated	Waste diverted from disposal (*recycling, reuse*)	Waste diverted to disposal (*incineration with energy recovery; to landfills*)	Total waste generated	Waste diverted from disposal (*recycling, reuse*)	Waste diverted to disposal (*incineration with energy recovery; to landfills*)	Total waste generated	Waste diverted from disposal (recycling, reuse)	Waste diverted to disposal (*incineration with energy recovery; to landfills*)
Construction and demolition waste	4,772	4,744	28	3,951	3,915	36	3,682	3,681	1
Household waste	40	6	33	236	192	45	16	4	12
Waste from oil products and liquid fuel	182	176	6	69	69	0	352	349	4
Packaging waste	20	11	9	14	7	7	18	4	14
Other waste	47	42	6	164	147	17	203	196	6
Total, t:	**5,061**	**4,979**	**81**	**4,434**	**4,329**	**105**	**4,271**	**4,233**	**38**
Total hazardous waste:	231			205			542		
Total non-hazardous waste:	4,830			4,229			3,729		

Construction and demolition waste is the main waste generation source (94%). This includes waste from the construction of transmission grids, the reconstruction or repair activities by Amber Grid and Litgrid, as well as by Tetas, a company that carries out repair and construction work at energy facilities. Most waste is generated during the reconstruction of overhead lines and transformer substations in the electricity transmission grid. During the reconstruction of transformer substations, equipment that is suitable for operation is dismantled but transferred to reserve and reused. Unsuitable dismantled equipment is handed over to waste operators. In the case of redevelopment projects, non-hazardous waste is accounted for by contractors and handed over to waste operators.

In the administrative activities of other Group companies, a negligible amount of household waste is generated, which is not separately accounted for. Offices are equipped with special recycling bins. Category ''Other waste" - small and large IT and telecommunication equipment, etc. In total, they account for only about 1% of the total amount of generated waste.
Amber Grid, Litgrid and Energy Cells have developed waste management plans and are implementing them in accordance with the applicable procedures for the application of environmental requirements in their operations. Amber Grid, Litgrid and Energy Cells have entrusted the sorting and treatment of hazardous and non-hazardous waste generated by their operations to contractors with the necessary permits and waste management contracts. Companies also keep records of the waste they produce that has value (is suitable for reuse or recycling) and pass it on to the relevant waste managers or companies that buy it. Hazardous waste is sorted separately by type of waste and stored in containers that are labelled and protected from the environment before being taken away. Hazardous waste accounts for around 5% of the total waste generated in the Group.

10.1.3.2 Air emissions

Emissions into atmosphere occur only in the activities of Amber Grid, where various fuel-burning devices are used: compressors, boilers, electric generators, etc., which generate nitrogen oxides and carbon monoxide emissions.

Amber Grid's air emissions

Emissions, t	2023	2022	2021
Nitrogen oxide, NO_X	35.00	58.6	27.3
Carbon monoxide, CO	51.01	73.3	35.21

In 2023, compared to 2022, emissions from Amber Grid activities decreased by 60%. In 2022, after the construction of the Lithuania-Poland gas pipeline GIPL connection, the operation of the equipment was not yet stabilized, leading to increased fuel consumption in stationary equipment and consequently increased emissions into the atmosphere. In 2023, stationary equipment in gas compressor and gas distribution stations, as well as in the Vilnius branch, operated more steadily, resulting in more efficient fuel consumption and increased emissions.

In order to reduce emissions into the atmosphere, in 2023, Amber Grid initiated the purchase of a new electric compressor for the Jauniūnai compressor station. The electric compressor will not use fossil fuels for its operation and will take over the workload from the gas compressors. The expected outcome – reduction of both air pollution and GHG emissions. The upgrade is also planned for the Panevėžys Gas Compressor Station. The reconstruction of gas distribution stations in 2023 involved the replacement of conventional combustion installations with condensing installations, which reduce fuel consumption and thus emissions into atmosphere. Moreover, the potential of replacing some fossil fuel boilers with electric boilers is being assessed, with a first pilot project is scheduled for 2024.

10.1.3.3 Water

The companies within the EPSO-G group primarily use water for household purposes and for replenishing fire reservoirs. Amber Grid's surface and domestic wastewater is treated in wastewater treatment plants: a biochemical reactor, sludge settling tanks, and oil traps. After treatment, the wastewater is discharged to the natural environment or to centralised wastewater networks. To control and ensure the quality of the treatment of wastewater discharged into the natural environment, the wastewater pollution is monitored on quarterly basis.

Water usage in the Group

	2023	2022	2021
Water withdrawal, m^3			
Municipal water supply	2,218	1,488	1,253
Groundwater	7,495	7,210	5,492
Rainwater	885	0	0
Total	10,598	8,698	6,745
Water discharge, m^3			
Untreated wastewater discharged to third-party treatment plants	3,200	5,406	1,897
Treated wastewater discharged to wastewater networks (domestic)	1,547	676	693
Treated wastewater, discharged to environment (domestic)	813	741	679
Treated wastewater, discharged to environment (rainwater)	14,617	14,269	14,318
Total	20,177	21,092	17,587

10.1.3.4 Biodiversity

EPSO-G Group companies operating, expanding, or upgrading the infrastructure of energy systems, or otherwise carrying out their activities, are committed to protect biodiversity by monitoring biodiversity where necessary and, in the event of unavoidable objective circumstances, by planning and implementing the necessary mitigation or compensation measures. This is ensured by carrying out a mandatory Environmental Impact Assessment (EIA) before undertaking projects or works.

Amber Grid's compressors, gas metering, gas distribution stations and gas pipelines that (including a 25-metre protection zone) enter, border, or cross the protected areas and objects. In total, Amber Grid's stations cross 3 protected areas and cross the Luponė stream. Meanwhile, the Lithuania-wide main gas pipeline crosses 414 rivers, 9 ponds, enters the territory of 41 nature reserves, 2 botanical objects of natural heritage, 5 biosphere polygons, and 52 territories important for the protection of habitats. After the completion of the GIPL (Gas Interconnection Poland-Lithuania) project in 2022, post-construction monitoring of the individual phases will be carried out for 4 years. During this monitoring, how the local flora, fauna, and species diversity characteristic of the area are recovering from the construction of the pipeline is monitored and it is decided whether additional measures are needed to restore or improve the pre-construction situation. Although the biodiversity and the landscape at the pipeline construction site was monitored and monitoring shows a natural recovery of biodiversity and landscape have occurred. No additional measures (riverbank stabilization, sowing of grass, etc.) were necessary in 2022 and 2023.

More than 606 km of Litgrid's overhead transmission lines and about 21 km of cable lines pass through protected areas. The greatest impact of the ongoing activities is manifested in bird populations. After carrying out EIA procedures and consulting ornithologists, the power lines are equipped with the bird flight diverters to increase the visibility of wires to birds and bats. Litgrid also carries out post-construction monitoring in projects, i.e. monitoring of physical impact of overhead lines on birds and bats. No significant impact on bird and bat populations or species diversity was identified in 2021, 2022 and 2023.

During the bird nesting season, both Litgrid and Amber Grid take measures to minimise the impact on birds during operational or construction works. Following ornithologists' recommendations, work activities are restricted from May 1st to July 31st to avoid disturbing bird breeding during this period. This is carefully assessed before scheduling project activities.
The Group Biodiversity Policy is planned to be developed 2024 to promote both preservation and recreation of biodiversity.

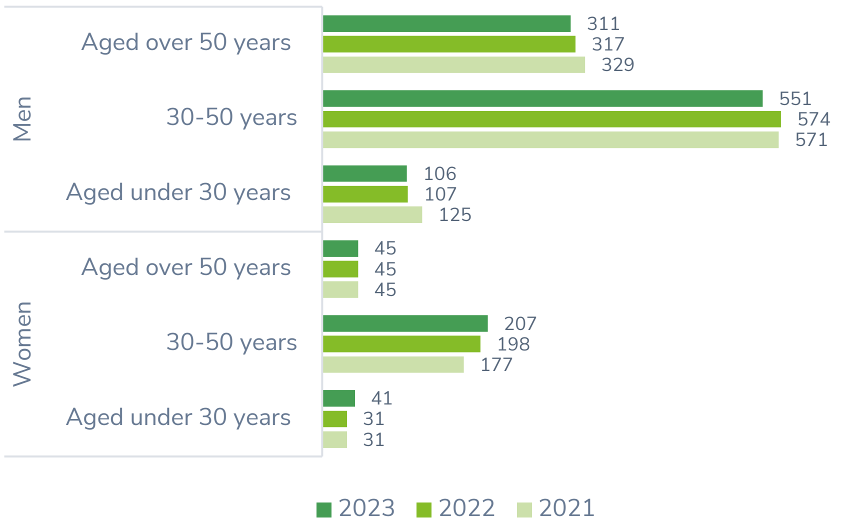
10.2 Social responsibility

10.2.1 Employees

EPSO-G's purpose is to create a progressive, sustainable culture. Inherent elements of this culture include caring for the well-being and development of employees, fostering a culture of safe work, promoting equal opportunities, building open and mutually trusting relationships with local communities, and ensuring customer satisfaction with the services provided. EPSO-G aims to be an organisation that is seen by a large majority of suppliers, producers, consumers, employees, communities, and other stakeholders perceive as adhering to the principles of sustainability.

In 2023, the EPSO-G Group's employment rate was 23% for women and 77% for men. A similar gender structure of employees has been established over recent years and is due to the specific nature of the Group's activities, where most employees are required to have a degree and/or qualification in engineering. There are very few women in the Lithuanian labour market to whom engineering is the first choice, therefore the gender structure of the EPSO-G Group's employees reflects the situation on the labour market.

Number of employees by age groups and gender in 2021-2023

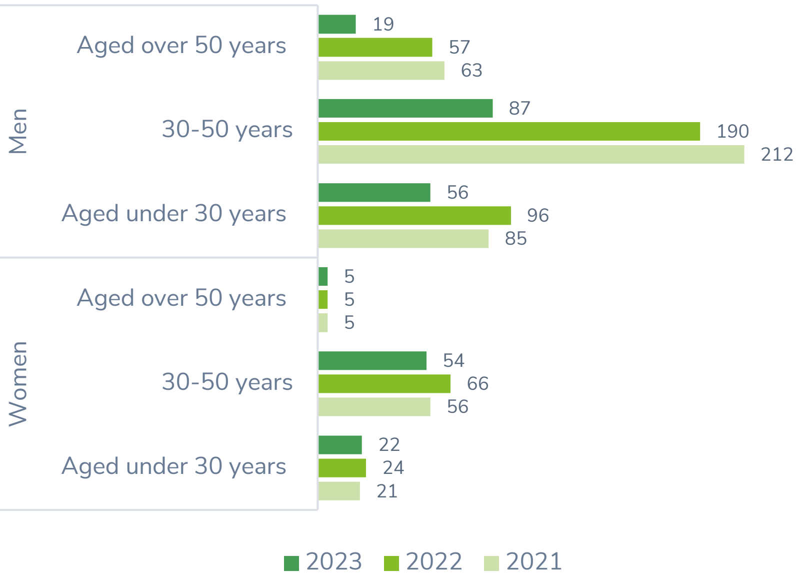


At the end of 2023, the highest share of employees aged 30-50 years accounted for 65% of the EPSO-G Groups workforce. Employees aged over 50 years represented 25%, while employees aged under 30 years – only a small proportion of the workforce, around 10%. This age structure of employees is the result of the high-level qualifications required for most positions, therefore the EPSO-G Group attempts to retaining professionals in their respective fields and providing them with favourable working conditions until retirement.

The EPSO-G Group companies provide employees with additional health care insurance, reimburse vaccination against seasonal diseases, ensure strict compliance with occupational health and safety requirements, organise periodic workplace health checks, and provide accident insurance cover for employees working in infrastructure facilities.

The 30-50 years age group dominates the number of employees recruited in recent years, representing 60% of the total workforce. Employees under 30 years represent 31% of those recruited in recent years. This proportion is higher as compared to the 10% share of this age group in the total number of the EPSO-G Group's employees. The proportion of employees in the age group over 50 recruited in recent years is smaller than that in the total workforce, accounting for 9%. This demonstrates the natural workforce rejuvenation as long-serving staff leave or prepare to retire. Given the specific nature of the EPSO-G Group's activities, the successors of the latter employees are being trained one year or even few years before their well-deserved retirement to ensure the business continuity of the Group companies.

Newly hired employees by age groups and gender in 2021-2023



Employees are entitled to guarantees under the Labour Code of the Republic of Lithuania: additional days off for raising children, parental leave, and paternity leave. During parental leave, employees have access to health insurance and benefits, receive communication and are invited to the Company's events and initiatives for employees and children.

Remuneration of an employee on parental leave (PL) is subject to review before his/her return to bring it into line with that of others in the same position, thus maintaining fair pay for all, allowing to fit work around their family needs, for example by starting part-time.

Number of employees on and returning from parental leave by age groups and gender in 2021-2023

	Women		Men	
	on PL	returning from PL	on PL	returning from PL
2023	12	5	1	1
2022	15	3	0	2
2021	7	2	2	0

In the EPSO-G Group, the predominant type of contract is open-ended, but, where appropriate, employees are recruited under fixed-term contracts, e.g. to cover an employee on parental leave or for project work. The type of employment contract is identified without discrimination in terms of gender, age, or any other personal aspects, and it is up to the agreement and needs of the Company and the employees. In 2023, the number of men employed under fixed-term and part-time contracts dropped significantly due to the completion of the Tetas and Energy Cells' projects for which such employees were recruited.

Types of employment contracts by gender in 2021–2023

	Women		Men	
	Fixed-term contract	Part-time employment	Fixed-term contract	Part-time employment
2023	10	6	9	12
2022	12	5	39	49
2021	18	10	34	30

10.2.1.1 Employee well-being, rewards, and job satisfaction

The EPSO-G Group is an open, progressive, and sustainable organisation, where there is a professional partnership between employer and employee, where every employee has the opportunity for self-development, grows with the organisation and is able to take responsibility for his or her own decisions and actions.

The EPSO-G Group manages its payroll budget responsibly to ensure efficiency and optimum operating costs. Staff is paid a performance-related salary, as well as incentives for achieving challenging targets. The Group also provides employees with health and welfare benefits: voluntary health insurance, birth grants, payments for raising three or more children, single parenting, death of a close family member and accidents. Employees are granted additional days of leave and other guarantees beyond the minimum social guarantees set out in the Labour Code of the Republic of Lithuania.

The EPSO-G Group has a uniform remuneration policy based on the principles of responsibility and accountability. Its aim is to effectively manage the Group's payroll costs and to create motivational incentives to ensure that the level of remuneration is directly linked to the achievement of the objectives set for the company and for each employee.

The monthly remuneration of an employee considers the position level, the situation on the labour market and the competence of the employee in fulfilling the requirements set for the job. Position levels are determined in accordance with the following criteria: (i) the education, expertise, qualification and experience required for the position (including the ability to effectively plan and organise one's own work and the work of others, and the ability to effectively communicate and cooperate with stakeholders); (ii) difficulty/complexity of decision making of the post; (iii) the position's responsibility for and power of independent decision-making, and the extent and nature of the impact on the Company as a whole or part thereof.

In 2023, a new remuneration policy is in force in the EPSO-G Group, the primary purpose of which is to ensure equal payment for work equivalent in terms of responsibility, competencies and contribution to the result, to encourage employees to achieve better performance results, to contribute more actively to the achievement of the goals of the Company and the Group companies, to go beyond the formal performance of their duties, to develop innovative, out-of-the-box solutions, and to improve performance, as well as to attract and retain qualified employees. With a new remuneration policy, a part of the variable pay component paid under the previous policy was added to the monthly remuneration, thus redistributing the weighting between monthly remuneration and financial incentives. Total remuneration per employee increased by around 18% on average in 2023. The increase was driven by a remuneration review and increase in remuneration for existing employees, a change in the position structure due to the introduction of new higher-level positions. Additionally, following the entry into force of the amendment to the Labour Code of the Republic of Lithuania, the compensation has been added to the monthly remuneration of Tetas' ambulant workers.

Average monthly remuneration of employees in the EPSO-G Group by gender and age (EUR)

	Women			Men		
	Under 30 years	30-50 years	Over 50 years	Under 30 years	30-50 years	Over 50 years
2023	2,537	3,738	3,700	2,714	3,924	3,791
2022	1,982	3,106	3,119	2,171	3,309	3,134
2021	1,751	2,956	2,616	2,122	3,360	3,309

Average monthly remuneration of employees in the EPSO-G Group by gender and position (EUR)

	Women			Men		
	2023	2022	2021	2023	2022	2021
Top Management	6,965	7,132	7,667	9,733	8,410	8,406
Middle and First-Level Managers	5,413	4,485	4,140	5,479	4,908	4,638
Professionals	3,187	2,661	2,329	3,399	2,888	2,754
Workers	No data	No data	No data	2,056	1,756	1,587

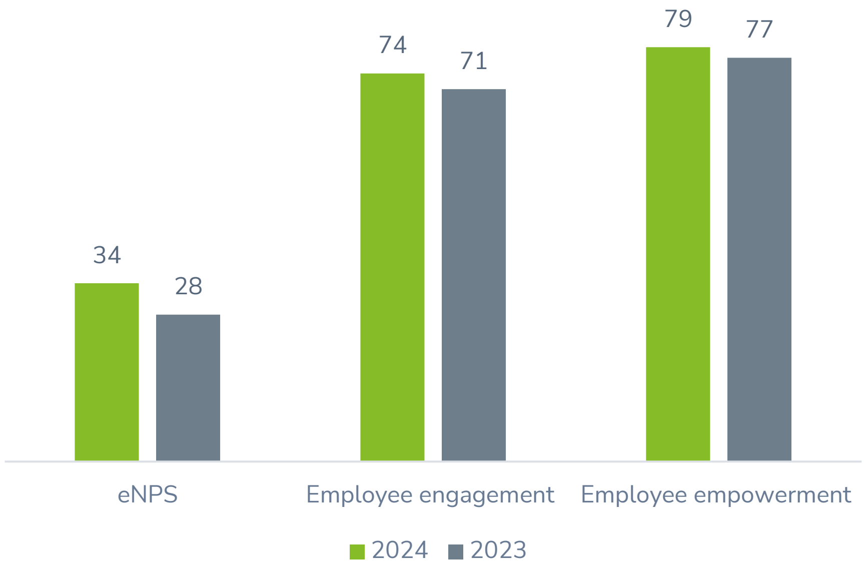
The EPSO-G group adheres to the provision that all employees of the group's companies are free to join trade unions without any restrictions. Amber Grid and Litgrid have trade unions and collective agreements in place, which set out working, remuneration, social, economic and professional conditions and guarantees beyond the statutory minimum guarantees set for employees. The collective agreements with Amber Grid and Litgrid employees provide for additional notice periods and consultation provisions in relation to changes in remuneration and working conditions, planned structural changes, redundancies and other issues that may have a significant impact on employees. In EPSO-G and Tetas, where the number of employees exceeds 20, work councils have been set in accordance with the Labour Code of the Republic of Lithuanian, and successfully represent employee interests.

The table below shows the number of employees of Litgrid and Amber Grid who belong to a trade union. It should be noted that 100% of employees in these companies are covered by collective agreements, regardless of their trade union membership.

Company name	2023	2022	2021
Amber Grid	157	198	180
Litgrid	113	99	95

Each year, the EPSO-G Group companies measure employee loyalty (Employer Net Promoter Score, eNPS), engagement and empowerment. The eNPS measures the number of employees willing to recommend their employer and believe that the employer meets their image of the best employer. Employee engagement measures the number of employees who are motivated at work, satisfied with the content of the job and willing to go beyond what is formally expected. The EPSO-G Group has already achieved the 2030 target of ≥72% in 2023. Employee empowerment measures the number of employees who believe they have all the necessary authority and tools to make decisions within the scope of their job.

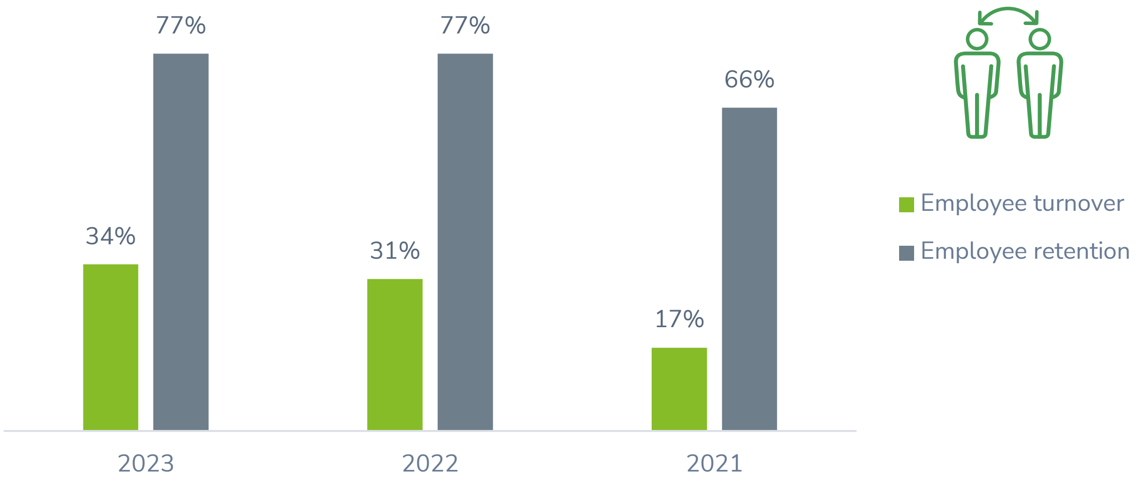
Result of the surveys carried out in the EPSO-G Group in January 2023 and 2024



It should be noted that the EPSO-G Group's scores for job satisfaction, engagement and empowerment are higher than the average scores of private businesses and state-owned enterprises in Lithuania in the same year.

In 2022-2023, the employee turnover rate in the EPSO-G Group was higher than in the Lithuanian labour market, where the average employee turnover rate was around 22% (according to Korn Ferry). Such outcome was determined by the employee turnover in Tetas, which is usually higher than the labour market's average due to the specifics of the project work, i.e. additional employees must be hired at the beginning of the project and dismissed when the project finishes. Additionally, the turnover rate was influenced by the turnover of Energy Cells employees in 2023. Since its establishment in 2021 until the end of 2023, Energy Cells carried out a project for the construction of a battery park, which required hiring a significant number of technical experts working on fixed-term contracts and part-time. Most of them were Litgrid employees who took on additional work. After the completion of Energy Cells' project and termination of employment contracts, these employees have remained in their main posts with Litgrid. It should be noted that the employee turnover in Litgrid and Amber Grid over the last three years was around 11%, i.e. half the average turnover rate in Lithuania.

Employee turnover and retention in the EPSO-G Group in 2021-2023



10.2.1.2 Professional development for staff

EPSO-G Group companies continuously encourage and create opportunities for employees to develop their skills and qualifications. The employees are provided with the opportunity to develop their professional (functional) and generic (values-based), and leadership competences. To maintain and strengthen the quality of management processes, a strong emphasis is placed on developing the competences of managers.

Employee development at the EPSO-G Group is based on the 70-20-10 principle, whereby 70% of development, training and learning activities are carried out through the employee's work experience, 20% through interaction and collaboration with colleagues and managers with diverse experience and competences, and 10% through structured training events. Staff development activities are planned in line with the EPSO-G Group's and the company's strategy, values, performance appraisal, competency model, shift planning, and assessment of professional and technical skills. In 2023, the highest annual average number of training hours per employee was recorded for Litgrid and Energy Cells' employees in the "Professionals" category (61 hours), and for Tetas' employees in the "Workers" category (42 hours). In all these companies, around 60% of employees work in engineering roles, therefore they must receive continuing further training and learn new technologies.

External and in-house training within the EPSO-G Group in 2021-2023

	2023	2022	2021
Annual average number of training hours per EPSO-G Group's employee	47	48	31
Number of external training courses attended by the EPSO-G Group's employees	N/D	97	90
Number of in-house training sessions attended by EPSO-G staff	N/D	15	7

Average number of training hours by gender in 2021-2023

	2023	2022	2021
Women	40	42	23

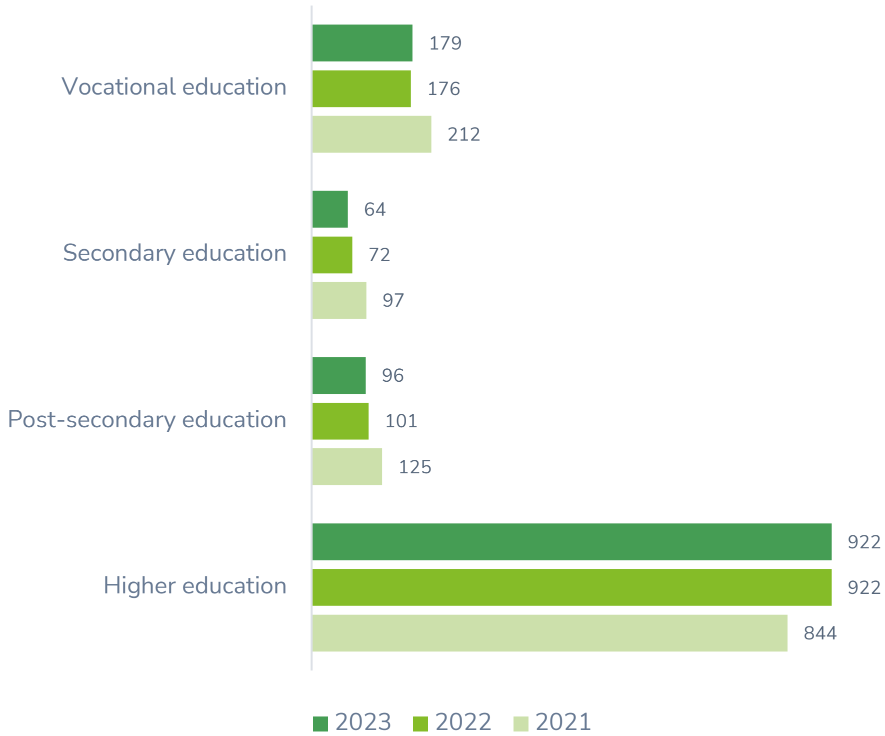
Men	49	46	25

Average number of training hours by employee categories in 2021-2023

	2023	2022	2021
Top Management	33	43	44
Middle and First-Level Managers	47	55	43
Professionals	42	35	25
Workers	55	41	36

At the end of 2023, the majority of employees in the EPSO-G group - 73% - had a higher education degree, 14% had vocational education, 8% had post-secondary education, and 5% had secondary education.

Employee structure by educational background in 2021-2023



In EPSO-G group, staff members' performance is evaluated in different ways and at different intervals, depending on the nature of their activities and responsibilities. The performance of all employees, regardless of their position, age, or gender, is subject to an annual appraisal, in which an employee and his/her manager discus and evaluate the employee's performance in the relevant areas: achievement of the employee's annual objectives, quality of performance, compliance with the value behaviours, competences, and the manager determines the overall result of the performance appraisal.

Employees subject to performance appraisals by gender in 2021-2023

	2023	2022	2021
Women	244	206	218
Men	644	648	588

Employees subject to performance appraisals by category in 2021-2023

	2023	2022	2021
Top Management	30	23	24
Middle and First-Level Managers	146	133	128
Professionals	624	593	552
Workers	96	93	92

Performance appraisal interviews were conducted for all (100%) employees who were employed during the performance appraisal period in the relevant company and whose probationary period had expired at that time.

10.2.1.3 Occupational safety and health

One of the key strengths of the EPSO-G Group is its experienced and competent workforce, whose safe working environment, well-being, and health are a prerequisite for the achievement of the strategies and objectives of the EPSO-G and its member companies, and for the maintenance of an excellent reputation.

EPSO-G's Occupational Safety and Health Policy, approved by the Board and applicable to all the Group's companies, sets out the objective of providing employees with safe and healthy working conditions in their workplaces, preventing work-related injuries and occupational diseases, and creating a company-wide culture of promoting a safe and healthy environment that commits every employee to strive for and contribute to it.

Regular risk assessments are carried out and risk reduction measures are put in place to ensure occupational safety and health at all workplaces in the EPSO-G Group companies. All dangerous events (equipment failures, accidents, incidents) are subject to recording. Once the causes and circumstances of the events have been established, preventive measures are introduced to prevent similar events from occurring. Occupational safety violations identified are reported to the heads of departments or representatives of contractors. Internal and external audits are carried out to prevent occupational safety violations or accidents.

Every year, the EPSO-G Group companies strive to ensure that no serious or fatal accidents occur among its employees or contractors and subcontractors. No serious or fatal accidents occurred at any the EPSO-G Group company in 2023. There were four accidents in 2023, comprising a minor hand injury at Amber Grid and minor eye, leg, and arm injuries at Tetas. All the occupational accidents did not have critical and lasting consequences on health and well-being of employees. Furthermore, the accidents did not affect the companies' performance and business continuity.

Number of accidents in the EPSO-G Group in 2021-2023

	2023	2022	2021
Number of accidents	4	4	2
Total hours worked	2,168,172	2,392,925	2,061,947
TRIR (total recordable injury rate per 200 thousand hours worked)	0.37	0.33	0.19

The EPSO-G Group companies develop competencies and knowledge of their employees in occupational safety and health to sustain accident-free operations. In addition to mandatory and periodic briefings and instructions for both employees and contractors, there is additional safety training for managers, civil protection, and fire safety training, first aid courses, defibrillator usage training, and equality training. Employees are invited to take part in various sport or healthy lifestyle initiatives and events to raise their awareness of healthy ways of life. Employees are also offered a free seasonal influenza vaccination. Furthermore, the outdoor workers of Litgrid, Amber Grid and Tetas are invited to receive a free tick-borne encephalitis vaccine. The EPSO-G Group's employs are also provided with additional health care insurance.

In 2022, occupational health and safety management systems of Amber Grid and Tetas have been re-certified to ISO 45001. The external surveillance audit of the management system carried out in both companies did not reveal any non-conformities. Litgrid's occupational safety and health management system was also certified according to ISO 45001 in 2023.

10.2.1.4 Human rights and equality

EPSO-G aims to make an active contribution to the implementation of the human rights and equal opportunities goals of the United Nations 2030 Agenda for Sustainable Development and the commitments to equal opportunities set out in national laws.

EPSO-G Group companies prohibit all forms of discrimination and do not tolerate any form of mobbing, psychological violence, bullying or abuse. Group companies respect and protect the rights of every employee, treat them with respect and fairness, provide safe working conditions that meet their needs, promote their personal and professional development, and do not discriminate against employees in any form.

EPSO-G's equal opportunities policy provides that, in the case of recruitment to jobs in the Group's undertakings, candidates are subject to the same selection criteria and conditions, except where the nature of the type of professional activity in question, or the conditions of its pursuit, makes a particular human characteristic an essential and decisive professional requirement, and where this objective is legitimate, and the requirement is proportionate.

Job advertisements specify the competences, experience and skills required for the job function. Vacancy announcements shall be designed so that they do not restrict eligibility for a position to candidates of a particular gender, race, nationality, origin, social status, religion, belief or opinion, age, sexual orientation, disability, ethnic origin, or religion.

The EPSO-G group companies make it possible to report possible cases of discrimination both anonymously, especially in cases where identification is not necessary to investigate the report, and by disclosing identity.

All reports received shall be recorded and must be investigated. The internal investigation shall be carried out within the shortest possible time, but not more than 30 calendar days from the date of receipt of the report, with the possibility of an extension of another 30 calendar days. The findings of the internal investigation committee, as approved by the internal investigation committee, shall be submitted to the company's head of management, who shall decide whether to open an investigation into the breach of labour law or to take other measures, if necessary. The persons concerned (the victim and the complainant) shall be informed in writing of the conclusion. Depending on the nature of the breach, the employee may be subject to disciplinary action for breach of his/her duties.

	2023	2022	2021
Reports received through the helpline on possible cases of discrimination, mobbing at work and human rights violations	0	2	0
Investigating reports of possible cases of discrimination, mobbing at work and human rights violations	0	2	0

Confirmed cases of discrimination, mobbing at work and human rights violations	0	0	0

The EPSO-G Group has the equal opportunities policy and the procedure for the prevention of discrimination, violence, harassment, and sexual harassment in place. It describes possible ways to identify violence, discrimination, harassment and sexual harassment, measures to prevent them, and procedures for reporting and dealing with possible inappropriate behaviour observed or experienced. The procedure provides for measures to protect the reporting persons and victims and forms of assistance to them.

The employees of EPSO-G Group companies can report possible human rights violations or discrimination through a dedicated helpline channel: by email, phone or by filling in the reporting form available on EPSO-G website. Reports can also be made anonymously.

In 2023, all the EPSO-G Group companies implemented action plans for improving equal opportunities based on theoretical and practical training of all employees to ensure that each employee has a personal responsibility and commitment to provide equal opportunities in the workplace through his/her own professional behaviour. As employers, the Group companies ensure equal opportunities in all aspects of an employee's performance in the organisation, such as performance appraisals, development, additional benefit offerings on equal terms are applied to all employees, regardless of their position.

Litgrid has traditionally proclaimed November 2023 as Equal Opportunities Month. It involved training and events to deepen staff understanding and knowledge of what equal opportunities mean in an organisation and what effective ways we can work towards achieving them. Litgrid also has an Equality Embassy, where its employees implement various initiatives to promote equal opportunities.

10.2.2 Customers and society

10.2.2.1 Customer satisfaction with services

Such EPSO-G Group companies as Litgrid, Amber Grid, Baltpool and Tetas operate in B2B segment, and thus they are continuously improving their customer service systems and processes, with a focus on upgrading and automating customer self-service systems.

Litgrid's customers are electricity distribution network operators, electricity producers and suppliers, and large industrial companies that use electricity. Each year, the number of renewable energy consumers connected to Litgrid's system continues to grow.

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, and biomethane producers.

The customers of Baltpool are the biofuel buyers operating in Lithuania, other Baltic countries, and Poland (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 fibers). Meanwhile, in the activity of timber auction organisation, the customers are timber sellers, specifically the State Forestry Enterprise and its territorial subdivisions, and companies using timber products in their activities. 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 customers of REUs administration activities are fuel suppliers operating in the country, who are obliged to register with the Renewable fuel accounting unit's system and to declare data on the fuel supplied to the market and used by drivers, according to its type, origin, and energy value. Meanwhile, the customers of the Emergency Response Fund Management activities are electricity generators and companies active in the crude oil, natural gas, coal, and oil refining sectors.

The customers of Tetas are owners, developers, sellers of energy infrastructure. Currently, the key customers of Tetas are Litgrid and ESO.

In November-December 2023, Shopper Quality Group, a market research agency, carried out a customer satisfaction survey of the Group companies Amber Grid, Baltpool, Litgrid and Tetas. 211 customers took part in the survey, which is now in its third year.

The results of the survey revealed that, same as in 2022, among the Group companies, Amber Grid and Baltpool (each 83 points) and Litgrid (81 point) were among the companies that received the highest customer satisfaction scores according to the GCSI (Global Customer Satisfaction Index) methodology. During the year, the score of Amber Grid improved by one point, whereas the scores of Baltpool and Litgrid fell by one and three points, respectively. The results place them among the market leaders, which are companies that have achieved a GCSI score above 80.

The fastest grow of customer satisfaction (rated according to the GCSI methodology) during the year was recorded for Tetas: the score 68 points was achieved in 2023 and further grew by 5 points.

Having regard the customer needs, since October 1, Amber Grid has been providing transmission system users with access to an advanced electronic transmission service system, which ensures more convenient ordering of volume and capacity, as well as the submission of up-to-date and high-quality data on the status of completed orders. Additionally, from the beginning of 2023, Amber Grid has launched a continuous practical employee attitude development campaign “Pabūk kliento batuose” (Put yourself in the customer’s shoes) to reinforce each employee’s attitude towards customers. Baltpool further made improvements in the biofuel exchange system, such as certificate modules and document signing systems. In 2023, Litgrid started measuring customer satisfaction after each stage of renewable energy development (signing of the Letter of Intent, issuing pre-conditions for connection, issuing connection conditions).

The GCSI index consists of a score from 0 to 100, calculated by assessing three criteria: overall satisfaction with the company, its compliance with expectations and its comparison with an imaginary ideal company.

10.2.2.2 Local communities

EPSO-G Group companies inform local communities in advance about projects in their neighbourhoods. During the implementation of the projects, the timing of works is coordinated with the residents. The aim is to minimise inconvenience to residents throughout the project.

To ensure the safety of people living close to gas pipelines and to raise the awareness of the population, Amber Grid implemented a public awareness campaign ‘Protect yourself and the pipeline’ in 2023. The campaign was designed to draw the attention of people living or working or having a property close to the main gas pipeline to the gas pipeline, its protection zones, and class territory of the area ensuring safety. The campaign raised public awareness of the standards for property development near gas transmission system facilities, encouraged people to plan their activities near gas pipelines more carefully, to check the applicable activity restrictions and to comply with the rules.

During Amber Grid’s largest infrastructure project in 2023, i.e. the reconstruction of sections in the Vilnius-Kaunas gas pipeline, high priority was given to the local community. Kaunas and Kaišiadorys district municipalities and residents were kept informed through direct interpersonal communication and information posters about the start of the work, the main planned stages of the work and related temporary inconveniences, as well as about the completion of the work. The project involved cooperation with residents and contractors on the repair of roads.

In 2023, five meetings of the ‘Security Conversations’ series of events for communities took place. With this initiative, Amber Grid aims to build a sustainable relationship with citizens living or having property close to the pipeline, to explain the importance of the protection zones and the steps we are taking to ensure the safety and reliability of the pipeline.

The Company places great emphasis on engaging with the communities where it has ongoing activities, plans to carry out or carrying out works that affect the environment and quality of life of residents.

In the districts where works are scheduled, visits of the Litgrid’s representatives to municipal offices are planned, municipal administrations, mayors are provided with the plans and deadlines for the works, as well as the contact details in case of any inconvenience to the residents. In 2023, the districts of Joniškis, Kretinga, Vilnius and Šilutė were visited.

Once works are commenced, Litgrid contractors inform local communities in advance about projects in their neighbourhood. During the implementation of the projects, the timing of works is coordinated with the residents. The aim is to minimise inconvenience to residents throughout the project.

In areas where operating equipment cause noise, Litgrid carries out noise measurements, participates in meetings with residents and resolves any issues that arise. In 2023, an installation of a noise barrier was initiated in the Alytus district near the LitPol Link substation operated by Litgrid.

The battery energy storage systems of Energy Cells were installed in districts of Vilnius, Šiauliai, Alytus and Utena. From the inception of the project, the company communicated to the neighbouring communities the nature of the project, its importance for the energy sector, and the phases of the project. The awareness of communities was raised through meetings in their municipalities, the media, and face-to-face meetings with residents, as well as through the company's website. Given that battery storage facilities are the first of their kind in the Baltic region and that residents may have questions about the operation and environmental impact of such facilities, the company has put great emphasis on describing, explaining, and presenting these questions. Moreover, during the construction phase of the project in 2022, efforts were made to minimise construction-related inconvenience to residents by properly planning heavy-duty vehicle movement routes and timing to maintain peace of residential neighbourhood during rest periods.

In 2023, as during previous years of the project, Energy Cells aims to build open, transparent, and socially responsible relationships with communities, municipalities, and the representatives of the National Public Health Centre (NPHC). A great deal of attention was paid to noise issues. Once testing of the battery parks were launched, the representatives of the Vilnius Battery Farm's neighbouring communities were offered the opportunity to visit the battery parks to look at the acoustic sound-absorbing walls installed. Moreover, acoustic measurements were carried out in all four battery parks, which, as confirmed by representatives of the National Public Health Centre, showed that the noise abatement measures installed around the battery parks were adequate.

It must be noted that, during the implementation of the project, EPSO-G, Litgrid, and Energy Cells set a project team taking into account that the battery storage facilities were built next to Litgrid's existing infrastructure, and the complaints received from residents in Vilnius and Alytus about the noise emissions from Litgrid's substations, near which the battery parks were built. The project team, which is coordinated by EPSO-G, is going to carry out a sound measurement study in Vilnius substation and Vilnius Battery Farm for the purpose of installing additional noise abatement measures. The efforts of the companies to maintain contact with communities and to improve the existing situation has been observed and welcomed by NPHC.

Energy Cells also teamed up with the communities to replant vegetation and trees removed from the territory of the battery park, as required by the procedure of Vilnius City Municipality Administration. The company asked the residents to identify the areas where they thought tree planting would be extremely necessary and useful and, after coordinating with the Vilnius City Municipality Administration, planted the trees in the areas identified by the residents.

10.2.2.3 Volunteering

By contributing to the achievement of goals that are important to society or the local community, the EPSO-G Group companies in 2023 promoted voluntary, unpaid involvement of employees in charitable activities and environmental actions.

In 2023, EPSO-G together with Baltpool, Energy Cells and GET Baltic, the Group companies, organised a forest planting event. Furthermore, employees of EPSO-G, Litgrid, Baltpool and Tetas joined the Favourable Pinwheel campaigns organised by the charity trust Rugutė. For 16 years, the Fund has been providing informational, financial, medical, and psychological support to children who are or have been ill with cancer.

Amber Grid encourages its employees to volunteer. In 2023, 37% of the Company's employees joined volunteering activities, participating in *Darom*, Blood Donation, Favourable Pinwheel campaigns, etc.

In 2023, Litgrid's employees volunteered in the initiatives of the Food Bank, and volunteers from Litgrid organised the accommodation and integration of the families of Ukrainian electricity transmission system employees in Lithuania. Additionally, in 2023, "Litgrid" organized its traditional tree-planting event, during which employees of "Litgrid" and family members of employees from the Ukrainian electricity transmission system company "Ukrenergo" planted and cared for the forest together. Since the beginning of the war, Litgrid has organised the accommodation of 100 people in Vilnius, helping them to integrate and deal with the daily challenges of moving to another country.

Following a request for assistance from the Ukrainian electricity transmission system operator, Litgrid provided support for equipment for the restoration of the electricity grid in Ukraine: it shipped 110-330 kV primary equipment, current and combined transformers, insulators, current transformers and splitters, and a 330/110 kV autotransformer. The equipment available in Lithuania is technologically suitable for the reconstruction of the Ukrainian grid, making Lithuania one of the most important suppliers of equipment to the war-torn country.

Tetas' employees took part in the "Dronų Giesmės" (Drone Songs) campaign in support of Ukraine, organised by the "Maži, bet Stiprūs" (Small but Strong) foundation. A drone was bought with money donated by the employees.

10.3 Governance

EPSO-G aims to ensure transparent and efficient management and development of the energy exchange platform. The necessary components for this are: maintaining high transmission grid reliability, building an anti-corruption culture across the Group's companies, improving the supply chain based on sustainability standards, and promoting innovation and deployment in operations.

10.3.1 Transparent business activities

10.3.1.1 Transparent management and an anti-corruption environment

EPSO-G implements strategic projects of regional and national importance. These are the projects that require large investments. Their success depends on the understanding, trust and support of shareholders, partners, regulators, and the Lithuanian people. Therefore, EPSO-G focuses on anti-corruption activities to enhance trust by emphasising the Group's zero tolerance for corruption.

The Group's anti-corruption activities are carried out according to Anti-Corruption Management System by the international standard ISO 37001:2016 "Anti-bribery management systems. Requirements with guidance for use". The scope of anti-corruption measures, applicable to the Group's companies, varies depending on the corruption risks identified therein.

Corruption risks identified the Group companies in 2023, involve:

- declaration of private interests and management of conflicts of interest
- recruitment of persons who do not meet the requirements of the Law on the Prevention of Corruption and the Law on the Protection of Objects Critical for National Security
- inadequate contract performance monitoring
- employees' abuse of office, abuse of authority, bribery, and underperformance.

Corruption risks were managed through the management measures consistent with the risk level, internal documents were supplemented with the provisions on declarations of private interests and management of conflicts of interest, employees were consulted on these matters, contract performance rules were set, etc. The Group performed quarterly assessments on the implementation of risk management measures and their impact on risk levels.

In creating an anti-corruption environment in the Group, a great emphasis is paid one the development of anti-corruption awareness among employees through various means and methods. In 2023, the Group companies had anti-corruption training and all (100%) of the Group's employees were invited to participate. Employees' corruption resilience is also built through other measures, such as internal communication, an annual employee anti-corruption survey (the results included in the Annual Report), and by bringing their attention to the most important Group's and the Group companies' internal anti-corruption legislation. In 2023, these internal documents were made available to all (100%) employees of the Group companies. Members of the management bodies were not identified as a separate target audience for communication, nor did they receive anti-corruption training in 2023. In 2024, the EPSO-G Group is planning to launch a corruption prevention training platform, therefore, it is expected to extend training to the members of the management bodies.

The Group strives to ensure that its business partners are committed to the highest transparency standards. Therefore, information on key anti-corruption documents, including the Supplier Code of Conduct applicable to business partners, is available on the Companies' websites for both business partners and other stakeholders.

Key anti-corruption indicators

	2023	2022	2021
Number of corruption cases identified	0	0	1
Staff members sanctioned and dismissed for corruption	0	0	3
Corruption-related cases filed against the Company/employees	0	0	0
Corruption cases identified due to which contracts with business partners were not concluded/renewed	0	0	0

In 2023, no corruption cases were identified in the Group companies. For the three-year period from 2021 to 2023, this type of cases was only recorded in 2021 and were related to the use of work resources provided by the Group company for non-work-related purposes, for which employees were subject to sanctions related to the annual financial incentive.

10.3.1.2 Sustainable supply chain management

The success of EPSO-G's activities and projects depends on transparent and fair procurement of goods, services and works.

The updated procurement policy of the EPSO-G Group also integrates green procurement criteria. The Group companies are committed to reducing their environmental impact and are therefore committed to prioritising green procurement. The Group undertakes to carry out at least 100% of green procurements every year since 2023.

It should be noted that the EPSO-G Group has developed a green procurement tool facilitating the selection of the most appropriate green criteria in procurement processes. The Group also provides green procurement training at regular intervals. In two years, significant results have been achieved: the share of green procurement has increased from 10% in 2021 to 95%.

	Result for 2023	Result for 2022	Result for 2021	Target for 2023
Value of the EPSO-G Group procurements attributable to green procurement (based on public procurement carried out by contracting authorities)	>95% (some procurements were carried over from 2022, therefore the result is below 100%)	83.2%	10%	100%

In 2022, EPSO-G's Board approved the Supplier Code of Conduct. EPSO-G's Supplier Code of Conduct is based on the Organisation for Economic Co-operation and Development's Guidelines for Multinational Enterprises, the principles of the United Nations' Global Compact, and the best sustainability practices of international energy companies.

From the end of 2023, organisations participating in EPSO-G public procurements must undertake to respect the Supplier Code of Conduct. As part of EPSO-G's monitoring of compliance with the Code, EPSO-G companies will invite suppliers to provide information on their value chain and geography, policies, employment, anti-corruption, and environmental practices from 2024. Suppliers and their employees can also report to EPSO-G any behaviour that violates the Code through the Helpline channel.

Social Criteria

In 2023, the EPSO-G Group Executives' Committee set a target for at least 5% of its purchases to include social criteria. For the proper application of these criteria appropriately, a tool for socially responsible procurement has been developed facilitating the selection of the most appropriate social criteria in procurement processes. Training on socially responsible procurement is also available.

In all its public procurements publicly advertised (>95% of procurements by value in 2023), the EPSO-G Group also verifies grounds for exclusion of suppliers, including social criteria such as offences concerning trafficking in human beings, failure to perform obligations arising from the payment of taxes, including social security premiums, non-compliance with environmental, social, and labour law obligations, etc.

The social criteria to be applied by the EPSO-G Group in 2024 will be introduced to its suppliers at a "Suppliers' Day" event. Suppliers will be consulted on the application of social criteria.

Procurement from Lithuanian and Foreign Suppliers

In 2023, >95% of the EPSO-G Group's public procurements contracts (by value) were awarded to Lithuanian suppliers. This keeps supply chains short and avoids unnecessary logistical costs and environmental impacts. Data has been collected since 2023.

10.3.1.3 Cybersecurity

Transmission services for electricity and natural gas are classified as services of particular importance. For this reason, the EPSO-G group companies that provide these services carry out assessment of critical information infrastructures on regular basis.

Across the EPSO-G Group, IT and cybersecurity professionals are working to create an organisational culture that is resilient to cyber-attacks of all kinds. In 2023, a series of social engineering tests were conducted to test employees' readiness to identify false messages designed to extract sensitive information.

	2023	2022	2021
Preventive training on cyber security	Cyber security trainings (1) and social engineering tests (4)	Cyber security trainings (1) and social engineering tests (3)	Cyber security trainings (1) and social engineering tests (3)

Amber Grid and Litgrid were successfully re-certified in accordance with ISO 27001, an international standard to manage information security, for three consecutive years.

Amber Grid, Litgrid and EPSO-G employees took part in the Cyber Security Exercise Cyber Shield 2023. During the exercise, staff tested the capabilities of the virtual cyber security training ground and cyber fraud simulation tools. During the exercise, the participants tested the incident response process, knowledge of cyber security, communication with the media and crisis communication skills.

It is expected that cybersecurity drills in 2024 will involve employees from the following Group companies: Litgrid, Amber Grid and Energy Cells.

10.3.1.4 Protection of personal data

In ensuring the protection of personal data of the Group companies, we are guided by the Group's Personal Data Protection Policy outlining the basic requirements for the processing of personal data in the Company, and personal data processing documentation prepared by the Group companies and communicated to all employees of the Group companies. The protection of personal data in the Group companies is ensured by documenting personal data processing activities, conducting a data protection impact assessment, evaluating technical and organisational data security measures in place, managing risks arising out of the processing of personal data and data breach incidents.

To ensure compliance with personal data protection requirements in practice and to promote a culture of personal data protection, periodic employee training, knowledge tests and communication on relevant matters related to protection of personal data are conducted (e.g. employees are trained to identify personal data breaches, to conclude personal data processing agreements, etc.). Compliance audits are carried out to check whether the Group companies are properly implementing the requirements of the General Data Protection Regulation. Compliance audits in 2023 did not identify any material non-compliance with the General Data Protection Regulation.

Key Personal Data Protection Indicators

	2023	2022	2021
Number of personal data breaches identified	0	0	0
Complaints from other organisations/authorities	0	0	0

From 2021 to 2023, no personal data breaches were identified in the Group companies. Minor personal data-related incidents were recorded but did not qualify as personal data breaches.

10.3.1.5 Anti-Competitive Behaviour and Anti-Corruption Environment

The EPSO-G Group's management ensures that the Group complies with provisions relating to anti-competitive behaviour, which includes compliance with legislation prohibiting unfair competition, ensuring compliance by all managers, legal and internal audit procedures, and reporting about anti-competitive conduct.

In 2023, the Group was not involved in any litigation related to competition infringements, and no potential incident related to anti-competitive conduct was identified in the Group companies.

10.3.1.6 Socioeconomic compliance

The Group implements measures to ensure the Group's compliance with the requirements of the legal acts of the European Union and Republic of Lithuania, internal documents, other legally binding instruments, good practices, and standards in the energy sector critical to national security.

In their compliance activities, the Group companies are guided by the Three Lines Principle and principle of the risk-based approach. Efforts are being made to focus compliance activities on priority areas where most instances of non-compliance occur or are likely to occur, and/or where there is the greatest likelihood of the realisation of non-compliance risks, which could have a material adverse effect on the Group companies and/or the Group. A list of the Group companies' compliance priorities for 2023 is set out in the "Compliance Management" section of the Annual Report.

We understand compliance as the responsibility of each employee. We aim for employees not only to ensure compliance with applicable requirements but also to engage in compliance activities by participating in training, reporting discrepancies, and suggesting their own initiatives.

	2023	2022	2021
Number of significant non-compliance events	0	0	0
Number of fines imposed for non-compliance	0	0	0
Number of non-pecuniary sanctions imposed for non-compliance	0	0	0
Number of fines paid for non-compliance (identified during the reporting period)	0	0	0
Number of fines paid for non-compliance (identified during the previous reporting period)	0	0	0

As shown above, the dynamics of material non-compliance is consistent across the Group, with no material non-compliance recorded in the reporting period, both in 2021 and 2022.

10.3.2 Reliability and security of transmission grid

We understand the reliability of electricity and gas transmission grids as grids that operate without disruptions 24/7.This requires analysing and assessing the country's long-term electricity and natural gas consumption needs and planning and implementing appropriate investments to efficiently meet energy needs and ensure the necessary capacity of the electricity and gas transmission systems, the safety and reliability of the systems and access to various sources of electricity generation and natural gas supply.

Litgrid's electricity transmission grid reliability indicators	Indicators for 2023	Indicators for 2022	(Maximum) permitted level set by the Council for the 2022-2026 regulatory period
AIT (average interruption time), min.	0.84	1.29	0.934
of which for the causes falling within the scope of responsibility of TSO	0.10	0.356	
ENS (energy not supplied), MWh	23.23	38.69	27.251
of which for the causes falling within the scope of responsibility of TSO	2.67	10.62	

In 2023 (as in 2022), there were no unplanned interruptions in Amber Grid activities which would be the transmission system operator's (TSO) responsibility.

Both Amber Grid and Litgrid prepare and regularly update 10-year transmission grid development plans, which provide for investments in modernisation and upgrades of grid components. These investments help maintain high electricity and natural gas transmission rates.

10.3.3 Innovation, research, and digitisation

The ambitious goals of the National Energy Independence Strategy regarding the integration of renewable energy sources and the simultaneous synchronisation programme with the continental European network and the regional gas market integration processes encourage the EPSO-G Group companies to seek new innovative solutions for the reliable operation of Lithuania's energy system now and in the future. Research and studies, and the planning and implementation of innovation activities, encourage the Group companies to improve the efficiency of their operations by applying new methods, tools, and best practices.

In carrying out these activities, the EPSO-G Group companies follow the Guidelines for Research and Experimental Development and Innovation Activities (hereinafter referred to as the "R&D&I Guidelines"). The objective of the R&D&I guidelines is to ensure, through research, innovation and new solutions, the continuity and efficiency of the activities of the companies in the EPSO-G group, to ensure competitiveness or to create the conditions for competition, in order to achieve the objectives of the National Energy Independence Strategy and to create greater added value for society.

At the end of 2023, the Group's innovation portfolio consisted of 40 instruments focusing on advanced and efficient systems management and monitoring (9), modern asset management solutions (16), the development of the Group's ICT and digitalisation (9), and the development of new business organisations and services (6). During 2023, as much as 20 measures were initiated.

For more information on the innovation projects carried out by the EPSO-G Group companies, please refer to the chapter "Research and development activities" in this consolidated annual report.

11

EU TAXONOMY REPORT 2023

11 DISCLOSURES UNDER THE EU TAXONOMY REGULATION

11.1 Disclosures under the European Union Taxonomy Regulation

General principles of disclosure

The main measures defined for financing activities aligned with the principles of sustainable development in the European Commission's (EC) action plan aim to direct capital towards environmentally friendly activities and thereby help the European Union (EU) become a climate-neutral continent by 2050, as envisaged in the European Green Deal.
EC laid the foundations for this with Regulation (EU) 2020/852, also known as the EU Taxonomy Regulation, which describes what constitutes an environmentally sustainable economic activity and the criteria for classifying an economic activity as environmentally sustainable. The aim of the Taxonomy Regulation is to classify economic activities across the EU according to defined requirements, based on their contribution to the six environmental objectives (Article 9 of the Taxonomy Regulation), in order to support the transition of the EU towards a climate-neutral economy.

The six key environmental objectives are:

Mitigating climate change

Adapting to climate change

Sustainable use and protection of water and marine resources

Transition to circular economy

Pollution prevention and control

Protecting and restoring biodiversity and ecosystems

- **In Article 3 of the Taxonomy Regulation, it is defined that economic activity is considered environmentally sustainable when:** makes a significant contribution to one or more of the environmental objectives set out in Article 9 (under Articles 10 to 16 of the Regulation)
- does not cause significant harm to any of the environmental objectives set out in Article 9 (under Article 17 of the Regulation);
- is carried out in accordance with the minimum safeguards laid down (under Article 18 of the Regulation);
- meets the technical analysis criteria defined by EC in Delegated Regulation (EU) 2021/2139 of 4 June 2021.

In accordance with EC Delegated Regulation (EU) 2021/2178 of 6 July 2021, EPSO-G, as a non- financial undertaking, is obliged to disclose the percentage of its total turnover, capital and operating expenditure that is made up of taxonomic, qualifying taxonomic and non-taxonomic economic activities and the qualitative information specified in Annex I and Annex II of the same Regulation that is relevant to explain these data. Article 16 and Article 10(2) of the Taxonomy Regulation also define the types of economic activities and transition economic activities that constitute the conditions.

Taxonomy-eligible economic activities are defined as activities described in EC Delegated Acts, irrespective of whether they meet any or all the technical analysis criteria set out in the Delegated Act on the EU Taxonomy for climate objectives. Therefore, the taxonomic nature of an economic activity does not automatically imply that it is environmentally efficient and sustainable.

Taxonomic activities are grouped according to the groups of activities defined in Article 16 and Article 10(2) of the Taxonomy Regulation - enabling economic activities and transition economic activities.

Transitional activities are those for which low-carbon alternatives are not yet available and that have greenhouse gas emission levels that correspond to the best performance in the sector or industry. These activities fulfil the two following conditions: (i) they should not hamper the development and deployment of low-carbon alternatives, and (ii) they should not lead to a lock-in of carbon-intensive assets, considering the economic lifetime of those assets.

Enabling economic activities are those that directly enable others to make a substantial contribution to an environmental objective.

A Taxonomy-aligned activity is defined as an activity that makes a significant contribution to at least one or more of the environmental objectives set out in the Delegated Act, does not cause significant harm to any of them, is carried out in accordance with the minimum safeguards set out, and complies with the technical analysis criteria set out.

Taxonomy-non-eligible economic activities are defined as activities that are not included and described in the European Commission's Delegated Acts on EU Taxonomy.

11.1.1 Applying the Taxonomy in the EPSO-G Group.

As part of our commitment to support Europe's ambition to move towards a climate-neutral economy, EPSO-G has carried out an analysis of the compliance and compatibility of its activities with the Taxonomy Regulation. In accordance with the Taxonomy Regulation and the Delegated Acts, we have carried out the analysis of the activities following these steps:

1. **Identification of Taxonomy-eligible economic activities.** The Group analyses and reviews the Delegated Act on sustainable activities for climate change adaptation and mitigation objectives, as well as the Complementary Climate Delegated Act. The Group also identifies all Taxonomy-eligible economic activities in the Group's companies. The list of Taxonomy-eligible activities was supplemented with activities which were not covered by the Annual Report 2022.

2. **Assessment of compliance with the technical analysis (substantial contribution) criteria**. To determine whether the activity contributes to one of the six environmental objectives, the economic activity must comply with the technical analysis criteria set out in Annexes I or II of EC Delegated Regulation (EU) 2021/2139 of 4 June 2021, which determine the conditions under which the economic activity is considered to make a significant contribution to mitigate and/or adapt to climate change.

3. **Analysis of doing no significant harm to other environmental objectives.** The economic activity must not cause significant harm to other five environmental objectives in accordance with the criteria for the technical analysis of non-detriment of harm to other environmental objectives as set out in Annexes I or II of EC Delegated Regulation (EU) 2021/2139 of 4 June 2021.

4. **Assessment of compliance with the minimum safeguards** Assessment of alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including each Taxonomy-aligned activity.

5. **Determining the alignment status.** Based on the previous steps, after examining substantial contribution and do no significant harm criteria, if the Group's Taxonomy-eligible activity meets them, we state that activity is Taxonomy-aligned. If not, we indicate that activity is not Taxonomy-aligned.

6. **Calculation of KPIs for Taxonomy-eligible, Taxonomy-aligned and Taxonomy-non-eligible activities.** In accordance with the requirements of the Regulation, the following metrics are provided: revenue, capital expenditure (CapEx) and operating expenditure (OpEx) for economic activities, which are calculated on the basis of the results of the assessments in the previous steps.

11.2 Identifying Taxonomy-eligible activities

The identification of Taxonomy-eligible activities of the EPSO-G Group was carried out in accordance with the European Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 and the criteria set out therein. Taxonomy-eligibility is a first step towards determining the alignment with the EU Taxonomy Regulation. Taxonomic economic activities are divided into transition and enabling activities, assigning them the relevant NACE classification code.

The following EPSO-G companies and their activities were assessed in the process of identifying Taxonomy-eligible activities:

- Amber Grid - transmission of natural gas in Lithuania
- Baltpool - administration of the biofuel exchange, organisation of timber auctions, organisation of heat auctions
- Energy Cells - managing a system of energy storage devices (batteries)
- EPSO-G - management, supervision and control of a group of companies
- Litgrid - transmission of electricity through high-voltage (110 and 330 kV) electricity facilities
- Tetas - construction and operation of electrical installations up to 400 kV, construction of power grids, installation of renewable energy sources.

The list of Taxonomy-eligible activities of the EPSO-G group companies

EPSO-G Group company	Taxonomy code	NACE code(s)	Activity listed in the Delegated Acts	Activity description for climate change mitigation objective (Activity listed in Annex I to EC Delegated Regulation (EU) 2021/2139)	Activity description for climate change adaptation (Activity listed in Annex II to EC Delegated Regulation (EU) 2021/2139)
Amber Grid	4.1	D35.11	Electricity generation using solar photovoltaic technology	Construction or operation of electricity generation facilities that produce electricity using solar photovoltaic (PV) technology	Construction or operation of electricity generation facilities that produce electricity using solar photovoltaic (PV) technology
	4.14	D35.22, F42.21, H49.50	Transmission and distribution networks for renewable and low-carbon gases	Conversion, repurposing or retrofit of gas networks for the transmission and distribution of renewable and low-carbon gases. Construction or operation of transmission and distribution pipelines dedicated to the transport of hydrogen or other low-carbon gases.	Conversion, repurposing or retrofit of gas networks for the transmission and distribution of renewable and low-carbon gases. Construction or operation of transmission and distribution pipelines dedicated to the transport of hydrogen or other low-carbon gases.
Energy Cells	4.10	This category of economic activity does not have a specific NACE code according to Regulation	Storage of electricity	Construction and operation of facilities that store electricity and return it at a later time in the form of electricity. The activity includes pumped hydropower storage.	Construction and operation of facilities that store electricity and return it at a later time in the form of electricity. The activity includes

		(EC) No 1893/2006			pumped hydropower storage.
Litgrid	4.9	D35.12 Transmission of electricity	Electricity transmission and distribution	Construction and operation of transmission systems that transport the electricity on the extra high-voltage and high-voltage interconnected system	Construction and operation of transmission systems that transport the electricity on the extra high-voltage and high-voltage interconnected system
Tetas	4.9	D35.12 Transmission of electricity	Electricity transmission and distribution	Construction and operation of transmission systems that transport the electricity on the extra high-voltage and high-voltage interconnected system	Construction and operation of transmission systems that transport the electricity on the extra high-voltage and high-voltage interconnected system
	7.6	F42	Installation, maintenance, and repair of renewable energy technologies	On-site installation, maintenance, and repair activities for renewable energy technologies, consisting of one of the following individual measures, if installed on-site as technical building systems: (a) installation, maintenance and repair of a photovoltaic solar energy system and ancillary technical equipment.	On-site installation, maintenance, and repair activities for renewable energy technologies, consisting of one of the following individual measures, if installed on-site as technical building systems: (a) installation, maintenance and repair of a photovoltaic solar energy system and ancillary technical equipment.
EPSO-G Group owned vehicles	6.5	H49.32 Taxi operation, H49.39 Other passenger land transport n.e.c and N77.11 Renting and leasing of cars and light motor vehicles	Transport by motorbikes, passenger cars and light commercial vehicles	Purchase, financing, renting, leasing and operation of vehicles designated as category M1232 , N1233, both falling under the scope of Regulation (EC) No 715/2007 of the European Parliament and of the Council234, or L (2- and 3-wheel vehicles and quadricycles)	Purchase, financing, renting, leasing and operation of vehicles designated as category M1232 , N1233, both falling under the scope of Regulation (EC) No 715/2007 of the European Parliament and of the Council234, or L (2- and 3-wheel vehicles and quadricycles)

The Taxonomy- aligned and Taxonomy non-eligible economic activities, as referred in Article 8 (6) and (7) of the Complimentary Climate Delegated Act are not relevant to the Group as it does not carry out any nuclear energy (4.26–4.28) and fossil gas (4.29–4.31) related activities. Therefore, this information is not included in the tabular forms in accordance with Regulation (EU) 2021/2178 Annex XII.

11.2.3 Assessment of compliance with the technical analysis (substantial contribution) criteria

The assessment of compliance with the technical analysis criteria for determining under which conditions economic activities are considered to make a significant contribution to mitigating and/or adapting to climate change is limited to the activities of the EPSO-G Group companies that have been identified as Taxonomy-eligible. This assessment shall be carried out in accordance with the technical analysis criteria set out in Annexes I and II of EC Delegated Regulation (EU) 2021/2139 of 4 June 2021.

It should be noted that, on 27 June 2023, EC adopted Delegated Regulation (EU) 2023/2486 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the **sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems** and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities The assessment of Delegated Regulation 2023/2486 did not identify any Taxonomy activities to be attributed to the EPSO-G Group companies, which are subject to the substantial contribution criteria.

EPSO-G Group company	Taxonomy code	Activity listed in the Delegated Acts	Substantial contribution criterion	Description of the Group company's activity
Amber Grid	4.1	Electricity generation using solar photovoltaic technology	The activity generates electricity using solar PV technology.	In 2023, Amber Grid produced electricity for own needs using a 1.45 MWh installed solar photovoltaic technology. In 2023, the company generated 1,478 MWh of renewable energy, of which 288.5 MWh were used for own need. *The activity meets the technical analysis criterion of making a significant contribution to mitigation.*
	4.14	Transmission and distribution networks for renewable and low-carbon gases	The activity consists in one of the following: (c retrofit of gas transmission and distribution networks that enables the integration of hydrogen and other low-carbon gases in the network, including any gas transmission or distribution network activity that enables the increase of the blend of hydrogen or other low carbon gasses in the gas system The activity includes leak detection and repair of existing gas pipelines and other network elements to reduce methane leakage.	The first biogas producer was connected to Amber Grid's system at the end of March 2023 in Vytarai, Pasvalys district. Biogas has been injected into Amber Grid's system from 12 July. During 2023, 47,028,890 kWh of biogas with guarantees of origin have been fed and transported to Amber Grid system. *The activity meets the technical analysis criterion of making a significant contribution to mitigation.*
Energy Cells	4.10	Electricity storage	Construction and operation of facilities that store electricity and return it at a later time in the form of electricity. The activity includes pumped hydropower storage.	Energy Cells carried out construction of the energy storage system until 25 August 2023/15 September 2023/27 September 2023/28 September 2023. The Company started operating the Energy Storage System as follows: the first park since 26 August 2023, the second since 16 September 2023, the third since 28 September 2023, and the fourth since 29 September 2023. In Lithuania, 4 battery parks with a total capacity of 200 MWh have been installed. *The activity meets the technical analysis criterion of making a*

				significant contribution to mitigation.
Litgrid	4.9	Transmission and distribution of electricity	1 The transmission and distribution infrastructure or equipment is in an electricity system that complies with at least one of the following criteria: the system is the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems; 2 The activity is one of the following: (e) installation of equipment to increase the controllability and observability of the electricity system and to enable the development and integration of renewable energy sources, including: (ii) communication and control (including advanced software and control rooms, automation of substations or feeders, and voltage control capabilities to adapt to more decentralised renewable infeed). Installation of metering infrastructure that does not meet the requirements of smart metering systems of Article 20 of Directive (EU) 2019/944 is not compliant.	The electricity transmission grid operated by Litgrid is interconnected with the European system through DC converters with Swedish and Polish power grids In 2023, Litgrid installed equipment to increase the controllability and observability of the electricity system. In 2023, the pilot Dynamic Line Rating project was implemented, during which special devices were installed on overhead lines to measure weather conditions, and an innovative model was used to assess current and to predict potential line capacity. Test results show that using this technology, transmission line throughput has increased by an average of 52% compared to the established design. In course of 2023, Litgrid AB did not install any metering infrastructure that does not comply with the twenty requirements under Directive (EU) 2019/944. *The activity meets the technical analysis criterion of making a significant contribution to mitigation.*
Tetas	4.9	Transmission and distribution of electricity	Construction and operation of transmission systems that transport the electricity on the extra high-voltage and high-voltage interconnected system.	In 2023, Tetas conducted activities within the electricity transmission system operator Litgrid and the electricity distribution system operator Energijos Skirstymo Operatorius networks. According to the technical analysis criteria defined in Paragraph 4.9 of Annex I, the company carried out the following activities: (c) installation of transmission and distribution transformers that comply with the Tier 2 (1 July 2021) requirements set out in Annex I to the Commission

			Regulation (EU) No 548/2014 (178) and, for medium power transformers with highest voltage for equipment not exceeding 36 kV, with AAA0 level requirements on no-load losses set out in standard EN 50588-1 (179); (d) construction/installation and operation of equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation; (e) installation of equipment to increase the controllability and observability of the electricity system and to enable the development and integration of renewable energy sources, including: (i) sensors and measurement tools (including meteorological sensors for forecasting renewable production); (h) construction and operation of interconnectors between transmission systems, provided that one of the systems is compliant. *The activity meets the technical analysis criterion of making a significant contribution to mitigation.*
7.6 (a)	Installation, maintenance, and repair of renewable energy technologies	The activity consists in one of the following individual measures, if installed on-site as technical building systems: (a) installation, maintenance and repair of solar photovoltaic systems and the ancillary technical equipment.	In 2023, Tetas carried out an activity that included the installation, maintenance, and operation of solar power plants for households and businesses. According to the technical analysis criteria defined in Paragraph 7.6 of Annex I, this activity corresponds to part (a) - installation, maintenance and repair of a solar photovoltaic system and ancillary technical equipment. *The activity meets the technical analysis criterion of making a significant contribution to mitigation.*

EPSO-G Group owned vehicles	6.5	Transport by motorbikes, passenger cars and light commercial vehicles	The activity complies with the following criteria: (a) for vehicles of category M1 and N1, both falling under the scope of Regulation (EC) No 715/2007: (i) until 31 December 2025, specific emissions of CO2, as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are lower than 50gCO2/km (low- and zero-emission light-duty vehicles);(b) for vehicles of category L, the tailpipe CO2 emissions equal to 0g CO2e/km calculated in accordance with the emission test laid down in Regulation (EU) 168/2013.	At the end of 2023, the Group had 415 vehicles of category M1. Only 12% of the Group's cars are zero-emission light-duty vehicles, and 15% are with specific emissions of CO_2 are lower than 50 g CO_2/km. *Therefore, we consider that 6.5 activity does not meet substantial contribution criteria.*

11.2.4 Analysis of doing no significant harm to other environmental objectives

This analysis aims to determine whether the Taxonomy-eligible economic activities identified (listed in the table above) does not cause significant harm to the other five environmental objectives in accordance with the technical analysis criteria for non-detriment of harm to other environmental objectives set out in Annexes I or II to the European Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021. As all the previously identified Taxonomy-eligible economic activities have been identified as contributing to the mitigation network, the analysis is carried out in accordance with Appendices A, B, C, D and E to Annex I to EC Delegated Regulation (EU) 2021/2139 of 4 June 2021, which also defines the criteria for "doing no significant harm".

EPSO-G Group company	Taxonomy code	Activity listed in the Delegated Acts	Climate change Criteria for doing no significant harm in accordance with Appendices A, B, C, D and E to Annex I to (EU) 2021/2139 adaptation	
Amber Grid	4.1	Electricity generation using solar photovoltaic technology	(2) Climate change adaptation	In 2023, the Group conducted an analysis of climate-related risks (related to transmission infrastructure and buildings) following the recommendations and methodology of the Task Force on Climate-Related Financial Disclosures (TCFD). Climate forecasts and impact assessment were based on best available practices and guidelines, relying on the latest reports from the Intergovernmental Panel on Climate Change (IPCC). The assessment also considered a study conducted by the Climate and Research Department of the Lithuanian Hydrometeorological Service under the Ministry of Environment, titled "Climate Change Risk Study for the Mid-21st Century" (2023), which predicts the level of physical risks in Lithuania under future climate conditions. Physical hazards associated with this activity include heatwaves, heavy rainfall, and storms. The impact assessment indicates a low level of risk. It is considered that the activity of Amber Grid aligns with this criterion.
			(3) Sustainable use and protection of water and marine resources	The criterion of causing no significant harm does not apply to these activities.
			(4) Transition to a circular economy	When installing photovoltaic solar energy technology, Amber Grid chose sustainable technology with a lifecycle of at least 25 years. The selected equipment's performance after 10 years of operation is 90%, and after 25 years of operation, it is 80%. Therefore, it is assessed that the chosen technology meets this criterion.
			(5) Pollution prevention and control	The criterion of causing no significant harm does not apply to these activities.
			(6) Protection and restoration of biodiversity and ecosystems	When installing photovoltaic solar energy technology, the company Amber Grid conducted a pre-project feasibility study of solar power modules. Environmental impact assessment was not conducted as it was not required by applicable legislation – Amber Grid installed solar energy technology with a total capacity of 1.45 MW in three of its territories. Therefore, it is assessed that the chosen technology meets this criterion.
Amber Grid	4.14	Transmission and distribution networks for renewable and low-carbon gases	(2) Climate change adaptation	In 2023, an analysis of climate change-related risks (related to transmission infrastructure and buildings) was conducted within the Group, following the recommendations and methodology of the Task Force on Climate-Related Financial Disclosures (TCFD). Climate forecasts and impact assessments were based on best available practices and existing guidelines, relying on the latest reports from the Intergovernmental Panel on Climate Change (IPCC). The assessment also considered a study conducted by the Climate and Research Department of the Lithuanian Hydrometeorological Service under the Ministry of Environment titled "Climate Change Risk Study for the Mid-21st Century" (2023), which forecasted the level of physical risks in Lithuania under future climate conditions. Physical hazards associated with this activity include heatwaves, heavy rainfall, and storms. The assessment of their impact is considered low. It is considered that the activity of Amber Grid meets this criterion.
			(3) Sustainable use and protection of water and marine resources	The connection and transportation of biomethane through the gas transmission networks of "Amber Grid" are not related to the use or protection of water resources, therefore, they do not hinder achieving good environmental status of marine waters and do not worsen the situation in marine waters where the environmental status is good. Due to this activity, water resource usage does not increase, and protection does not deteriorate, hence the impact assessment is low. It is considered that the activity of Amber Grid meets this criterion.
			(4) Transition to a circular economy	The criterion of causing no significant harm does not apply to these activities.

			(5) Pollution prevention and control	Amber Grid does not use transported biomethane for the operation of its facilities, therefore, they are not subject to the requirements of European Parliament and Council Directive 2009/125/EC. When connecting biomethane producers to the system to ensure free transportation of biomethane in the Amber Grid system, no new biomethane fuel consumption devices were designed and installed, to which eco-design requirements would apply. It is considered that the activity of Amber Grid meets this criterion.
			(6) Protection and restoration of biodiversity and ecosystems	In accordance with the requirements of Lithuanian legislation, Amber Grid conducts Environmental Impact Assessments (EIA) for infrastructure projects. During the reconstruction of the 16 km section of the Vilnius-Kaunas gas pipeline in 2022, an EIA was carried out, and a positive conclusion was obtained for the implementation of the activity. Following the conditions of the EIA, the reconstruction project of individual sections was implemented in 2023. After the completion of the Gas Interconnection Poland-Lithuania (GIPL) pipeline project in 2022, post-construction monitoring of individual stages will be carried out until 2026 (for four years) according to the environmental monitoring program coordinated with the Environmental Protection Agency in 2016. During monitoring, the recovery of local flora, fauna, and species diversity typical of the area after the construction of the main gas pipeline is observed, and whether additional measures are necessary to restore or improve the pre-construction condition. Based on the environmental monitoring data from 2021-2023, it was determined that the construction of the GIPL pipeline junction had no significant negative impact on the natural environment. According to the conclusion of the Environmental Protection Agency of the Republic of Lithuania regarding the "Environmental Impact Assessment of connecting the biomethane pipeline to the transmission system of AB Amber Grid in the territories of Aukštikalnis and Vytartai, Pasvalys district," environmental impact assessment for this economic activity is not mandatory. The activity complies with the criteria set out in Appendix D of this Annex.
Energy cells	4.10	Electricity storage	(2) Climate change adaptation	In 2023, the analysis of the Group's assessment of climate change risks (transmission infrastructure and buildings) in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The climate projections and assessment of impacts are based on best practice and available guidance, in line with the most recent Intergovernmental Panel on Climate Change reports. The assessment was based on "Study on climate change risks by the middle of the 21st century" (2023) carried out by the Climate and Research Division of the Lithuanian Hydrometeorological Service under the Ministry of Environment of the Republic of Lithuania. The Study predicts the level of physical risks in Lithuania under future climate conditions. Physical hazards associated with these activities: heat and cold waves, heavy rainfalls, storms. The impact is assessed as Low. *The activity of Energy Cells is considered compliant with this criterion.*
			(3) Sustainable use and protection of water and marine resources	As the electricity storage facilities installed by Energy Cells are not pumped storage facilities and are not connected to water bodies, the activities are considered to meet the criteria.
			(4) Transition to a circular economy	Energy Cells follows the Description for the Procedure of Application of Environmental Requirements to Activities, which explains in detail the principles of the company's management of the waste generated by its activities. Energy Cells has entrusted the sorting and treatment of hazardous and non-hazardous waste generated by its operations to contractors with the necessary permits and long- term service contracts. The company's contractors also keep records of the waste they produce that has value (is suitable for reuse or recycling) and pass it on to the relevant waste managers or waste buyers. *The activity of Energy Cells is considered compliant with the criteria set.*
			(5) Pollution prevention and control	The criterion of causing no significant harm does not apply to these activities.
			(6) Protection and restoration of biodiversity and ecosystems	Energy Cells did not carry out an environmental impact assessment procedure or analysis for the installation of the energy storage system, as the energy storage system were installed in existing electricity transmission distribution substations. This decision was taken in accordance with the Law on Environmental Impact Assessment of Planned Economic Activities of the Republic of Lithuania and secondary legislation based on Directive 2011/92/EU. *The activity of Energy Cells is considered compliant with the criteria set.*

Litgrid	4.9	Transmission and distribution of electricity	(2) Climate change adaptation	In 2023, the analysis of the Group's assessment of climate change risks (transmission infrastructure and buildings) in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The climate projections and assessment of impacts are based on best practice and available guidance, in line with the most recent Intergovernmental Panel on Climate Change reports. The assessment was based on "Study on climate change risks by the middle of the 21st century" (2023) carried out by the Climate and Research Division of the Lithuanian Hydrometeorological Service under the Ministry of Environment of the Republic of Lithuania. The Study predicts the level of physical risks in Lithuania under future climate conditions. Physical risks associated with these activities: heat waves, fires, heavy rainfalls, storms. The impact is assessed as Very Low. *The activity of Litgrid is considered compliant with this criterion.*
			(3) Sustainable use and protection of water and marine resources	The criterion of causing no significant harm does not apply to these activities.
			(4) Transition to a circular economy	Litgrid has developed a waste management plan and implements it in accordance with the company's description of the procedure for applying environmental requirements to the company's activities. Litgrid has entrusted the sorting and treatment of hazardous and non-hazardous waste generated by its operations to contractors with the necessary permits and waste management contracts. The company also keeps records of the waste generated in its operations that has value (is suitable for reuse or recycling), and transfers it to the relevant waste managers or companies that buy it. The activity is considered compliant with the criteria set.
			(5) Pollution prevention and control	As part of its activities, Litgrid applies the environmental, health and safety requirements stipulated by the laws of the Republic of Lithuania to contractors working on electricity transmission network facilities. The company's experts carry out on-site inspections of contractors and record workplace safety non-compliances. When carrying out works in the vicinity of communities, Litgrid informs residents in advance about the potential noise from heavy transport or works. Litgrid has carried out detailed measurements of the electromagnetic fields generated near high-voltage power transmission lines. The results showed that the electromagnetic fields generated in the Lithuanian electricity transmission network are in all cases in compliance with the requirements of the Lithuanian Hygienic Standard, within the limits set thereby and is often significantly lower. The company's experts measured the electric and magnetic field strengths under, near and away from the lines in different sections of the power grid. The magnitude of the electric and magnetic fields varies depending on the voltage of the lines - 110 kV or 330 kV - the intensity of the transmission on the lines, and the distance. To protect against potential contamination due to oil spill, oil soak pits are installed under the transformers. The surface rainwater system is connected to oil traps to prevent the release of oily water into surface water bodies or soil in case of accident. In line with EC requirements, during construction or reconstruction, some of the equipment (circuit breakers) containing SF_6 gas are replaced with SF_6-free equipment. Litgrid's Environmental Procedure also stipulates that employees operating such equipment must have appropriate specialized training certificates. To reduce air pollution and ensure sustainable use of resources, the fleet is being upgraded by replacing internal combustion engine cars with hybrid or electric cars. The activity is considered compliant with the criteria set.
			(6) Protection and restoration of biodiversity and ecosystems	Litgrid carries out environmental impact assessments when completely new transmission lines are built. Reconstruction of transmission lines is subject to an environmental impact assessment. The environmental impact assessment also identifies potential impacts on biodiversity and ecosystems. The assessment of significant effects on Natura 2000 sites is carried out prior to the planned reconstruction works in or near Natura 2000 sites (e.g. an overhead line runs through a Natura 2000 site). In 2023, Litgrid carried out screening for Environmental Impact Assessment (EIA screening) of the 110kV power transmission lines under reconstruction: Kvietiškis–Kapsai–Prienai ir Kuršėnai–Kanteikiai. In both instances, the Environmental Protection Agency concluded that an environmental impact assessment is not required for these 110kV power transmission lines under reconstruction. The assessment of significant effects on Natura 2000 sites was carried out for the planned reconstruction of 110/10 kV Lazdėnai TL, as the 110 kV underground cable line runs through Natura 2000 sites. The Dzūkija-Suvalkija Protected Area Directorate concluded that an environmental impact assessment is not required for these works. Assessments of the impact on soil, vegetation, wildlife, and monitoring of electromagnetic fields under the environmental monitoring programmes approved by the Environmental Protection Agency shall be carried out during the construction/reconstruction period and a three-year post construction period. *The activity is considered compliant with the criteria set.*
Tetas	4.9	Transmission and	(2) Climate change adaptation	In 2023, the analysis of the Group's assessment of climate change risks (transmission infrastructure and buildings) in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The climate projections and assessment of impacts are based on best practice and available guidance, in line with the most recent Intergovernmental Panel on Climate Change reports. The assessment was based on "Study on climate change risks by the middle of the

	distribution of electricity		21st century" (2023) carried out by the Climate and Research Division of the Lithuanian Hydrometeorological Service under the Ministry of Environment of the Republic of Lithuania. The Study predicts the level of physical risks in Lithuania under future climate conditions. Physical risks associated with these activities: heat waves. The impact is assessed as Very Low. The activity of Tetas is considered compliant with this criterion.
		(3) Sustainable use and protection of water and marine resources	The criterion of causing no significant harm does not apply to these activities.
		(4) Transition to a circular economy	Tetas implements waste management in accordance with the legislation of the Republic of Lithuania and the requirements of its customers. Tetas employees ensure that hazardous and non-hazardous waste generated in the operations is sorted and managed in accordance with contracts with licensed waste handlers. Accounting for waste of value (reusable or recyclable) generated from operations and transferring it to waste buyers. Tetas is organised in accordance with the ISO 14001 environmental management system. The 2022 audit of this system did not result in any additional recommendations for improvement. The activity is considered compliant with the criteria set.
		(5) Pollution prevention and control	In the course of its activities, Tetas applies the environmental, health and safety requirements stipulated by the laws of the Republic of Lithuania to the facilities of the electricity transmission network and distribution network. The company's experts carry out inspections of workers at their workplaces and record workplace safety non- compliances. Tetas is organised in accordance with management systems complying with ISO 14001 environmental and ISO 45000 occupational health and safety standards. Representatives of Tetas operate on overhead high- voltage lines, where, as established by Litgrid the electromagnetic fields generated are in all cases in compliance with the requirements set out in the Lithuanian Hygienic Standard, within the prescribed limits and often significantly lower. Tetas has no activities involving polychlorinated biphenyls (PCBs). The activity of Tetas is considered compliant with this criterion.
		(6) Protection and restoration of biodiversity and ecosystems	Tetas operates in compliance with the environmental impact assessment procedures carried out by the electricity transmission and distribution operators, the rules of the transmission and distribution network companies and the legal restrictions. Tetas does not carry out environmental impact assessment or analysis procedures when carrying out contracting or construction work. The activity is considered compliant with the criteria set.
	Installation, maintenance , and repair of renewable energy technologies	(2) Climate change adaptation	In 2023, the analysis of the Group's assessment of climate change risks (transmission infrastructure and buildings) in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The climate projections and assessment of impacts are based on best practice and available guidance, in line with the most recent Intergovernmental Panel on Climate Change reports. The assessment was based on "Study on climate change risks by the middle of the 21st century" (2023) carried out by the Climate and Research Division of the Lithuanian Hydrometeorological Service under the Ministry of Environment of the Republic of Lithuania. The Study predicts the level of physical risks in Lithuania under future climate conditions. Hazards associated with these activities: heat waves. The impact is assessed as Low. The activity of Tetas is considered compliant with this criterion.
		(3) Sustainable use and protection of water and marine resources	The criterion of causing no significant harm does not apply to these activities.
		(4) Transition to a circular economy	The criterion of causing no significant harm does not apply to these activities.
		(5) Pollution prevention and control	The criterion of causing no significant harm does not apply to these activities.
		(6) Protection and restoration of biodiversity and ecosystems	The criterion of causing no significant harm does not apply to these activities.

11.2.5 Assessment of compliance with the minimum safeguards

The assessment of the compliance of the identified Taxonomy-eligible activities with the minimum safeguards shall be carried out in accordance with Article 18 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment. It stipulates that:

1. [...] implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.
2. In implementing the procedures referred to in paragraph 1 of this Article, undertakings shall comply with the principle of 'causing no significant harm' referred to in Article 2(17) of Regulation (EU) 2019/2088.

The EPSO-G Group conducts activities by ensuring the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The EPSO-G Group's measures:

- In 2018, the EPSO-G Group adopted the Group's Code of Conduct, which sets out uniform general guidelines for communication and cooperation with internal and external stakeholders: service users, contractors, business partners, shareholders, state and municipal authorities, the public, etc.
- In 2021, the EPSO-G Group adopted the Equal Opportunities Policy, in which it has publicly committed to respect human rights and to ensure that there are no human rights abuses in any of the Group's companies;
- In 2022, the EPSO-G Group adopted a policy on the prevention of discrimination, violence and harassment, which defines the forms of discrimination, violence and harassment, the ways to identify them, and the procedures for preventing them. This document also outlines the ways in which the Group ensures that processes based on the law are in place to address adverse human rights impacts;
- In 2022, the EPSO-G Group introduced a Helpline for the Group employees to report possible cases of discrimination, violence and harassment, or other possible human rights violations.
- In 2022, the Board of EPSO-G adopted the Supplier Code of Conduct, which obliges the Group's suppliers to ensure human and workers' rights in their operations. The EPSO-G Group's Supplier Code of Conduct also provides for suppliers to be subject to due diligence at their sites. Since 2023, organisations participating in the EPSO-G Group's public procurements must undertake to respect the Supplier Code of Conduct.
- In 2023, the EPSO-G Group Executives' Committee set a target for at least 5% of its purchases to include social criteria. For the proper application of these criteria appropriately, a tool for socially responsible procurement has been developed facilitating the selection of the most appropriate social criteria in procurement processes. Training on socially responsible procurement is also available. In all its public procurements publicly advertised (>95% of procurements by value in 2023), the EPSO-G Group also verifies grounds for exclusion of suppliers, including social criteria such as offences concerning trafficking in human beings, failure to perform obligations arising from the payment of taxes, including social security premiums, non-compliance with environmental, social and labour law obligations, etc.

EPSO-G's operating policies are available here. More detailed information is also available in the Sustainable Supply Chain Management section of the Annual Sustainability Report.

11.3 Accounting Policies

The calculation of key performance indicators (KPIs) shall be carried out in accordance with EC Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of the information to be disclosed by undertakings covered by Articles 19a or 29a of Directive 2013/34/EU on their environmentally sustainable performance, and by setting out a methodology for the fulfilment of that disclosure obligation.

The PVRR calculations and disclosures are made in accordance with Article 2 of Commission Delegated Regulation (EU) 2021/2178, which provides that:

1. Non-financial undertakings shall disclose the information referred to in Article 8, paragraphs 1 and 2, of Regulation (EU) 2020/852 as specified in Annex Ito this Regulation.

2. The information referred to in paragraph 1 shall be presented in tabular form by using the templates set out in Annex II to this Regulation.

Accounting Policies

The Group's share of revenue (net turnover) is recognised as an environmentally sustainable economic activity and is assigned a numerator value when calculating the percentage of this activity in total revenue:

- total revenue of the electricity transmission operator;
- contract work for electricity transmission and distribution operators in the development and operation of energy facilities;
- total revenue of electricity energy storage facilities;
- revenue of the gas transmission operator from the generation of electricity using photovoltaic solar technology;
- revenue of the gas transmission operator from renewable and low-carbon gas transmission through networks;
- revenue from contract work for electricity transmission and distribution operators in the installation, maintenance and repair of renewable energy technologies;
- revenue of the Group companies from transport by motorbikes, passenger cars and light commercial vehicles.

Revenue from Taxonomy-eligible activities is recognised in accordance with IFRS 15 "Revenue from Contracts with Customers", IAS 1 "Presentation of Financial Statements" and related standards and IFRIC interpretations, in accordance with the accounting policies described in the notes to the financial statements.

In counterparties, revenue from contractual work performed by the EPSO-G Group companies for an electricity transmission operator and services provided by an operator of an electricity storage facility (in the future) to an electricity transmission operator are eliminated in accordance with the provisions of IFRS 10 "Consolidated Financial Statements".

The EPSO-G Group's share of capital expenditure is recognised as meeting the environmental sustainability criteria and is included as a numerator in the calculation of the percentage of these activities in the total capital expenditure (CapEx):

- total CapEx of the electricity transmission operator, except for investments financed by third parties;
- expenditure by the gas transmission operator or other Group companies on the acquisition, construction, maintenance and repair of renewable energy facilities;
- total costs of installing electricity storage devices;
- the proportion of the Group company's CapEx incurred in providing contracted services to electricity transmission and distribution operators;
- CapEx of the gas transmission operator from the generation of electricity using photovoltaic solar technology;
- CapEx of the gas transmission operator from renewable and low-carbon gas transmission;
- CapEx of contract works for the electricity distribution operator in the installation, maintenance and repair of renewable energy technologies;
- CapEx of the Group companies from transport by motorbikes, passenger cars and light commercial vehicles.

CapEx of Taxonomy-eligible activities is recognised in accordance with IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets". In counterparties, the Group's CapEx exclude the margin (unrealised profit) on contract work in accordance with IFRS 10 "Consolidated Financial Statements".

The Group's share of operating expenses is recognised as part of the activities that meet the sustainability criteria and is assigned a numerator value when calculating the percentage of these activities in the total operating expenses (OpEx):

- total OpEx of the electricity transmission operator;
- total OpEx of the operator of electricity storage facilities;
- the proportion of the Group company's OpEx incurred in providing contracted services to electricity transmission and distribution operators;
- OpEx of the gas transmission operator from the generation of electricity using photovoltaic solar technology;
- OpEx of the gas transmission operator from renewable and low-carbon gas transmission;
- OpEx of contract works for the electricity transmission and distribution operator in the installation, maintenance and repair of renewable energy technologies;
- OpEx of the Group companies from transport by motorbikes, passenger cars and light commercial vehicles.

OpEx of Taxonomy-eligible economic activities are recognised on an accrual basis in accordance with IAS 1 "Presentation of Financial Statements" and elimination of intercompany transactions is carried out in accordance with the provisions of IFRS 10

“Consolidated Financial Statements”.

Double counting

All reported Taxonomy KPIs, related to Taxonomy-eligible / aligned activities, exclude double counting, as each KPI is allocated to different activities, which are independent. To avoid double counting, while calculating numerator, KPIs were counted only once when an economic activity contributes to several environmental objectives. It should be noted that intra-group transactions were eliminated, where needed.

Contextual information about EU Taxonomy KPIs

All KPIs are the same for both environmental objectives, therefore they are not disclosed separately.

Taxonomy-eligible share of revenue in 2023 was 79.6% and decreased by 7 pp or EUR 46.9 million compared to 2022:

- the EUR 52.2 million change was driven by decrease in the electricity sales revenue. The main reason behind the change was decline in revenue from ancillary, balancing and regulating services compared to 2022;
- revenue from newly identified Taxonomy-eligible activities amounted to EUR 1.7 million or 0.4% of the Taxonomy-eligible share of revenue;

In 2023, Taxonomy-eligible share of OpEx was 97%, and increased by 3.3 pp compared to 2022.

- The major driver was lower energy prices on the market, causing the decline in the costs of electricity for technological needs. These costs were by EUR 139 million lower than in 2022;
- OpEx of energy storage activity increased by EUR 1.3 million due to the enhanced implementation of the energy storage project (the system of four battery farms);
- OpEx of newly identified Taxonomy-eligible activities amounted to EUR 1.7 million or 0.5% of the Taxonomy-eligible share of OpEx;
- In 2023, OpEx of Taxonomy-non-eligible activities due to decreased by EUR 65.5 million (or 7-fold) due to the installation of the Physical Barrier in 2022, with a significant pro-rata reduction in denominator.

Taxonomy-eligible share of CapEx in 2023 was 84.7% and increased by 10.8 pp or EUR 64.8 million compared to 2022:

- CapEx of energy transmission activity increased by EUR 84.5 million due to the implemented synchronization-related projects;
- CapEx of electricity storage activities decreased by EUR 20.3 million as the implementation of the energy storage project (the system of four battery farms) was completed

11.4 Revenue under the EU Taxonomy

Financial year 2023

Economic activities	Code(s)	Absolute turnover, EUR million	Proportion of turnover	Substantial contribution criteria						Criteria for doing no significant harm (principle of 'causing no significant harm')										
				Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity and ecosystems	Minimum safeguards	Proportion of Taxonomy-eligible turnover, 2023	Proportion of Taxonomy-eligible turnover, 2022	Enabling activities	Transition activities
		Currency	%	Yes (Y)/No (N)/N/EL	Yes (Y)/No (N)/N/EL	Yes (Y)/No (N)/N/EL	Yes (Y)/No (N)/N/EL	Yes (Y)/No (N)	Yes (Y)/No (N)/N/EL	Yes (Y)/No (N)	Yes (Y)/No (N)	Yes (Y)/No (N)	Yes (Y)/No (N)	Yes (Y)/No (N)	Yes (Y)/No (N)	Yes (Y)/No (N)	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (aligned activities)																				
4.1 Generating electricity using photovoltaic solar technology	D35.11	0.0	0.0	Y	Y	N/EL	N/EL		N/EL	Y	Y		Y	Y	Y	Y	0.0	0.0		
4.14 Transmission and distribution networks for renewable and low-carbon gases	D35.22, F42.21, H49.50	0.0	0.0	Y	Y	N/EL	N/EL		N/EL	Y	Y	Y	Y		Y	Y	0.0	0.0		
4.10 Electricity storage	No dedicated NACE code	2.7	0.6	Y	Y	N/EL	N/EL		N/EL	Y	Y	Y		Y	Y	Y	0.6	0.0		T
4.9 Electricity transmission and distribution (Litgrid)	D35.12	366.8	76.5	Y	Y	N/EL	N/EL		N/EL	Y	Y		Y	Y	Y	Y	76.5	71.0		T
4.9 Electricity transmission and distribution (Tetas)	D35.12	10.4	2.2	Y	Y	N/EL	N/EL		N/EL	Y	Y		Y	Y	Y	Y	2.2	1.6		
7.6 Installation, maintenance and repair of renewable	F42	1.7	0.3	Y	Y	N/EL	N/EL		N/EL	Y	Y					Y	0.3	0.0		

energy technologies																		
	A.2 Turnover of Taxonomy-eligible but environmentally unsustainable activities (Taxonomy-non-aligned)																	
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	H49.32, H49.39, N77.11	0.0	0.0												0.0	0.0		
Total (A.1+A.2)		**381.6**	**79.6**												79.6	72.6		
	B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																	
Turnover from Taxonomy-non-eligible activities (B)		**97.6**	**20.4**												20.4	27.4		
Total (A + B)		**479.2**	**100.0**												100.0	100.0		

N/EL – not eligible, Taxonomy non-eligible activity for the relevant environmental objective

11.5 Capital expenditure under the EU Taxonomy (CapEx)

Financial year 2023

Economic activities	Code(s)	Absolute capital expenditure, EUR million	Proportion of CapEx	Substantial contribution criteria						Do no significant harm						Minimum safeguards	Proportion of Taxonomy-eligible turnover, 2023	Proportion of Taxonomy-eligible turnover, 2022	Enabling activities	Transition activities
				Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity and ecosystems					
		Currency	%	Yes (Y)/No (N)/N/EL	Yes (Y)/No (N)/N/EL	Yes (Y)/No (N)/N/EL	Yes (Y)/No (N)/N/EL	Yes (Y)/No (N)	Yes (Y)/No (N)/N/EL	Yes (Y)/No (N)	Yes (Y)/No (N)	Yes (Y)/No (N)	Yes (Y)/No (N)	Yes (Y)/No (N)	Yes (Y)/No (N)	Yes (Y)/No (N)	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (aligned activities)																				
4.1 Generating electricity using photovoltaic solar technology	D35.11	0.0	0.0	Y	Y	N/EL	N/EL		N/EL	Y	Y		Y	Y	Y	Y	0.0	0.3		
4.14 Transmission and distribution networks for renewable and low-carbon gases	D35.22, F42.21, H49.50	0.3	0.1	Y	Y	N/EL	N/EL		N/EL	Y	Y	Y	Y		Y	Y	0.1	0.0		
4.10 Electricity storage	No dedicated NACE code	32.6	14.1	Y	Y	N/EL	N/EL		N/EL	Y	Y	Y		Y	Y	Y	14.1	30.3		T
4.9 Electricity transmission and distribution (Litgrid)	D35.12	153,1	66.2	Y	Y	N/EL	N/EL		N/EL	Y	Y		Y	Y	Y	Y	66.2	43.3		T
4.9 Electricity transmission and distribution (Tetas)	D35.12	0.2	0.1	Y	Y	N/EL	N/EL		N/EL	Y	Y		Y	Y	Y	Y	0.1	0.0		
7.6 Installation, maintenance and repair of renewable energy technologies	F42	0.0	0.0	Y	Y	N/EL	N/EL		N/EL	Y	Y					Y	0.0	0.0		
A.2 CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	H49.32, H49.39, N77.11	0.5	0.2														0.2	0.0		

Total (A.1+A.2)	**186.7**	**88.7**	80.7	**73.9**
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES				
CapEx of Taxonomy-non-eligible activities (B)	**44.6**	**19.3%**	19.3	26.1
Total (A + B)	**231.3**	**100.0%**	100.0	**100.0**

N/EL – not eligible, Taxonomy non-eligible activity for the relevant environmental objective

11.6 Operating expenditure under the EU Taxonomy (OpEx)

Financial year 2023

Economic activities	Code(s)	Absolute CapEx, EUR million	Proportion of OpEx (%)	Substantial contribution criteria						Do no significant harm										
				Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity and ecosystems	Minimum safeguards	Proportion of Taxonomy-eligible turnover, 2023 (%)	Proportion of Taxonomy-eligible turnover, 2022 (%)	Enabling activities (E)	Transition activities (T)
		Currency	%	Yes (Y)/No (N)/N/EL	Yes (Y)/No (N)/N/EL	Yes (Y)/No (N)/N/EL	Yes (Y)/No (N)/N/EL	Yes (Y)/No (N)	Yes (Y)/No (N)/N/EL	Yes (Y)/No (N)	Yes (Y)/No (N)	Yes (Y)/No (N)	Yes (Y)/No (N)	Yes (Y)/No (N)	Yes (Y)/No (N)	Yes/No	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (aligned activities)																				
4.1 Generating electricity using photovoltaic solar technology	D35.11	0.0	0.0	Y	Y	N/EL	N/EL		N/EL	Y	Y		Y	Y	Y	Y	0.0	0.0		
4.14 Transmission and distribution networks for renewable and low-carbon gases	D35.22, F42.21, H49.50	0.0	0.0	Y	Y	N/EL	N/EL		N/EL	Y	Y	Y	Y		Y	Y	0.0	0.0		
4.10 Electricity storage	No dedicated NACE code	1.8	0.5	Y	Y	N/EL	N/EL		N/EL	Y	Y	Y		Y	Y	Y	0.5	0.1		T

4.9 Electricity transmission and distribution (Litgrid)	D35.12	335.0	93.7	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y		Y	Y	Y	Y	93.7	81.4		T
4.9 Electricity transmission and distribution (Tetas)	D35.12	8.2	2.3	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y		Y	Y	Y	Y	2.3	5.4		
7.6 Installation, maintenance and repair of renewable energy technologies	F42	1.7	0.5	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y					Y	0.5	0.0		
A.2 OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	H49.32, H49.39, N77.11	0.3	0.1														0.1	0.0		
Total (A.1+A.2)		**347.1**	**97.0**														97.0	**86.9**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		**10.6**	**3.0**														3.0	13.1		
Total (A + B)		**357.7**	**100.0**														100.0	**100.0**		

N/EL – not eligible, Taxonomy non-eligible activity for the relevant environmental objective

Please note that the denominator for OpEx is calculated by taking into account direct OpEx. The denominator for OpEx 2022 was recalculated accordingly.

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204	Procurement practices 2016	136
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ANNEX 2. DISCLOSURES IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

TCFD disclosure recommendations		Page(s) of the annual report
Governance		
	a. Describe the board's oversight of climate-related risks and opportunities.	120-121
	b. Describe management's role in assessing and managing risks and opportunities.	121-125
Strategy		
	a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	124-125
	b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	124-125
	c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	124-125
Risk management		
	a. Describe the organization's processes for identifying and assessing climate-related risks.	121-125
	b. Describe the organization's processes for managing climate-related risks.	121-125
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	121-125
Metrics		
	a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	88, 96, 107-109, 124-125, 167
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	170-175, 124-125
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	88, 96, 125, 167, 173-175

GRI 3-3

ANNEX 3. INFORMATION ON COMPLIANCE WITH TRANSPARENCY GUIDELINES

EPSO-G and its subsidiaries comply with Government Resolution No 1052 of 14 July 2010 on the adoption of the Guidelines on Transparency in the Activities of State-Owned Enterprises (hereinafter Transparency Guidelines). The Transparency Guidelines are mandatory, as EPSO-G is a State-owned establishment (SOE).

In order to ensure compliance with the Transparency Guidelines within the EPSO-G Group, the Operational Transparency and Communication Policy has been adopted at Group level, which takes into account in detail the requirements set out in the Transparency Guidelines and sets out how they apply to the companies in the EPSO-G Group.

The implementation of the Transparency Guidelines is mainly ensured through the information disclosed in the Annual Report and through the disclosure of information on the websites of EPSO-G's management company and the Group's companies, by disclosing and presenting the information in a format that is accessible and understandable to stakeholders.

The Transparency Guidelines state that the SOEs follow the provisions of the Nasdaq Vilnius Listed Company Governance Code relating to public disclosure of information. Information on EPSO-G's compliance with this Code is disclosed in Annex 4 of EPSO-G's annual report and in EPSO-G's Report on Compliance with the Code of Corporate Governance for Nasdaq Vilnius Listed Companies.

Below is structured information on the implementation of the Transparency Guidelines:

The EPSO-G website must publish information and comply with other requirements	
Company name, company code and the register in which the data on the Company is collected and stored, registered office (address)	Implemented
Legal status if EPSO-G is being reorganised, reorganised (specify the type of reorganisation), wound up, bankrupt or insolvent	Not applicable
Information on the national authority, i.e. the Ministry of Energy of the Republic of Lithuania and a link to its website	Implemented
Operational objectives, vision and mission	Implemented
Structure	Implemented
Data on the manager*	Implemented
Data on the chairperson and members of the Board*	Implemented
Details of the Chair and members of the Supervisory Council*	Not applicable
Names of committees, their chairs and members*	Implemented
**The following data shall be published: name, surname, date of commencement of duties, other management positions held in other legal entities, education, qualifications, professional experience; whether the member of the collegial body is elected or appointed as an independent member.*	
Total amount of the nominal values of the shares owned by the State (to the nearest euro cent) and the percentage of EPSO-G's issued capital	Implemented
Special obligations, which shall be established in accordance with the guidelines approved by the Minister of Economy and Innovation of the Republic of Lithuania: the purpose of the special obligation, the state budget allocations for its performance in the current calendar year and the legal acts entrusting the SOE with the performance of the special obligation shall be indicated, the conditions for the performance of the special obligation shall be established and/or the pricing shall be regulated	Implemented
Information on corporate social responsibility initiatives and measures, major investment projects underway or planned	Implemented
If EPSO-G is a member of other legal entities (not applicable to subsidiaries and subsidiaries of a subsequent level), the name, code number and register in which the Company's data are collected and stored, the registered office (address) and the website addresses of such legal entities	Not applicable

GRI 3-3

The annual financial statements, the annual report and the auditor's report on the annual financial statements must be published on EPSO-G's website within 10 working days of the approval of the annual financial statements	Implemented
EPSO-G's interim financial statements and EPSO-G's interim reports must be published on its website no later than two months after the end of the reporting period	Implemented
Given that EPSO-G is a parent company, the following information must be additionally published on its website:	
Group structure	Implemented
Subsidiaries and downstream subsidiaries:	
Company name, company code and the register in which the data on the Company is collected and stored, registered office (address)	Implemented
Website addresses	Implemented
Percentage of shares held by EPSO-G in the issued capital of companies	Implemented
Annual consolidated financial statements and consolidated annual reports	Implemented
The following documents must be published on the website and other requirements must be met:	
Articles of Association of EPSO-G	Implemented
Letter from the Ministry of Energy of the Republic of Lithuania on the definition of state objectives and expectations for EPSO-G	Implemented
The business strategy or a summary thereof where the business strategy contains confidential information or information considered to be a commercial/industrial secret	Implemented
Remuneration policy, including the determination of the salary of the Head of EPSO-G and the remuneration of the members of the collegiate bodies and committees set up by EPSO-G	Implemented
EPSO-G annual and interim reports	Implemented
Sets of annual and interim financial statements for a period of at least five years and auditor's reports on the annual financial statements	Implemented
The above documents are published in PDF format and are technically printable	Implemented
Other requirements must be met/published in the financial statements and reports:	
EPSO-G keeps its accounting records in a way that ensures preparation of the financial statements in accordance with International Accounting Standards	Implemented
EPSO-G prepares a set of financial statements for the period of 6 months	Implemented
In addition to the annual report, EPSO-G prepares a set of financial statements for the period of 6 months	Implemented
In addition to the content requirements set in the Law on Financial Reporting by Undertakings of the Republic of Lithuania, the following information must be disclosed in the annual report of EPSO-G[1]:	
Brief description of the business model	Implemented
Information on significant events that occurred during and after the financial year (prior to the annual report) and which had a material impact on EPSO-G's activities	Implemented
Results for the objectives set out in the Operational Strategy	Implemented
Profitability, liquidity, asset turnover, debt ratios	Implemented
Compliance with specific obligations	Implemented
Implementation of the investment policy, ongoing and planned investment projects and investments during the year under review	Implemented**
Investments, ongoing and planned projects, and investments during the reporting period (see Sections 3.4, 3.5 and 4.2.8 of the Annual Report).	
Implementation of risk management policy	Implemented
Implementation of the dividend policy	Implemented

[1] *When information is treated as a commercial (industrial) secret or as confidential information of the SOE, the SOE is allowed not to disclose such information; however, in its annual report the SOE must indicate such non-disclosure and provide the reasons for non-disclosure.*

Implementation of the remuneration policy	Implemented
Total annual salary bill, average monthly salary by position and/or department	Implemented
The SOEs that are not required to prepare the social responsibility report, are recommended to provide information related to environmental, social and personnel, human rights, anti-corruption and anti-bribery matters in their annual report or annual activity report	Implemented
The consolidated annual report shall include the structure of the group, the name, code and register number of each subsidiary company in which data on the Company are collected and stored, the registered office (address), the percentage of shares held in the subsidiary company's issued capital, and the financial and non-financial performance of the financial year	Implemented
EPSO-G's interim report shall contain a brief description of EPSO-G's business model, an analysis of its financial performance for the reporting period, information on significant events that occurred during the reporting period, as well as profitability, liquidity, asset turnover, debt indicators and their evolution compared to the corresponding period of the previous year	Implemented

ANNEX 4. NOTIFICATION BY EPSO-G ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR COMPANIES LISTED ON NASDAQ VILNIUS

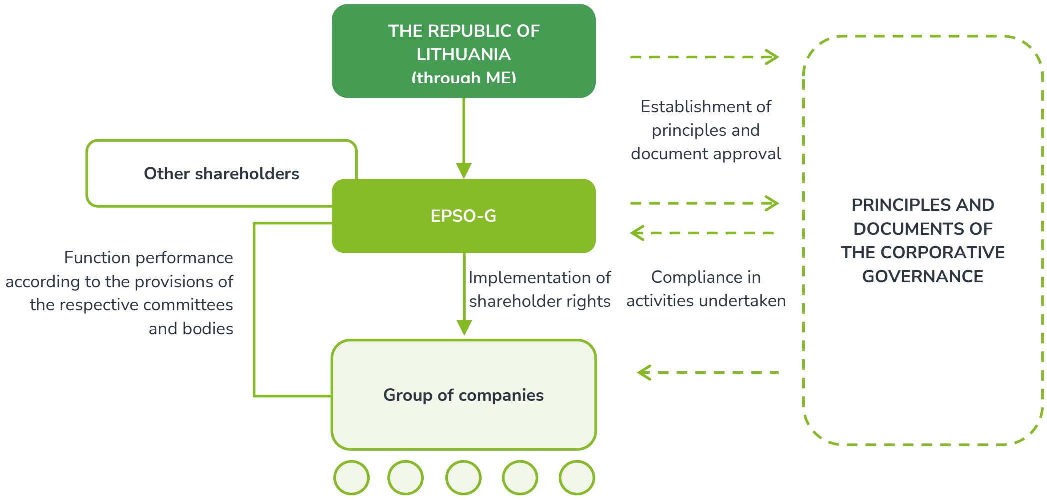
In accordance with the Description of the Guidelines for Ensuring the Transparency of the Activities of State-Owned Enterprises, approved by the Resolution of the Government of the Republic of Lithuania No 1052 of 14 July 2010, and the Transparency and Communication Policy of the EPSO-G Group of Companies, EPSO-G discloses in this report its compliance with the provisions of the Corporate Governance Code for the Listed Companies approved by Nasdaq Vilnius. If there is a failure to comply with this Code or any of its provisions, it shall be stated which provisions are not complied with and for what reasons.

The implementation of the recommendations of the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius by EPSO-G is mainly ensured through the disclosures in the Annual Report and the extensive disclosures on EPSO-G's website, in order to provide information in a format that is accessible and understandable to stakeholders.

1 Free-form summary of the Corporate Governance Report:

EPSO-G, a state-owned company, is the parent company of the EPSO-G Group of companies. The rights and obligations of EPSO-G holding shareholder are implemented by the Ministry of Energy of the Republic of Lithuania. The Company's management structure and governance model is determined by the Company's Articles of Association, the Corporate Governance Guidelines of the EPSO-G Group of Companies approved on 24 April 2018 (new version approved on 29 December 2022) by the Ministry of Energy of the Republic of Lithuania, the sole shareholder, and the Corporate Governance Policy of the EPSO-G Group of companies. All of the above documents are publicly available on the Company's website.

Fig. 1 Principal scheme of the implementation of corporate governance of EPSO-G.



Corporate governance structure:

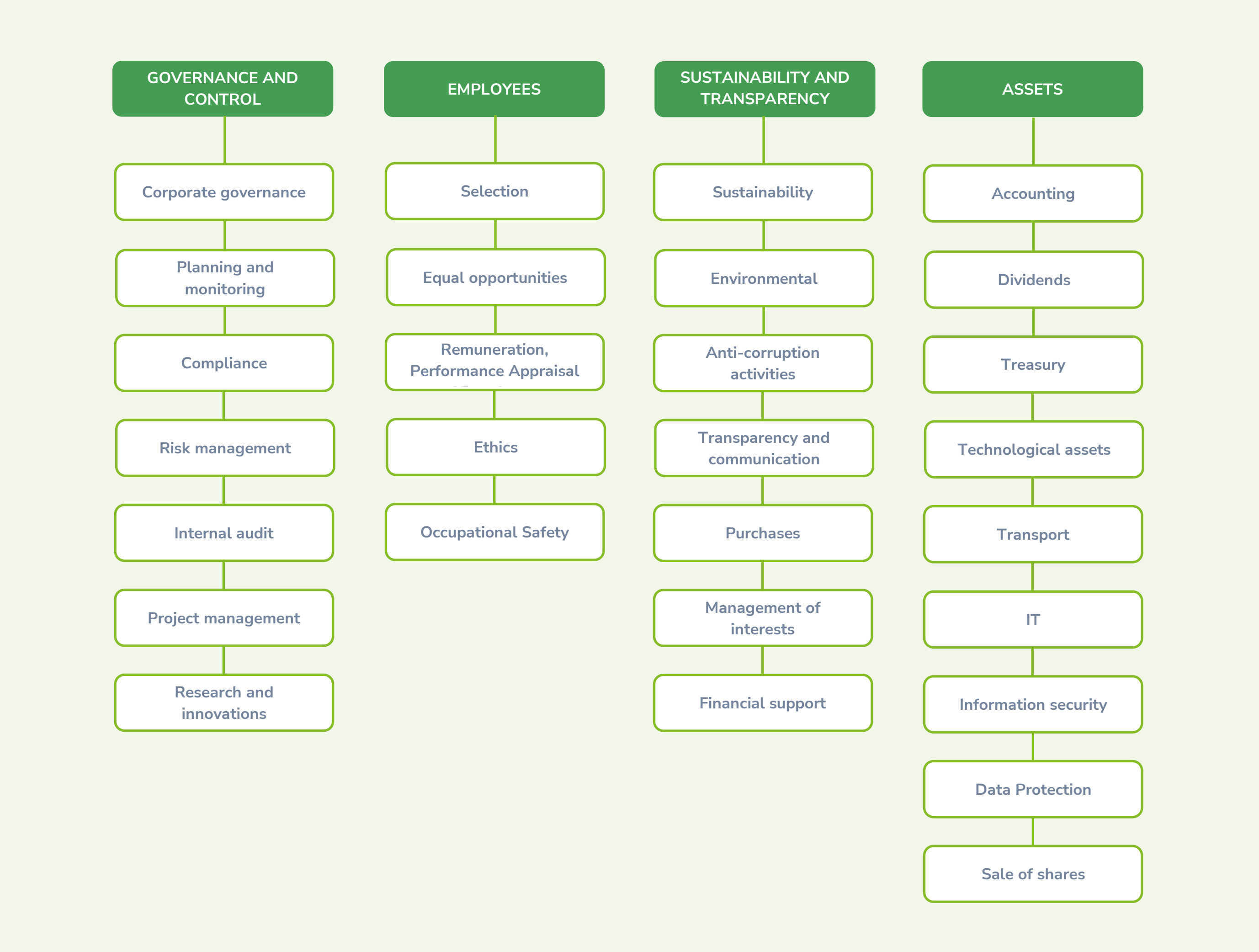
- General Meeting of Shareholders;
- the Board (5 members, 3 of whom are independent, the other 2 nominated by the Ministry of Energy as the sole shareholder);
- Committees operating on the Group level:
    - Remuneration and Nomination Committee (majority of members are independent);
    - Audit Committee (majority of members are independent).
- The Manager.

The Group has a centralised internal audit function. To ensure the independence of internal audit, the appointment and dismissal of the head of internal audit is subject to the appointment and dismissal of the Board of the management company, which is mainly composed of independent members. Internal Audit is also accountable to the EPSO-G Audit Committee, which is also mainly composed of independent members. The Internal Audit recommendations are analysed by the Company's Board, which also approves the plan of measures for the implementation of audit recommendations.

The EPSO-G Group's Risk Management Policy is the basis for the implementation of a unified Group Risk Management System in accordance with the internationally applicable COSO ERM standards, which define the principles and responsibilities for identifying, assessing and managing risks. Coordination of risk management is carried out at Group level.

The EPSO-G Group has adopted operational policies to ensure good governance practices. They are designed to introduce a consistent and effective management system of the organisation helping employees successfully implement important strategic projects and create value to people and businesses of the country in a transparent and effective manner. To ensure the effectiveness of the operational policies, the Company prepares an annual progress report on the implementation of the Group's operational policies for the EPSO-G Board. Progress reports on the implementation of the operational policies of individual companies within the Group are also presented to the Board of the respective company.

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



EPSO-G draws on good governance practices set out in the Good Governance Recommendations published by the Organisation for Economic Co-operation and Development (OECD), the United Nations and Nasdaq Vilnius Recommendations, and other internationally recognised standards and good governance recommendations, with the overarching aim of ensuring that state-owned companies are governed in a transparent and effective manner.

2 Structured table

PRINCIPLES AND GUIDELINES	YES/NO/NOT APPLICABLE	COMMENTARY
Principle 1: General Meeting of Shareholders, fair treatment of shareholders and shareholders' rights The corporate governance system should ensure fair treatment of all shareholders. The corporate governance system should protect shareholders' rights.		
All shareholders should have equal access to the information and/or documents provided for by law and should be able to participate in decisions that are important for the company.	YES	The company has a sole shareholder.
It is recommended that a company's capital should consist only of shares that give their holders equal voting, ownership, dividend and other rights.	YES	All the Company's shares are ordinary registered shares with a nominal value of EUR 0.29 per share.
It is recommended that investors should be given the opportunity to familiarise themselves with the rights attached to new or existing shares in advance, i.e. before purchasing them.	NOT APPLICABLE	The Company has a single shareholder and is not listed.
Exceptional transactions of major importance, such as the disposal of all or almost all of the company's assets, which would effectively amount to a disposal of the company, should be subject to the approval of the General Meeting of Shareholders.	YES	Article 28 of the Company's Articles of Association specifies the cases in which the sole shareholder's approval is required, which are determined taking into account that the Company's main assets are the shares of its subsidiaries.
The procedures for organising and participating in the General Meeting of Shareholders should give shareholders equal opportunities to participate in the General Meeting of Shareholders and should not prejudice the rights and interests of shareholders. The choice of the place, date and time of the General Meeting should not preclude the active participation of shareholders in the General Meeting. In the notice of the General Meeting, the company should indicate the latest date on which the proposed draft resolutions can be submitted.	NOT APPLICABLE	The Company has a single shareholder and is not listed.
In order to ensure the right of shareholders living abroad to access information, it is recommended that, where possible, the documents prepared for the General Meeting of Shareholders be made public in advance not only in Lithuanian, but also in English and/or in other foreign languages. It is also recommended that the minutes of the General Meeting of Shareholders, after signing, and/or the decisions adopted be made public not only in Lithuanian but also in English and/or other foreign languages. It is recommended that this information be published on the company's website. Not all documents may be made publicly available if their public disclosure would be prejudicial to the company or would disclose the company's business secrets.	NOT APPLICABLE	The Company has a single shareholder and is not listed.
Shareholders entitled to vote should be able to vote at the meeting of shareholders, either present or absent in person. Shareholders should not be prevented from voting in advance in writing by completing a single ballot paper.	YES	A shareholder may vote in writing.

In order to increase shareholders' ability to participate in General Meetings of Shareholders, it is recommended that companies should make greater use of modern technology to enable shareholders to participate and vote in General Meetings of Shareholders by electronic means. In such cases, the security of the information transmitted must be guaranteed and the identity of the person who participated and voted must be identifiable.	NOT APPLICABLE	The Company has a single shareholder and is not listed.
It is recommended to disclose in the notice of the draft decisions of the convened General Meeting of the Shareholder the new nominations of the members of the collegial body, the remuneration proposed for them, the proposed appointment of the audit company, if these issues are included in the agenda of the General Meeting of Shareholders. When proposing to elect a new member of the collegial body, it is recommended that the member's educational background, work experience and other management positions held (or proposed to be held) be disclosed.	NOT APPLICABLE	The Company has a single shareholder and is not listed.
Members of the Company's collegial management body, heads of the administration[2] or other competent persons related to the Company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	NOT APPLICABLE	The Company has a single shareholder and is not listed.
Principle 2: Supervisory Council 1 Functions and responsibilities of the Supervisory Council The Supervisory Council should ensure that the interests of the company and its shareholders are represented, that it is accountable to the shareholders and that it exercises objective and impartial oversight of the company's activities and its management bodies, and that it makes regular recommendations to the management bodies. The Supervisory Council should ensure the integrity and transparency of the company's financial accounting and control system.		
1) Members of the Supervisory Council should act honestly, diligently and responsibly in the best interests of the company and its shareholders and represent their interests, taking into account the interests of employees and the public good.	NOT APPLICABLE	The Company does not have a Supervisory Council.
2) Where the Supervisory Council's decisions may affect the interests of the company's shareholders differently, the Supervisory Council should treat all shareholders impartially. It should ensure that shareholders are adequately informed about the company's strategy, risk management and control, and the management of conflicts of interest.	NOT APPLICABLE	The Company does not have a Supervisory Council.
3) The Supervisory Council should be impartial in making decisions that have a bearing on the company's operations and strategy. The work and decisions of the members of the Supervisory Council should not be influenced by those who elected them.	NOT APPLICABLE	The Company does not have a Supervisory Council.
4) Members of the Supervisory Council should make clear their objection if they consider that a decision of the	NOT APPLICABLE	The Company does not have a Supervisory Council.

[2] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

	Supervisory Council could be detrimental to the company. Independent members of the Supervisory Council3 should: (a) remain independent in their analysis and decision-making; (b) neither seek nor accept any undue preference that may cast doubt on the independence of the members of the Supervisory Board.		
5)	The Supervisory Council should oversee that the company's tax planning strategies are designed and implemented in accordance with the law, to avoid flawed practices that are not in the long-term interests of the company and its shareholders, which may lead to reputational, legal or other risks.	NOT APPLICABLE	The Company does not have a Supervisory Council.
6)	The company should ensure that the Supervisory Council is provided with sufficient resources (including financial resources) to carry out its duties, including access to all relevant information and the right to seek independent professional advice from external legal, accounting or other professionals on matters within the competence of the Supervisory Council and its committees.	NOT APPLICABLE	The Company does not have a Supervisory Council.
2 Establishment of the Supervisory Council The procedure for the establishment of the Supervisory Council should ensure that conflicts of interest are properly managed and that the company is governed efficiently and fairly.			
1)	The members of the Supervisory Council elected by the General Meeting of Shareholders should collectively ensure a diversity of qualifications, professional experience and competences, as well as a gender balance. In order to maintain an appropriate balance between the qualifications of the members of the Supervisory Council, it should be ensured that the members of the Supervisory Council as a whole have a broad range of knowledge, views and experience to perform their tasks properly.	NOT APPLICABLE	The Company does not have a Supervisory Council.
2)	Members of the Supervisory Council should be appointed for a fixed term, with the possibility of individual re-election for a new term, in order to ensure the necessary growth in professional experience.	NOT APPLICABLE	The Company does not have a Supervisory Council.
3)	The Chair of the Supervisory Council should be a person whose current or former position would not be an obstacle to the impartial exercise of his/her functions. A former Manager or the Board member of the company should not immediately be appointed as a Chair of the Supervisory Council. Where a company chooses not to comply with these recommendations, information should be provided on the measures taken to ensure operational impartiality.	NOT APPLICABLE	The Company does not have a Supervisory Council.

[3] For the purposes of this Code, the criteria of independence of members of the supervisory council are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

4)	Each member should devote sufficient time and attention to his/her duties as a member of the Supervisory Council. Each member of the Supervisory Council should undertake to limit his/her other professional commitments (in particular management positions in other companies) in such a way that they do not interfere with the proper performance of his/her duties as a member of the Supervisory Council. If a member of the Supervisory Council attended less than half of the Supervisory Council meetings during the company's financial year, the company's shareholders should be informed.	NOT APPLICABLE	The Company does not have a Supervisory Council.
5)	Where the appointment of a member of the Supervisory Council is proposed, it should be disclosed which members of the Supervisory Board are considered independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	NOT APPLICABLE	The Company does not have a Supervisory Council.
6)	The amount of remuneration for members of the Supervisory Council should be approved by the company's General Meeting of Shareholders for their activities and participation in the meetings of the Supervisory Council.	NOT APPLICABLE	The Company does not have a Supervisory Council.
7)	The Supervisory Council should carry out an evaluation of its own performance each year. It should include an assessment of the structure, organisation and ability to act as a group, as well as an assessment of the competence and effectiveness of each member of the Supervisory Council and an assessment of whether the Supervisory Council has achieved its stated performance objectives. The Supervisory Council should publish, at least once a year, relevant information on its internal structure and operating procedures.	NOT APPLICABLE	The Company does not have a Supervisory Council.
Principle 3: Board 3.1 Functions and responsibilities of the Board The Board should ensure the implementation of the company's strategy, as well as good corporate governance, taking into account the interests of shareholders, employees and other stakeholders.			
1)	The Board should ensure the implementation of the company's strategy, as approved by the Supervisory Council, if it is established. In cases where the Supervisory Council is not established, the Board is also responsible for approving the company's strategy.	YES	Article 38 of the Company's Articles of Association states that the Board of Directors of the Company shall approve the Group's business strategy, which shall, inter alia, articulate the overall mission and vision of the Group. The Board also regularly considers reports on the implementation of the strategy (Article 39 of the Articles of Association).

2)	The Board, as the collegial management body of the company, performs the functions assigned to it by the Law and the company's Articles of Association and, in cases where the company does not have a Supervisory Board, also performs the supervisory functions provided for in the Law. In carrying out its functions, the Board should take into account the needs of the company, shareholders, employees and other stakeholders, as appropriate, in order to build a sustainable business.	YES	Paragraph 42 of the Company's Articles of Association states that the Board of the Company has supervisory functions.
3)	The Board should ensure compliance with the laws and internal company policies applicable to the company or group of companies to which it belongs. It should also put in place appropriate risk management and control measures to ensure regular and direct accountability of executives.	YES	Article 38 of the Company's Articles of Association provides that the Board of the Company shall consider and approve the Group-wide corporate documents: policies, guidelines for the most important activities of the Group, as well as other Group-wide corporate documents which are directly applicable in full in the companies of the Group, unless there are justified decisions of the respective governing bodies of the respective companies of the Group on the application of exceptions to the application of these corporate documents. When approving these documents, the Board may also lay down measures for their implementation. The Board also, by individual decisions, instructs the Manager to report regularly on the Board's performance indicators (e.g. the Company's strategy, business plan, budget, etc.).
4)	Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[4] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	YES	The Company has various documents in place to ensure the highest level of internal controls, ethics and compliance management measures, such as: 1. Internal Audit accountable to the Company's Board, which is made up of external members (3 independent members); 2. the Audit Committee is mainly composed of independent members to whom Internal Audit is also accountable;

[4] Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf

		3. The Company has the Code of Ethics, the EPSO-G Group's Anti-Corruption Policy, the EPSO-G Group's Support Policy, the EPOS-G Group's Policy on the Management of Interests, the EPSO-G Group's Policy on the Management of the Risks, the EPSO-G Group's Policy on the Transparency and Communication, etc.
5) In appointing the company's manager, the Board should take into account the appropriate balance of qualifications, experience and competence of the candidate.	YES	The Company's Articles of Association provide that the Manager of the Company is appointed by the Board on the recommendation of the Remuneration and Nomination Committee. Article 78 of the Company's Articles of Association provides that, when assessing the suitability of a candidate for the position of the Manager, the Board shall assess the candidate's compliance with the requirements set out in the Articles of Association and applicable legislation and may, for that purpose, require the candidate to submit documents substantiating such compliance and/or request the competent public authorities to provide the necessary information about the candidate.
Establishment of the Board		
1) The members of the Board elected by the Supervisory Board or by the General Meeting of Shareholders if no Supervisory Council is established should collectively ensure a diversity of qualifications, professional experience and competences, and strive for gender balance. In order to maintain an appropriate balance between the qualifications of the members of the Board, it should be ensured that the members of the Board as a whole have a wide range of knowledge, views and experience to perform their tasks adequately.	YES	The selection of the members of the Board of the Company is carried out in accordance with the procedure established by the Government of the Republic of Lithuania. When electing the members of the Board, it shall be ensured that the Board is composed of at least three (3) independent members, their independence being determined in accordance with the criteria laid down by the mandatory legislation, and that the members of the Board have competences in accordance with the Board's areas of responsibility and functions, and, whenever possible, it is aimed to avoid appointing any employees of the Company to the Board.

		The Board members carry out their performance assessment on annual basis. The Remuneration and Nomination Committee also assesses the performance of the Board annually and makes generalised recommendations for improving the performance of the Group's collegial bodies.
2) The names of the candidates for election to the Board, their education, qualifications, professional experience, positions held, other relevant professional commitments and potential conflicts of interest should be disclosed, without prejudice to the requirements of the legislation governing the processing of personal data, at the meeting of the Supervisory Council at which the Board or its individual members will be elected. If the Supervisory Council is not established, the information set out in this point should be submitted to the General Meeting of Shareholders. The Board should compile the data on its members referred to in this point each year and disclose it in the company's annual report.	YES	Article 32 of the Company's Articles of Association provides that the Meeting, in assessing the suitability of a candidate for election to the Board, shall assess his/her compliance with the requirements laid down in the Articles of Association and the applicable legislation. Pursuant to Article 33 of the Company's Articles of Association, each candidate for election to the Board is required to submit a declaration of interests to the General Meeting of Shareholders. Information on the appointed members of the Board is published and updated on the Company's website. The Annual Report does not repeat this information in addition, but it does include information on the Chair of the Board, the Manager and the Chief Financial Officer and the Head of Internal Audit.
3) All new members of the Board should be briefed on their duties, the company's structure and its activities.	YES	Board members are briefed on the Company's structure and activities. The key corporate documents of the Company are shared.
4) Members of the Board should be appointed for a fixed term, with the possibility of individual re-election, in order to ensure the necessary growth in professional experience and sufficiently frequent reconfirmation of their status.	YES	The members of the Board are appointed for a four-year term of office. A member of the Board may not serve as a member of the Board for more than two (2) consecutive full Board terms and in any case may not serve as a member of the Board for more than ten (10) consecutive years.
5) The Chair of the Board should be a person whose current or former position would not be an obstacle to the impartial conduct of business. A former manager of the company should not immediately be appointed as a Chair of the Board. Where a company chooses not to comply with these recommendations, information should be provided on the measures taken to ensure operational impartiality.	YES	The Company's Articles of Association set out the criteria for a person to be ineligible for election as a member of the Board. According to Article 51 of the Company's Articles of Association, the Chair of the Board should be an independent member of the Board.

6)	Each member should devote sufficient time and attention to his or her duties as a Board member. If a member of the Board has attended less than half of the meetings of the Board during the company's financial year, the company's Supervisory Council should be informed, or, if there is no Supervisory Council, the General Meeting of Shareholders.	YES	The Company's minutes record the participation and voting of Board members in decision-making. The attendance of the Board at meetings shall be indicated in the annual report. Each year, the members of the Company's Board carry out a performance evaluation, the results of which are presented to the shareholder and the Remuneration and Nomination Committee.
7)	If, in the cases provided for in the Law, when the Board is elected in the absence of a Supervisory Council, some of the members of the Board will be independent[5], it should be published which members of the Board are considered independent. The Board may decide that a particular member of the Board, although fulfilling all the criteria for independence set out in the Law, may not be considered independent because of special personal or company-related circumstances.	YES	Both the Company's website and the Annual Report provide information on the members of the Company's Board, with specific reference to independent members.
8)	The amount of remuneration to be paid to members of the Board for their activities and participation in Board meetings should be approved by the company's General Meeting of Shareholders.	YES	Article 28 of the Company's Articles of Association provide that the General Meeting of Shareholders shall decide on the remuneration guidelines applicable to remuneration for service on the Board of the Company and of the Group of Companies.
9)	Board members should act honestly, diligently and responsibly in the best interests of the company and its shareholders and represent their interests, taking into account other interest holders. They should not pursue personal interests in their decision-making, should be subject to non-competition agreements, and should not, to the detriment of the company's interests, take advantage of business information and opportunities that are relevant to the company's activities.	YES	In order to monitor the absence of conflicts of interest among the members of the Company's Board, each year the members of the Board update their declarations of interest. The Company has the EPSO-G Group's Conflict of Interest Management Policy in place. The Company's Articles of Association (Art. 34) also provide that members of the Board may engage in any other employment or hold any other position compatible with their activities on the Board, including, but not limited to, holding management positions in other legal entities, employment in the state or statutory service, positions in the Company and other legal entities (subject to the limitations set out in the Articles of Association) only after prior notification to the Board. Members of the Boards have signed commitments to protect the information confidential.

[5] For the purposes of this Code, the criteria of independence of members of the board are interpreted as the criteria of unrelated parties defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

		There are no non-compete agreements with the members of the Board, no need for such agreements has been identified.
10) Every year the management board should carry out an assessment of its activities. It should include an assessment of the structure, organisation and ability to act as a group, as well as an assessment of the competence and effectiveness of each member of the Board and an assessment of whether the Board has achieved its stated performance objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	YES	The Board carries out an annual evaluation of its own performance and draws up a performance improvement plan. The summary results of the Board's performance evaluation are presented in the Company's Annual Report.
Principle 4: Working procedures of the Company's Supervisory Council and the Board The company's procedures for the work of the Supervisory Council, if established, and the Board should ensure the effective work and decision-making of these bodies and promote active cooperation between the company's bodies.		
1) The Board and the Supervisory Council, if established, should work closely together for the benefit of both the company and its shareholders. Good corporate governance requires an open discussion between the Board and the Supervisory Council. The Board should regularly and, if necessary, promptly inform the Supervisory Council of all matters of importance to the company in relation to planning, business development, risk management and control, and compliance with the company's obligations. The Board should inform the Supervisory Council of actual deviations in business development from the plans and objectives previously formulated, stating the reasons for this.	NOT APPLICABLE	The Company does not have a Supervisory Council.
2) It is recommended that meetings of the company's collegial bodies be held at appropriate intervals in accordance with a pre-approved schedule. It is up to each company to decide on the frequency of meetings of the collegial bodies, but it is recommended that they should be held at such a frequency as to ensure the uninterrupted discussion of the company's key governance issues. Meetings of the company's collegiate bodies should be convened at least once a quarter of the year.	YES	The Company's Articles of Association provide that the Board shall take its decisions at meetings of the Board, which shall be held as often as necessary to enable the Board to perform its functions properly and to take the decisions falling within its competence. At the beginning of each year, the Board of Directors of the Company approves the schedule of ordinary meetings for the current year, as well as the business plan (preliminary questions for the relevant Board meeting).

<table>
<tr><td>3)</td><td>The members of the collegial body should be informed in advance of the convening of the meeting in order to allow sufficient time for adequate preparation of the issues to be discussed at the meeting and for the discussion leading to the adoption of decisions. The members of the collegial body should be provided with all relevant material relating to the agenda of the meeting together with the notice of the meeting. The agenda should not be amended or supplemented during a meeting unless all members of the collegiate body are present and agree to such amendment or supplementation or unless there is an urgent need to deal with important matters of the company.</td><td>YES</td><td>According to the Board's Rules of Procedure, the material must be submitted to the Board five working days before the regular meeting.</td></tr>
<tr><td>a.</td><td>In order to coordinate the work of the company's collegial bodies and to ensure an efficient decision-making process, the chairpersons of the company's collegial supervisory and management bodies should coordinate the dates and agendas of the meetings to be convened and should cooperate closely on other issues related to the company's management. Meetings of the company's Supervisory Council should be open to the members of the company's Board, in particular where the meeting deals with matters relating to the removal of members of the Board, their liability and the determination of remuneration.</td><td>NOT APPLICABLE</td><td>The Company does not have a Supervisory Council.</td></tr>
<tr><td colspan="4">Principle 5: Nomination, Remuneration and Audit Committees

Purpose and composition of committees
The committees established within the company should enhance the effectiveness of the Supervisory Council and, if the Supervisory Council is not established, of the Board, which performs supervisory functions, by ensuring that decisions are taken after due deliberation and by helping to organise the work in such a way as to ensure that decisions are not affected by material conflicts of interest.
The Committees should act independently and in a principled manner and make recommendations related to the decision of the collegial body, but the final decision is taken by the collegial body itself.</td></tr>
<tr><td>1)</td><td>Depending on the specific circumstances of the company and the governance structure chosen, the company's Supervisory Council and, if the Supervisory Council not established, the Board, which performs the supervisory functions, form committees. It is recommended that the collegial body form Nomination, Remuneration and Audit committees[6].</td><td>YES</td><td rowspan="2">The Company has the Remuneration and Nomination Committee formed by the Board of EPSO-G acting in accordance with the regulations approved by the body that forms it; and the Audit Committee operating at the Group level formed by the sole shareholder EPSO-G and acting in accordance with the regulations approved by the body that forms it.

Given the close links between remuneration and nomination issues and the need for experts with the same qualifications, it has been decided to form a single Remuneration and Nomination Committee.</td></tr>
<tr><td>2)</td><td>Companies may decide to have fewer than three committees. In this case, companies should provide an explanation as to why they have chosen the alternative approach and how the chosen approach meets the objectives set by the three separate Committees.</td><td>YES</td></tr>
</table>

[6] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

3)	The functions assigned to the committees formed in companies may be performed by the collegial body itself in the cases provided for by law. In such a case, the provisions of this Code relating to committees (in particular as regards their role, functioning and transparency) should, where appropriate, apply to the collegiate body as a whole.	NOT APPLICABLE	Please see par. 5.1.
4)	Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	YES	Sections 7.7 to 7.9 of the Company's Articles of Association govern the composition and competences of committees within the Group. The aforementioned statutes state that the Remuneration and Nomination and Audit Committees shall consist of at least three members. It is ensured that from among three members there is at least one independent member in the Remuneration and Nomination Committee, and more than half of the members in the Audit Committee. The Chairs of the Remuneration and Nomination and Audit Committees are independent members of the Committees, none of them serving as Chairman of the Board. Not all members of the Remuneration and Nomination Committee and the Audit Committee are appointed by the Board of EPSO-G. One member to each of the committees is appointed on the basis of competence when performing the external selection of an independent member of the committee.
5)	The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly report to the collegial body on their activities and performance on a regular basis. The Rules of Procedure of each committee, defining its role and specifying its rights and duties, should be published at least once a year (as part of the information that the company publishes annually about its governance structure and practices). Companies should also publish each year in their annual report, without prejudice to the requirements of the legislation on the processing of personal data, the composition, number of meetings and attendance of members of the existing committees during the previous year, as well as the main lines of their activities and their performance.	YES/NO	The committees are mandated by EPSO-G's Articles of Association and by a decision of the committee-forming body: the Regulations of the Remuneration and Nomination Committee are approved by a decision of EPSO-G's Board, and the Regulations of the Audit Committee are approved by a decision of EPSO-G's sole shareholder, as it is permitted by the Requirements for Members of the Audit Committee approved by the Bank of Lithuania. The Committees' regulations are published on EPSO-G's website. The composition, activities and other information of the Committees is disclosed in the Group's annual report.

6) In order to ensure the independence and objectivity of committees, members of the collegial body who are not members of the committee should normally be entitled to attend committee meetings only at the invitation of the committee. The Committee may invite or require the attendance of certain employees or experts of the Company. The Chair of each committee should be able to communicate directly with shareholders. The cases in which this should be done should be specified in the rules governing the operation of the Committee.	YES	The Regulations of the Committees provide for the right of the members of the Committees, at their discretion, to invite members of the organs of the companies of the EPSO-G Group of companies, employees, proxies, candidates for certain positions, or other persons to attend their meetings and to obtain from them, within the limits of their competence, the necessary explanations, and for that purpose, to request the necessary actions to carry out the Committee's functions.
Nomination committee.		
The main functions of the Nomination Committee should be: (1) to select candidates for vacancies in the Supervisory, Governing Body and Executive Management positions and to recommend them to the collegial body for consideration. The Nomination Committee should assess the balance of skills, knowledge and experience in the governing body, develop a description of the functions and skills required for the specific position and assess the time required to complete the assignment; (2) regularly assess the structure, size, composition, skills, knowledge and performance of the supervisory and management bodies, and make recommendations to the collegiate body on how to bring about the necessary changes; (3) give due attention to succession planning.	YES	The Remuneration and Nomination Committee of EPSO-G acts as an advisory body to the Board of the Company on the Committee's areas of activity, operating on a Group-wide basis, with the main functions of: 1. Assists in carrying out the selections of candidates to the members of the bodies in all companies of the Group; 2. 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; 3. – makes recommendations on the Group's corporate governance documents relating to the selection, appointment and determination of independence criteria for the governing bodies, senior management; 4. makes recommendations on the system for succession of the Group's managers and critical positions;

		5. makes recommendations on the structure, amount of remuneration of managers of the Group companies, on key performance assessment criteria and the remuneration review in accordance with the Group's remuneration, performance assessment and training policy;
The Company's Manager should be consulted on matters relating to members of the collegial body who have an employment relationship with the company and to the Senior Management, with the right to make proposals to the Nomination Committee.	YES	The Regulations establish that the right of initiative to convene the Remuneration and Nomination Committee is exercised by the boards or general managers of the group of companies that also propose the agenda of the meeting by submitting issue-related materials and draft resolutions. The provision is not practically relevant at the present time as the Board does not include any employees of the Company.
Remuneration Committee.		
The main functions of the Remuneration Committee should be: (1) submit proposals to the collegial body for consideration on the remuneration policy applicable to members of the supervisory and management bodies and the executives. Such policies should cover all forms of remuneration, including fixed remuneration, performance-related remuneration, financial incentive schemes, pension schemes, severance payments, as well as conditions that would allow the company to recover amounts or suspend payments, indicating the circumstances that would make it appropriate; (2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; (3) review, on a regular basis, the remuneration policy and its implementation.	YES	Please see par. 5.1.1.
Audit Committee.	YES	
(1) The main functions of the Audit Committee are defined in the legislation governing the Audit Committee[7].		

[7] Issues related to the activities of audit committees are regulated by Regulation No 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

(2) All members of the Committee should be provided with detailed information relating to the company's specific accounting, financial and operational characteristics. The Audit Committee should be informed by the company's executives of the accounting treatment of significant and unusual transactions, which may be accounted for in different ways.		The Audit Committee of EPSO-G acts as an advisory body to the Board of the Company on matters relating to the Committee's areas of activity, operating on a Group-wide basis, with the main functions of: 1 Supervising the preparation of the Group's financial statements and the audit process; 2 Ensuring the independence and objectivity of the Group's auditors and audit companies; 3. Providing an opinion on related party transactions in the cases provided for in the Articles of Association of listed subsidiaries; 4. Making recommendations regarding the selection, appointment, re-appointment and removal of an external auditory and the terms and conditions of a contract with the external audit company; 5 Monitoring and making recommendations on the effectiveness of the internal control, risk and compliance management, and the internal audit function, as well as business processes.
(3) The Audit Committee should decide whether (and if so, when) the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer (or senior finance and accounting staff), the internal auditor and the external auditor should attend its meetings. The Committee should be able to meet the persons concerned, if necessary, without the presence of members of the management bodies.	YES	The Regulations of the Audit Committee stipulate that the members of the Committee, at their own discretion, may invite to their meetings the members of the bodies of the companies of the group, their employees, representatives, candidates for certain positions or other persons, and obtain from them the necessary explanations within their competence, as well as require for that purpose that necessary actions would be taken for the performance of the functions of the Committee.
(4) The Audit Committee should be informed of the work programme of the internal auditors and receive internal audit reports or a periodic summary. The Audit Committee should also be informed of the work programme of the external auditors and should receive a report from the audit firm describing any relationship between the independent audit company and the company and its group.	YES	The Audit Committee is regularly, at least quarterly, informed about the internal audit reports, makes recommendations for the approval of the internal audit plan and monitor its implementation.

		The Audit Committee organises meetings with the external auditors to discuss the auditors' work program and uncertainties arising during the audit, and after the performance of the external audit, their conclusions and recommendations are discussed with the external auditors. Each year, before the start of annual audits, the audit firm submits its declaration of independence to the Audit Committee and to the companies.
(5) The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	YES	The Regulations of the Audit Committee stipulate that the Audit Committee ensures the effective functioning of the complaints system and the proportionate and independent investigation of submitted complaints. In performing this function, the Chair of the Audit Committee shall be promptly informed of significant complaints received, and the Audit Committee shall receive a periodic report on all complaints received by Group companies, the investigations carried out and the decisions taken on the basis of the conclusions of the investigations.
(6) The Audit Committee should report to the Supervisory Council, or, if the Supervisory Council is not established, to the Board at least once every six months, at the same time as the approval of the annual and half-yearly reports.	YES	The Regulations of the Audit Committee stipulate that the Audit Committee shall submit half-yearly and annual activity reports to the Board. It also submits an annual activity report to EPSO-G's Ordinary General Meeting of Shareholders and to the Board.
Principle 6: Avoidance and disclosure of conflicts of interest The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies. The corporate governance system should recognise the rights of stakeholders as established by law and promote active cooperation between the company and stakeholders to create wealth, jobs and financial stability. In the context of this principle, stakeholders include investors, employees, creditors, suppliers, customers, the local community and others with an interest in the company.		
A member of a company's supervisory and management body should avoid a situation where his or her personal interests conflict or may conflict with the interests of the company. If such a situation does arise, a member of the supervisory or management body of the company should, within a reasonable period of time, inform the other members of the same body, or the body of the company that elected him or her, or the shareholders of the company of the existence of such a conflict of interests, indicating the nature of the interests and, where possible, the value.	YES	This obligation is laid down in the Board's rules of procedure, in the contract signed with the Board member and in the Policy on the Management of the Interests of the Members of the Collegial Bodies, Executives and Employees of the EPSO-G group of companies.

		Article 33 of the Company's Articles of Association stipulates that any candidate for election to the Board must immediately inform the Board of any new circumstances which may give rise to a conflict of interest.
Principle 7: Company's remuneration policy The company's remuneration policy and the procedures for its review and disclosure should prevent potential conflicts of interest and abuse in determining the remuneration of the members of the collegiate bodies and of the executives, and ensure the openness and transparency of the company's remuneration policy, as well as the company's long-term strategy.		
(1) The company should approve and publish the remuneration policy on its website, which should be regularly reviewed and be consistent with the company's long-term strategy.	YES	The Company applies the Guidelines for Determining the Remuneration for Activities in the Management Bodies of EPSO-G and the EPSO-G Group of Companies, which are approved by the sole shareholder of EPSO-G and available in a public domain. The company applies the Remuneration, Performance Assessment and Development Policy of the EPSO-G Group in full. The policy is made available to public.
(2) The remuneration policy should cover all forms of remuneration, including fixed remuneration, performance-related remuneration, financial incentive schemes, pension schemes, severance payments, as well as clauses providing for situations where the company may recover amounts paid or suspend payments.	YES	All possible forms of remuneration for collegiate bodies and employees are set out in the Guidelines for Determining the Remuneration for Activities in the Management Bodies of EPSO-G and the EPSO-G Group of Companies and in the Remuneration, Performance Assessment and Development Policy of the EPSO-G Group. Both documents are made available to public.
(3) With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	YES	The Company applies the Guidelines for Determining the Remuneration for Activities in the Management Bodies of EPSO-G and the EPSO-G Group of Companies, which regulate the fixed monthly remuneration for members of collegial bodies. The members of the Board are not remunerated on the basis of the Company's performance.

(4) The remuneration policy should provide sufficient detail on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual salaries and should generally not exceed a fraction of two years' fixed remuneration or its equivalent. Termination payments should not be paid if the contract is terminated because of poor performance.	YES/NO	The Remuneration, Performance Assessment and Development Policy of the EPSO-G Group of companies stipulates that there are no pre-agreed severance payments in the group companies (except for the companies' managers, whose terms of employment are determined by the Board). The amounts of benefits related to the termination of employment relationships are determined by taking into account the mandatory minimum amounts of such benefits established by the norms of labour law, except for exceptional cases when there are objective reasons for the agreement on the other benefits. The relevant Board of the Group company shall be informed of the disbursement of such (higher) benefits and the grounds for their payment at its forthcoming meeting.
(5) If the company has a financial incentive scheme, the remuneration policy should contain sufficient details on the retention of shares after vesting. In the case of a share-based award, the shares should not vest for at least three years after the award. After vesting, members of the collegiate bodies and executives should retain a certain number of shares until the end of their term of office, depending on the need to cover any costs associated with the acquisition of shares.	NOT APPLICABLE	The Company does not have a financial incentive scheme.
(6) The company should publish on the company's website information on the implementation of the remuneration policy, which should focus on the remuneration policy of the collegial bodies and the management for the next and, where appropriate, the following financial year. It should also provide an overview of how the remuneration policy was implemented in the previous financial year. This type of information should not contain information of commercial value. Particular attention should be paid to significant changes in the company's remuneration policy compared to the previous financial year.	YES	Information on the implementation of the Company's remuneration policy and the average remuneration levels of individual groups of employees are disclosed in the Company's Annual Report, which is made available on the Company's website. Information on employee remuneration is made available to public on a quarterly basis on the Company's website.
(7) It is recommended that the remuneration policy, or any material change to the remuneration policy, should be included on the agenda of the General Meeting of Shareholders. Schemes where members of the collegial body and employees are remunerated in shares or share options should be approved by the General Meeting of Shareholders.	YES	The remuneration of the members of the Company's Board shall be determined by the General Meeting of Shareholders of the Company. The remuneration is determined in accordance with the Guidelines for determining the remuneration for activities in the corporate bodies of EPSO-G and the EPSO-G Group, which have been approved by the sole shareholder of EPSO-G.

		The Company does not operate any of the schemes in question.
Principle 8: The role of interest holders in corporate governance The corporate governance framework should recognise the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between the company and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle, stakeholders include investors, employees, creditors, suppliers, customers, the local community and others with an interest in the company.		
(1) The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	YES	The Company has adopted the Transparency and Communication Policy of the EPSO-G Group of Companies, which establishes goals to increase awareness and understanding of stakeholders about the activities of the EPSO-G Group of companies and individual group companies; to ensure employee engagement; to create and maintain sustainable relationship with stakeholders based on mutual respect.
(2) The corporate governance framework should allow stakeholders to participate in the governance of the company in accordance with the law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorised capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	YES	The Company shall consult, negotiate and confer with the Company's employee representatives on the Company's business processes. Stakeholders can take part in the corporate governance to the extent permitted by law.
(3) Where stakeholders are involved in the governance of the company, they should be given access to relevant information.	YES	Please see par. 8.1 and 8.2.

(4) Stakeholders should be able to report illegal or unethical practices in confidence to the collegiate body exercising the supervisory function.	NO	The Company's website section "Corruption Prevention" provides the Helpline, an internal whistleblowing channel, contacts. The reporting form invites you to report violations of the provisions of legal acts and norms of conduct committed by the executives and employees of EPSO-G and the companies directly or indirectly controlled by EPSO-G UAB (Litgrid, Amber Grid, Baltpool, Tetas, GET Baltic); transaction and accounting irregularities; bribery, graft, influence peddling, abuse of office; conflicts of interest, nepotism and cronyism; breaches of the requirements of transparency, equality, non-discrimination, proportionality and impartiality in procurement. Information sent to this address is sent only to EPSO-G's Anti-Corruption Officer, who ensures the confidentiality of the sender. EPSO-G's Group-wide Audit Committee ensures the functioning of the complaints system and the handling of complaints.
Principle 9: Disclosure of information The corporate governance framework should ensure that timely and accurate disclosures are made on all material matters concerning the company, including its financial position, performance and corporate governance.		
Without prejudice to the Company's procedures for confidential information and trade secrets, as well as to the requirements of the legislation governing the processing of personal data, the Company's public disclosures should include, but not be limited to:	YES	The Transparency and Communication Policy of the EPSO-G Group of Companies has been adopted by the Company.
the company's performance and financial results;	YES	-
the company's business objectives and non-financial information;	YES	-
the persons owning or controlling a shareholding in the company, directly and/or indirectly and/or jointly with associated persons, as well as the structure of the group of companies and the interrelationships between them, with an indication of the ultimate beneficial owner;	YES	-
the members of the company's supervisory and management bodies, which of them are considered independent, the company's manager, their shareholdings or votes in the company, and their involvement in the management of other companies, their competence and remuneration;	YES	-
reports from existing committees on their composition, number of meetings and attendance of members during the previous year, as well as on their main activities and results;	YES	-

the potential key risk factors, the company’s risk management and supervision policy;	YES	-
the company’s transactions with related parties;	YES	-
key issues relating to employees and other stakeholders (e.g. human resources policies, employee participation in the management of the company, incentives in the form of shares or share options, relations with creditors, suppliers, the local community, etc.);	YES	-
the company’s governance structure and strategy;	YES	-
initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not relieve a company of its obligation to disclose information as required by law.	YES	-
When disclosing the information specified in Item 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	YES	EPSO-G, as the parent company, discloses information on the Group’s financial results and the activities of the Group companies.
(1) When disclosing the information specified in Item 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company’s supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company’s supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	YES	This information is disclosed in the Company’s annual report and on the Company’s website.
(2) Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	NOT APPLICABLE	The Company has a sole shareholder and is not listed.

Principle 10: Selecting the company's audit company

The company's mechanism for selecting the audit company should ensure the independence of the audit company's report and opinion.

(1) In order to obtain an objective opinion on the company's financial position and financial performance, the company's annual set of financial statements and the financial information contained in the annual report should be audited by an independent audit company.	YES	The independent auditor is appointed by the General Meeting of Shareholders.

(2) It is recommended that the nomination of the audit company be proposed to the General Meeting of Shareholders by the company's Supervisory Board or, if the company does not have a Supervisory Board, by the company's Board.	YES	The Group-wide Audit Committee is actively involved in the auditor selection process. The Audit Committee shall make a recommendation to the Board on the nomination of the auditor. The final decision is taken by the General Meeting of Shareholders, which is convened and submitted draft decisions by the Board.
(3) If the audit company has received remuneration from the company for non-audit services, the company should disclose this publicly. This information should also be made available to the company's Supervisory Board or, if the company does not have a Supervisory Board, to the company's Board when considering which audit company to propose to the General Meeting of Shareholders.	YES	The non-audit services provided by the audit company shall be in accordance with the policy approved by the Audit Committee of the EPSO-G Group on the purchase of non-audit services from the audit company or from any network to which the audit company belongs. Any remuneration received by the audit company during the reporting period for non-audit services provided to Group companies is disclosed in the annual report. The provision of non-audit services is supervised by the Audit Committee operating at the Group level, which, as mentioned in paragraph 10.2, is actively involved in the selection process of an auditor. Therefore, the Audit Committee, when submitting a recommendation to the Board on the auditor, has all the necessary information on the auditors.

12

CONSOLIDATED AND THE COMPANY'S OF FINANCIAL STATEMENTS

12. CONSOLIDATED AND THE COMPANY'S OF FINANCIAL STATEMENTS

12.1 Consolidated and the Company's Statement of Financial Position

AS AT 31 DECEMBER 2023 (All amounts are in EUR thousands unless otherwise stated)

	No-tes	Group		Company	
		As at 31	As at 31	As at 31	As at 31
ASSETS					
Non-current assets					
Intangible assets	6	8,175	8,422	77	57
Property, plant and equipment	7	707,229	655,721	83	3
Right-of-use assets	8	10,810	11,329	694	235
Investments in subsidiaries	9	0	-	351,526	324,120
Investments in associates	9	17,677	13,960	13,830	13,830
Deferred tax assets	30	12,105	17,037	45	30
Long-term loans granted		-	-		2,700
Receivables after one year		10	10	-	-
Other non-current financial assets	10	166	-		
Total non-current assets		**756,172**	**706,479**	**366,255**	**340,975**
Current assets					
Inventories	11	7,556	16,211	-	5
Prepayments and contract assets	12	6,148	9,916	69	40
Trade receivables	13	41,888	86,179	383	197
Other receivables	14	98,643	71,664	46,225	21,059
Prepaid income tax	30	28,916	28,741	0	-
Other financial assets	15	15,898	54,664	0	-
Cash and cash equivalents	16	123,236	248,096	120,015	244,310
Total current assets		**322,285**	**515,471**	**166,692**	**265,611**
Assets of the disposal group classified as held		**-**	**203,778**	**-**	**-**
TOTAL ASSETS		**1,078,457**	**1,425,728**	**532,947**	**606,586**
EQUITY AND LIABILITIES					
Issued capital	17	189,631	189,631	189,631	189,631
Revaluation reserve	18	26,504	277	-	-
Legal reserve	19	14,341	16,621	2,524	2,248
Other reserves	19	38,993	41,128	50	50
Retained earnings (loss)		25,874	(30,629)	30,001	5,514
Equity attributable to shareholders of the		**295,343**	**217,028**	**222,206**	**197,443**
Non-controlling interest		12,546	10,746	-	-
Total equity		**307,889**	**227,774**	**222,206**	**197,443**
Non-current liabilities					
Non-current borrowings and issued bonds	22	163,954	182,586	74,849	74,805
Lease liabilities	23	9,282	9,640	552	142
Congestion management revenue	27	264,173	64,095	-	-
Provisions	28	2,528	2,956	-	-
Other non-current payables and liabilities	29	3,411	35,663	-	-
Total non-current liabilities		**443,348**	**294,940**	**75,401**	**74,947**
Current liabilities					
Current portion of non-current borrowings	22	11,792	24,038	-	-
Current borrowings	22	20,147	1,550	234,114	332,888
Current portion of lease liabilities	23	1,599	1,721	149	94
Trade payables	25	68,341	117,362	153	222
Prepayments received	26	44,412	52,359	-	-
Current portion of congestion management funds	27	36,901	287,400	-	-
Provisions	28	12,210	1,901	-	-
Other current payables and liabilities	31	131,818	214,086	924	992
Total current liabilities		**327,220**	**700,417**	**235,340**	**334,196**
Liabilities of the disposal group classified as		**-**	**202,597**	**-**	**-**
Total liabilities		**770,568**	**1,197,954**	**310,741**	**409,143**
TOTAL EQUITY AND LIABILITIES		**1,078,457**	**1,425,728**	**532,947**	**606,586**

12.2 Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2023 (All amounts are in EUR thousands unless otherwise stated)

	Notes	GROUP 2023	GROUP 2022 (Restated)
Revenue	32	474,424	587,757
Other income	32	4,463	2,167
Total revenue and other income		**478,887**	**589,924**
Purchase of electricity and natural gas services	33	(274,419)	(459,940)
Purchase of contracting services	33	(12,723)	(59,101)
Wages and salaries and related expenses		(48,744)	(45,072)
Purchases of repair and maintenance services		(8,436)	(8,394)
Other expenses	33	(33,313)	(28,851)
Total expenses		**(377,635)**	**(601,358)**
EBITDA		**101,252**	**(11,434)**
Dividend income	35	-	43
Result on loss of control and revaluation of shares in associates	10	8,416	-
Depreciation and amortisation	6,7,8	(34,290)	(35,056)
Impairment of non-current assets	7	(29,717)	-
Loss on write-off of non-current assets		(366)	(211)
Operating profit (loss) (EBIT)		**45,295**	**(46,658)**
Share of results of associates	9	1,774	-
Total finance costs, net	34	226	(3,019)
Profit (loss) before income tax		**47,295**	**(49,677)**
Income tax			
Current year income tax expenses	30	6,948	16,653
Deferred tax benefit (expenses)	30	(442)	(9,491)
Total income tax		**6,506**	**7,162**
Net profit (loss)		**53,801**	**(42,515)**
Other comprehensive income		**26,942**	-
Items that will not be reclassified to profit or loss s in subsequent periods			
Gain on revaluation of non-current assets	7	31,696	-
Deferred tax (expenses)	30	(4,754)	-
Total comprehensive income for the period		**80,743**	**(42,515)**
Net profit (loss) attributable to:			
Shareholders of the parent company		52,116	(41,841)
Non-controlling interest		1,685	(674)
		53,801	**(42,515)**
Comprehensive income attributable to:			
Shareholders of the parent company		78,380	(41,841)
Non-controlling interest		2,363	(674)
		80,743	**(42,515)**

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

12.3 Parent's Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2023 (All amounts are in EUR thousands unless otherwise stated)

	Notes	COMPANY 2023	COMPANY 2022 (Restated)
Revenue	32	1,357	725
Other income	32	14	-
Dividend income		13,357	14,479
Total revenue , other income and dividend		**14,728**	**15,204**
Wages and salaries and related expenses		(4,420)	(3,590)
Other expenses	33	(1,984)	(1,311)
Total expenses		**(6,404)**	**(4,901)**
EBITDA		**8,324**	**10,303**
Depreciation and amortisation		(144)	(110)
Reversal of (impairment) of investments in subsidiaries		18,406	(3,447)
Operating profit (loss) (EBIT)		**26,586**	**6,746**
Total finance costs, net		(1,507)	(1,232)
Profit (loss) before income tax		**25,079**	**5,514**
Income tax			
Current year income tax expenses		-	-
Deferred tax benefit (expenses)		(250)	(9)
Total income tax		**(250)**	**(9)**
Net profit (loss)		**24,829**	**5,505**
Total comprehensive income for the period		**24,829**	**5,505**

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

12.4 Consolidated and the Company's Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2023 (all amounts are in EUR thousand unless otherwise stated)

Group	Notes	Issued capital	Revaluation reserve	Legal reserve	Other reserves	Retained earnings	Subtotal	Non-controlling interest	Total
Balance as at 31 December 2021		**22,483**	**310**	**16,600**	**59,546**	**160,775**	**259,714**	**11,884**	**271,598**
Comprehensive income (expenses)									
Net profit (loss) for the year		-	-	-	-	(41,841)	(41,841)	(674)	(42,515)
Total comprehensive income (expenses) for the period		**-**	**-**	**-**	**-**	**(41,841)**	**(41,841)**	**(674)**	**(42,515)**
Depreciation of revaluation reserve and amounts written off	18	-	(33)	-	-	33	-	-	-
Transfers to/from reserves		-	-	21	(18,418)	18,397	-	-	-
Dividends	20	-	-	-	-	(845)	(845)	(464)	(1,309)
Increase in issued capital	17	167,148	-	-	-	(167,148)	-	-	-
Balance as at 31 December 2022		**189,631**	**277**	**16,621**	**41,128**	**(30,629)**	**217,028**	**10,746**	**227,774**
Balance as at 31 December 2022		**189,631**	**277**	**16,621**	**41,128**	**(30,629)**	**217,028**	**10,746**	**227,774**
Comprehensive income									
Profit for the period		-	-	-	-	52,116	52,116	1,685	53,801
Other comprehensive income (expenses)		-	26,264	-	-	-	26,264	678	26,942
Total comprehensive income for the period		-	**26,264**	**-**	**-**	**52,116**	**78,380**	**2,363**	**80,743**
Depreciation of revaluation reserve and amounts written off	18	-	(37)	-	-	37	-	-	-
Transfers from reserves		-	**-**	(2,280)	(2,135)	4,415	**-**	**-**	**-**
Dividends		-	-	-	-	(65)	**(65)**	(563)	**(628)**
Balance as at 31 December 2023		**189,631**	**26,504**	**14,341**	**38,993**	**25,874**	**295,343**	**12,546**	**307,889**

Company	Notes	Issued capital	Legal reserve	Other reserves	Retained earnings	Total
Balance as at 31 December 2021		**22,483**	**2,248**	**50**	**168,002**	**192,783**
Profit for the period		-	-	-	5,505	5,505
Total comprehensive income for the period		**-**	**-**	**-**	**5,505**	**5,505**
Dividends		-	-	-	(845)	(845)
Increase in issued capital	17	167,148	-	-	(167,148)	-
Balance as at 31 December 2022		**189,631**	**2,248**	**50**	**5,514**	**197,443**
Balance as at 1 January 2023		**189,631**	**2,248**	**50**	**5,514**	**197,443**
Net profit for the period		-	-	-	24,829	24,829
Total comprehensive income for the period		**-**	**-**	**-**	**24,829**	**24,829**
Dividends	20	-	-	-	(66)	(66)
Transfers to reserves		-	276	-	(276)	-
Balance as at 31 December 2023		**189,631**	**2,524**	**50**	**30,001**	**222,206**

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

12.5 Consolidated and the Company's Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2023 (all amounts are in EUR thousand unless otherwise stated)

		Group		Company	
	Notes	As at 31 December 2023	As at 31 December 2022	As at 31 December 2023	As at 31 December 2022
Cash flows from operating activities					
Net profit (loss)		53,801	(42,515)	24,829	5,505
Adjustments for non-cash items:					
Depreciation and amortisation expenses	6,7,8	34,290	35,056	144	110
Impairment of property, plant and equipment		29,717	112	-	--
Loss on write-off of property, plant and equipment		366	-	-	-
Loss on impairment and write-off of inventories, trade receivables and other assets		615	-	-	-
Profit (loss) on disposal/write-off of property, plant and equipment		(506)	260	-	-
Income tax expenses	30	(6,506)	(7,162)	250	9
Increase in provisions	28	10,790	-	-	-
Grant income (amortisation)	21	(315)	(224)	-	-
Elimination of results of financing and investing activities:					
Dividend income	35	-	(43)	(13,357)	(14,479)
Impairment (reversal of impairment) of investments in subsidiaries	9	-	-	(18,406)	3,447
Total finance costs, net		(226)	3,019	1,508	1,232
Result on loss of control and revaluation of shares in associate	10	(8,416)	-	-	-
Elimination of share of results of associates		(1,774)	-	-	-
Changes in working capital:					
(Increase) decrease in trade and other receivables		48,540	(3,189)	(186)	94
(Increase) decrease in inventories, prepayments and other current assets		11,194	2,847	(29)	165
Increase (decrease) in trade and other payables, grants, deferred income and prepayments received		(421,165)	207,661	(75)	136
Increase in congestion management revenue	27	108,088	-	-	-
Changes in other financial assets		194,457	(178,274)	-	-
Income tax received (paid)		-	(14,789)	(270)	440
Net cash flows from operating activities		**52,950**	**2,759**	**(5,592)**	**(3,341)**
(Acquisition) of property, plant and equipment and intangible assets		(241,905)	(113,229)	(106)	(13)
Disposal of property, plant and equipment and intangible assets		936	99	-	-
Loss of control in subsidiary/(acquisition) of associates and joint ventures	9	6,124	-	-	-
(Acquisition) of associates and joint ventures	9	-	(13,180)	(6,300)	(17,831)
Grants received		71,455	107,795	-	-
Congestion management funds received	27	-	272,502	-	-
Loans (granted)/recovered		-	-	(23,898)	(12,596)
Dividends received		1,406	43	13,357	14,479
Acquisition of short-term financial investments		(180,366)	-	(180,366)	-
Repayment of short-term financial investments		180,366	-	180,366	-
Interest received		5,127	190	6,709	430
Net cash flows used in investing activities		**(156,857)**	**254,220**	**(10,238)**	**(15,531)**
Issue of bonds		-	74,804	-	74,804
Proceeds from borrowings		-	-	-	242,884
Loans repaid		(30,878)	(35,423)	(117,420)	(5,973)
Repayment of lease liabilities	23	(1,840)	(1,614)	(109)	(91)
Overdraft		17,981	-	17,981	-
Interest paid		(5,632)	(1,687)	(8,842)	(337)
Dividends paid		(646)	(1,302)	(66)	(845)
Other cash flows from financing activities		62	(84,128)	(9)	(84,128)
Net cash flows from/used in financing activities		**(20,953)**	**(49,350)**	**(108,465)**	**226,314**
Change in cash and cash equivalents in disposal group		**-**	**(817)**	**-**	**-**
Increase/(decrease) in cash and cash equivalents		**(124,860)**	**206,812**	**(124,295)**	**(207,442)**
Cash and cash equivalents at the beginning of the period		248,096	41,284	244,310	36,868
Cash and cash equivalents at the end of the period		**123,236**	**248,096**	**120,015**	**244,310**

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

12.6 Notes to the Consolidated and the Company's Financial Statements

FOR THE YEAR ENDED 31 December 2023

1 General information

EPSO-G UAB is a private limited liability company registered in the Republic of Lithuania. Registered office: Gedimino ave. 20, LT-01103 Vilnius, Lithuania. EPSO-G UAB (hereinafter "EPSO-G" or 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 by ensuring the uninterrupted, stable transmission of electricity over high voltage networks and transportation of natural gas via high pressure gas pipelines, as well as by ensuring the management, maintenance and development of these transmission systems and organisation of trade on the natural gas and biofuel exchanges; 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.

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.

As at 31 December 2023 and 2022, the Company's issued capital consisted of 653,900,000 ordinary registered shares with the nominal value of EUR 0.29 each. All shares, including 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 2023 and 2022, all shares of the Company were fully paid.

The Company's shareholder	As at 31 December 2023		As at 31 December 2022	
	Issued capital, EUR	%	Issued capital, EUR	%
Republic of Lithuania represented by the Ministry of Energy of the Republic of Lithuania	189,631,000	100	189,631,000	100

The Company's management approved these financial statements on 22 March 2024. The shareholder of the Company has a statutory right not to approve these financial statements and require that the management prepares a new set of financial statements.

As at 31 December 2023, the EPSO-G Group had 1,261 employee (as at 31 December 2022, 1,271 employee), and the Company had 66 employees (as at 31 December 2022, 60 employees).

The EPSO-G group (hereinafter the "Group") consists of the Company, directly and indirectly controlled subsidiaries, associates and joint ventures, as listed below:

Company name	Registered office address	Ownership interest (%)		Profile of activities
		As at 31 December	As at 31 December	
SUBSIDIARIES				
Litgrid AB	Karlo Gustavo Emilio Manerheimo st. 8, Vilnius, Lithuania	97.5	97.5	Electricity transmission system operator
Amber Grid AB	Laisvės ave. 10, Vilnius, Lithuania	96.6	96.6	Natural gas transmission system operator
BALTPOOL UAB	Žalgirio st. 90, Vilnius, Lithuania	67.0	67.0	Operator of the exchange for trading in energy resources (biomass products), the administrator of PSO funds
TETAS UAB	Senamiesčio st. 102B, Panevėžys, Lithuania	100	100	Transformer substation, distribution station and
GET Baltic UAB (controlled through Amber Grid AB)	Geležinio Vilko st. 18A, Vilnius, Lithuania	34.0	96.6	Organisation of trading on the natural gas exchange

Company name	Registered office address	Ownership interest (%)		Profile of activities
		As at 31 December 2023	As at 31 December 2022	
Energy Cells UAB	Ozo st. 12A-1, Vilnius	100	100	Installation and management of electricity storage facilities
ASSOCIATES				
GET Baltic UAB (controlled through Amber Grid AB)	Geležinio Vilko st. 18A, Vilnius, Lithuania	34.0	96.6	Organisation of trading on the natural gas exchange
TSO Holding AS	Lilleakerveien 2A, 0283 Oslo, Norway	39.6	39.6	Holding company holding a minority interest in equities of the electricity exchange operator and the market coupling operator
JOINT VENTURES				
Baltic RCC OÜ	Kadaka tee 42 12915 Tallinn Eesti	33.33	33.33	Provision of services ensuring safety and reliability of the electricity system and coordination between the transmission network operators of the Baltic region

Investments in subsidiaries are described in more detail in Note 9 and in associates in Note 9.

On 31 May 2023, the Group company Amber Grid AB transferred to the strategic partner 66% of shares in GET Baltic UAB and, therefore, lost a control in GET Baltic UAB. Subsequently the investment in GET Baltic UAB is accounted for as investment in associate using equity method. The more detailed information about the result on loss of control and revaluation of remaining portion of shares is provided in Note 10.

2 Material accounting policies

The Group's and the Company's financial statements for the year ended 31 December 2023 have been prepared in accordance with International Financial Reporting Standards (IFRS) 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.

Amounts in these financial statements are presented in thousands of euro (EUR), unless otherwise stated.

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

2.1 Basis of preparation

The accounting policies applied in the preparation of the financial statements are consistent with those of the previous financial year, except as follows:

(a) <u>Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations</u>

For the year ended 31 December 2023 the Company for the first time have been adopted these IFRS and their amendments and IFRIC:

IFRS 17 "Insurance contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. Based on the Group's and the Company's assessment, these amendments have no significant impact on the financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2 *Making Materiality Judgements* was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Group and the Company considered these amendments in preparing financial statements for the year ended 31 December 2023 and revising accounting disclosures, as well as opting not to disclose immaterial accounting policy information.

(b) <u>The following standards, amendments and interpretations endorsed by the European Union on 1 January 2024, but have not been early adopted by the Company:</u>

Amendments to IFRS 16 "Leases" – Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to sale and leaseback transactions which satisfy the requirements of IFRS 15 to be accounted for as a sale.
Based on the Company's assessment, these amendments will not have significant impact on the financial statements.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least 12 months. The guidance no longer requires such a right to be unconditional.

The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity "Settlement" is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.
Based on the Company's assessment, these amendments will not have significant impact on the financial statements.

2.2 Principles of consolidation

<u>Subsidiaries</u>

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.

<u>Investments in associates</u>

An associate is an entity over which the Group/Company has significant influence but no control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence generally accompanies a shareholding of between 20% and 50% of the voting rights.

In the consolidated financial statements, associates are accounted for using the equity method of accounting. Under the equity method, investments in associates or joint ventures are initially recognised at cost, and the carrying amount is subsequently increased or decreased by the post-acquisition change in the Group's share of the associate's and joint venture's net assets, less any impairment of investments.

The Group's share of the acquired associate's post-acquisition profits or losses is recognised in profit or loss in the statement of comprehensive income, and the Group's share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The carrying amounts of investments in associates are adjusted by these amounts.

Goodwill related to investments in associates is included in the carrying amount of the investment and it is evaluated for impairment as the part of the investment.

Losses of an associate in excess of the Group's interest in that associate/joint venture, including any other unsecured receivables, are not recognised, unless the Group had incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gain on transactions between the Group and associates is eliminated to the extent of the Group's interest in the associate. Unrealised loss is also eliminated unless the transaction provides evidence of an impairment of assets transferred.

If the Group's ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Gains and losses on decrease in ownership interest in an associate are recognised in the statement of comprehensive income.

2.3 Investments in subsidiaries and associates in the Company's separate financial statements

In the parent company's financial statements, investments in subsidiaries are stated at cost less impairment, where the investment's carrying amount in the parent's statement of financial position exceeds its estimated recoverable amount.

In the parent company's financial statements, investments in associates are stated at cost less impairment, where the investment's carrying amount in the parent's statement of financial position exceeds its estimated recoverable amount.

2.4 Property, plant and equipment and intangible assets

Property, plant and equipment

All property, plant and equipment is shown at revalued amounts, based on periodic (at least every 5 years) property valuations, less the amounts of accumulated depreciation, recognised grants and impairment losses.

Fair value is established for each cash-generating unit (electricity and gas transmission networks) using the discounted cash flow method; impairment losses on assets, which are calculated as a difference between the asset's fair value and carrying amount, are allocated to all separate property items of the cash-generating unit in proportion to their carrying amount.

Any accumulated depreciation and impairment losses at the date of revaluation are eliminated against gross carrying amount of the asset and net amount is restated to the revalued amount of the assets.

Increases in the carrying amount arising on the first revaluation of property, plant and equipment are credited to the revaluation reserve directly in equity and decreases are recognised in profit or loss. Decreases in the carrying amount arising on the subsequent revaluation of property, plant and equipment that offset previous increases of the same asset are charged against revaluation reserve directly in equity, and all other decreases are charged to the profit and loss account. Revaluation increases in the value of property plant and equipment that offset previous decreases are recognised in profit or loss.

As at 31 December 2023, the accumulated depreciation was offset with acquisition/revaluation value before revaluation, and only then the revaluation result was recognised.

All other increases in the carrying amount arising on subsequent revaluations of property, plant and equipment are credited to revaluation reserve. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings taking into account the effect of deferred income tax. After the sale or write-off of a property unit, any balance of the revaluation reserve related to this property is transferred to retained earnings.

Interest on targeted and general loans and other borrowing costs (such as the bank's administration fee, etc.) are included in the acquisition cost of property, plant and equipment, if they are directly attributable to the acquisition of a qualifying asset. A qualifying asset is regarded to be an asset which is developed on the basis of a project the value of which is not less than EUR 1 million and the preparation of which for its intended use or sale takes no less than 12 months. Borrowing costs that are attributable to the acquisition of a qualifying asset are capitalised as part of the cost of that asset. The capitalisation of borrowing costs is started when costs related to the production or acquisition of the qualifying asset are incurred (a prepayment is made or a payment for works is made according to the signed statement on the works carried out and their respective value) and ended when all the activities necessary for the preparation of the qualifying asset for its intended use or sale are substantially complete (a statement on the recognition of the construction as fit for use is signed). While determining the amount of borrowing costs eligible for the capitalisation, the capitalisation rate is applied to costs attributable to the acquisition of a qualifying asset.

Variable payments that depend on future factors are not accounted for in the cost of property, plant and equipment nor liabilities, when the assets are ready for use in the manner intended by management. Variable payments are capitalised as part of the cost of property, plant and equipment at the time of payment.

Prepayments for non-current assets are classified as non-current assets because they are used in long-term activities and are presented in the balance sheet line item "construction work in progress".

Construction work in progress represents property, plant and equipment under construction. The cost of such assets includes design, construction works, plant and equipment being installed, and other directly attributable costs.

Property, plant, and equipment is recorded at acquisition (production) cost, less grants received/receivable for the acquisition of property, property, plant, and equipment. Grants comprise financing from the EU support funds, a portion of congestion management funds designated for the financing of investments, payments for the expenses incurred during the connection of producers to the transmission network and performance of works for the relocation/reconstruction of the transmission network's installations initiated by customers.

Intangible assets

Intangible assets are initially recognised at cost. Intangible assets are recognised only if they are expected to provide economic benefit to the Group and the Company in future periods and their cost can be measured reliably.

After initial recognition, intangible assets are carried at cost, less accumulated amortisation and accumulated impairment losses, if any.

Depreciation and amortisation

Depreciation/amortisation of property, plant and equipment and intangible assets, except land, construction work in progress and statutory servitudes, is calculated using the straight-line method over estimated useful lives of the asset. The estimated useful lives, residual values and depreciation/amortisation method are reviewed at each year-end to ensure that they are consistent with the expected pattern of economic benefits from these assets. The effect of changes in estimates, if any, is accounted for on a prospective basis.

Estimated useful lives of property, plant and equipment and intangible assets are as follows:

Categories of property, plant and equipment and intangible assets	Useful lives (in years)
Buildings	20-75
Structures and equipment	18-70
Plant and machinery	5-35
Vehicles	4-10
Other property, plant and equipment	3-10
Intangible assets, whereof:	3-4
Statutory servitudes and protection zones of the transmission network	Not subject to amortisation

Statutory servitudes and protection zones have an indefinite useful life because the right to use protection zones on the basis of servitude is unlimited in time.

Profit or loss resulting from sale of non-current assets is calculated as the difference between the proceeds from sale and the net book value of the disposed asset and is recognised in profit or loss in the reporting year.

Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised as expenses in profit or loss in the period in which they are incurred.

2.5 Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group and the Company review the carrying amounts of their property, plant and equipment and intangible assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the recoverable value of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable value. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a decrease of revaluation reserve.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (without exceeding the amount of previous impairment).

Each year, the Group and the Company estimate the recoverable amount of intangible assets with the indefinite life in order to estimate the impairment of such assets (if any).

2.6 Right-of-use assets

Right-of-use assets are assets that the Group and the Company have the right to manage during the lease term. The Group and the Company recognise right-of-use assets for all types of leases, including the lease of a right-of-use asset in case of sublease, but excluding leases of intangible assets, short-term leases and leases of low value assets.

Initial measurement of right-of-use assets

At the commencement date, the Group and the Company measure right-of-use assets at cost, which consists of: the present value of the initial measurement of the lease liability, initial costs incurred directly attributable to the underlying asset, any lease payments at the commencement date, less any lease incentives.

Subsequent measurement of right-of-use assets

After the initial recognition, the Group and the Company apply a cost method for right-of-use assets: the carrying amount of the asset at the respective date is calculated as the difference between the acquisition cost and the accumulated depreciation, plus any subsequent adjustments for the remeasurement of lease liability.
The calculation of depreciation of right-of-use assets is started from the date on which the assets are transferred for the use (the commencement date) until the earlier of these dates: the end of the lease term and the end of the useful life.

The Company calculates depreciation of right-of-use assets using the following rates:

Land*	99 years
Buildings	from 2 to 10 years
Vehicles	from 2 to 4 years
Other property, plant and equipment	from 2 to 3 years

* The Group applies the portfolio method for the land lease agreements concluded with the municipalities not by auction, i.e. a set of the agreements of a respective Group company is accounted for as a single agreement due to similar criteria. Regardless of the remaining term of the land lease agreement, in accordance with the requirements of the legal acts, the agreements must be extended for as long as the facilities of the Group companies exist on the land plots. When assessing the flow generated by the infrastructure assets of the Group companies (for the calculation of the recoverable amount of assets), an infinite flow is projected as the ongoing reconstruction and repair works allow using the assets for a longer period than the established original depreciation rates. For this reason, the lease of land is subject to a substantially infinite rate corresponding to the original term of the agreement – 99 years.

2.7 Inventories

Inventories are initially recorded at acquisition cost. Subsequent to initial recognition, inventories are stated at the lower of cost and net realisable value. Acquisition cost of inventories includes acquisition price and related taxes that are not subsequently recovered from tax administration authorities and costs associated with bringing inventory into their current condition and location. The acquisition cost of inventories (other than natural gas) is determined on the first-in, first-out (FIFO) basis. The cost of the remaining amount of natural gas is determined using the weighted average cost. Inventories that are no longer expected to be realised are written off. Net realisable value is the estimated selling price, less the estimated costs of completion and selling expenses.

2.8 Trade payables and other financial liabilities, borrowings

Financial liabilities, borrowings

Financial liabilities are recognised initially at fair value, less transaction costs.

In subsequent periods, financial liabilities are measured at amortised cost using the effective interest rate method. Interest expenses are recognised using the effective interest method.

If a financing agreement concluded before the date of the statement of financial position proves that the liability was non-current as of the date of the statement of financial position, that financial liability is classified as non-current.

Trade payables

Trade payables represent commitments to pay for goods and services acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if the term of their settlement is not longer than one year; otherwise they are included in non-current liabilities.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is settled, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference in the respective amounts of financial liabilities is recognised in the statement of comprehensive income.

2.9 Grants

Grants are recognised when there is a reasonable assurance that the grant will be received and the Group entity will comply with all the conditions attaching to it.

Asset-related grants

The government and the EU grants received in the form of non-current assets or designated for the purchase of non-current are treated as asset-related grants. These grants are accounted for by reducing by the carrying amount of respective property, plant and equipment. For the purpose of the statement of comprehensive income, grants are recorded by reducing the depreciation charge of the related asset over the expected useful life of the asset.
Public service obligations (PSO) funds allocated to the Group for the preparation and implementation of the strategic projects and a portion of congestion management revenue, which is used to finance investments agreed with the National Energy Regulatory Council (hereinafter the “Council”), are recognised as asset-related grants.
Grants received in advance related to the acquisition of non-current assets are stated as non-current liabilities until the moment of acquisition of such assets.
Grants receivable are included in other receivables when the agreement whereby the European Commission commits to finance the strategic projects provides firm evidence confirming that the financing will be received.

Income-related grants

Government and the European Union grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. Income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.
Income-related grants are recognised in profit or loss by increasing other income over the period in which the grant is received or when there is reasonable assurance that the grant will be received and that the Company complies with the conditions for the allocation of the grant established in the grant agreement.

2.10 Provisions

Provisions are recognised when the Group and the Company have a legal obligation or constructive commitment as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate set based on the interest rates for the period and taking into account specific risks associated with the provision as appropriate. Where discounting is used, the increase in the provision due to the passage of time is recognised as borrowing costs. This increase is recognised as borrowing cost.

2.11 Employee benefits

Pension benefits to employees of retirement age

According to the legal acts of the Republic of Lithuania, each employee leaving the Group and the Company at the retirement age is entitled to a one-off benefit. Employee benefit liability is recognised in the balance sheet and it reflects the present value of these benefits at the reporting date. The above-mentioned long-term employee benefit liability as at the reporting date is calculated with reference to actuarial valuations using the projected unit credit method. The present value of the defined non-current employee benefit obligation is determined by discounting the estimated future cash flows using the effective interest rates as set for government debentures denominated in a currency in which payments to employees are expected to be made and with maturity similar to that of the related liability.

2.12 Lease liabilities

The Group and the Company as the lessees

Initial measurement of lease liability

The amount of the initial measurement of lease liability is calculated as the present value of lease payments not paid at the commencement date. The lease payments are discounted using the incremental borrowing rate.
The incremental borrowing rate is determined by the rate at which the Group and the Company would be able to borrow funds for the purpose of acquiring certain assets for a respective period.
At the commencement date, lease payments included in the measurement of a lease liability include:

- fixed lease payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the Group and the Company under residual value guarantees;
- the exercise price of the purchase option, if exercise of that option by the Company is reasonably certain;
- fines for the termination of the lease, if it is assumed that the Group and the Company will exercise the option to terminate the lease during the lease term.

Subsequent measurement of lease liability

Subsequent to initial recognition, changes in the value of the Group's and the Company's lease liability are reflected by:

- increasing the value of the liability by the amount of interest charged;
- reducing the carrying amount by the lease payments made;
- remeasuring the liability for lease modifications or revised payments.

The Group and the Company classifies assets as right-of-use assets by recognising under non-current assets in the statement of financial position, if the asset and lease contract meet all of the following criteria:

- the lease is not a short-term (12 months or more) or short-term lease with a purchase option;
- value of the leased item or group of items/underlying asset is not less than EUR 4,000 and therefore does not qualify as a lease of a low-value asset;
- if the contract conveys the right to control the use of an identified asset for a period of time, i.e. to obtain economic benefits from use of the identified asset and to direct the use of the identified asset.

The Group and the Company present lease liabilities separately from other liabilities in the statement of financial position. Interest expenses related to lease liabilities are reported separately from the depreciation of the right-of-use assets. Interest expenses related to lease liabilities is a component of finance costs which is presented in the statement of comprehensive income.

2.13 Revenue recognition

Revenue from contracts with customers

The Group's revenue is recognised according to a single, principles based five-step model that is applied to all contracts with customers. The Group recognises revenue from the provision of services in the reporting period during which the performance obligation is satisfied, i.e. the control of services or goods is transferred to the customer. This control may be transferred over time or at a point in time. For certain service contracts, revenue is recognised on the basis of the actual service provided before the end of the reporting period as part of the total services to be provided, as the customer benefits from and uses the services simultaneously.

Revenue from electricity transmission and related services

Electricity revenue from contracts with customers comprises revenue from electricity transmission, system services, trade in imbalance and balancing electricity and revenue from connection of new consumers. The Group recognises electricity revenue from contracts with customers in the reporting period during in which the performance obligation is satisfied, i.e., the control of the good is transferred or the service is provided, except for revenue from connection of new consumers, which is recognised by the Group over the useful life of the created asset (change in the accounting principles is described in this note). When recognising revenue the Group takes into consideration the terms of contracts signed with customers and all significant facts and circumstances, including the nature, amount, timing and uncertainty relating to cash flows arising from the contract with the customer. The main sale contracts are signed for the term of one year and coincide with the reporting period. All subsequent value adjustments for previous periods are not made, and contract modifications are rare.

Revenue from natural gas transmission and related services

Revenue from system users for the natural gas transmission service is recognised on a monthly basis with reference to the available data on the natural gas quantities distributed to the system users connected to the distribution system and on the statements of transmitted natural gas signed with the system users, which are directly connected to the transmission system.

Revenue from balancing of the natural gas transmission system and from imbalance charges is related to management of gas flows in order to ensure operation of the natural gas transmission system in line with an acceptable pressure range. Revenue from the technical balancing of natural gas is related to changes in gas reserves in the pipeline and the sale of such reserves to a buyer is recognised as income when the ownership of the gas is transferred to the buyer.

The Group's TSO acts as an agent in balancing gas purchase/sale transactions for system users and reports net result of balancing gas sales and purchases and neutrality charge income and expenses. Acting as an agent in balancing gas purchase/sale transactions is explained by limited control of the balancing services and purchases of gas, absence of economic benefits, no discretion in establishing the price for the balancing services since the pricing is governed by law, inability to regulate demand, no discretion in choosing a counterparty. In addition, the activities of the Group's TSO are not associated with trade in natural gas.

Revenue from construction, repair and technical maintenance services

Revenue from projects is generally recognised in the period in which services are rendered. The Group uses the percentage-of-completion method to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to the construction contract costs actually incurred to the reporting date as a percentage of the total estimated costs for each construction contract. The total sum of planned costs is reassessed upon the change of circumstances and increase or decrease in recognised revenue is accounted for in the reporting period when the Group becomes aware of the change of circumstances. When it is probable that total estimated contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Project contract costs are recognised as expenses in the period in which they are incurred.

Revenue from repair and technical maintenance services is recognised at a point in time, i.e. during the reporting period in which the services were rendered, by reference to the stage of completion of the specific transaction.

Revenue from the biofuel exchange, thermal energy auctions, PSO funds administration

Biofuel trade transactions are made among the exchange participants, and the settlements among the participants are made directly. Fees approved by the Council for trade on the biofuel exchange are recognised by the Group as revenue. Such revenue is recognised at a point in time when the transaction is conducted.
Collected commissions according to the fees approved by the Group and agreed with the Council are recognised by the Group as revenue from the organisation of the timber auctions. Such revenue is recognised at a point in time when the transaction is conducted.
Collected commissions from the participants for actually conducted transactions according to the fees approved by the Group are recognised by the Group as revenue from the organisation of the thermal energy auctions. Such revenue is recognised at a point in time when the transaction is conducted.
When performing the function of the PSO funds administrator, the Group recognises as revenue only PSO funds allocated to the Group by the Council to cover PSO funds administration expenses.

Interest income

Interest income is recognised on the accrual basis taking into consideration the outstanding balance of debt and the applicable interest rate. Interest received is recorded in the statement of cash flows as cash flows from investing activities.

Dividend income

Dividend income is recognised when the right to receive dividend payment is established.

Income from other (non-operating) activities

Gain on disposal of property, plant and equipment, lease income, income from default charges and fines collected from the contractors as a result of late fulfilment of works, including property, plant and equipment under construction, are recognised by the Company as other income.
Default charges and fines collected from the contractors as a result of late fulfilment of works are calculated upon the completion of a project or a stage thereof and upon notifying a supplier, and they are offset against the supplier's debt. In case of a legal dispute over the amount of default charges or fines and when it is more likely than unlikely that the amounts of default charges or fines will be reduced or annulled, provisions are recognised.

2.14 Congestion management funds/liabilities

The Group's electricity transmission operator acquires the right to congestion management revenue when different electricity market prices occur in Lithuania, Sweden, Poland and Latvia as a result of insufficient capacity of electricity lines. Revenue that was received as a result of price differences at different bidding areas is distributed equally by the power exchange operator (Nord Pool AS) to the transmission system operators of the countries operating the interconnections.

Regulation (EU) No 2019/943 of the European Parliament and of the Council of 5 June 2019 on conditions for access to the network for cross-border exchanges in electricity stipulates that congestion management revenue may be used in the following order of priority:

(a) When revenue is used for guaranteeing availability of the allocated capacity of the interconnections, it is recognised as income in the period during which the related expenses are incurred. In case of unplanned disconnection of the electricity interconnection and when the trade in the interconnection's capacities has already been completed at the electricity exchange (i.e. when they have already been allocated), the operators of the line ensure that the capacities traded are available to the market participants. In such a case, the operators incur costs that arise as a result of the price difference between the price of electricity traded by the operators and the price of balancing and/or imbalance electricity purchased/sold by the Company.

(b) when revenue is used for maintaining or increasing the interconnections' capacities, congestion management revenue is accounted for using the accounting policies applicable to grants, i.e. initially congestion management revenue is recognised as liability and recorded by reducing the value of the asset concerned, and subsequently it is recognised by reducing depreciation expenses of the related asset over the useful life of that asset.

(c) When revenue is used for reducing the tariff, revenue is recognised as income in the period during which the Company generates lower revenue due to lower tariffs and only in case when revenue cannot be efficiently used for the purposes set out in points (a) and/or (b). Subject to approval by the regulatory authorities of the Member States concerned, they may be used, up to a maximum amount to be decided by those regulatory authorities, as income to be taken into account by the regulatory authorities when approving the methodology for calculating network tariffs and/or fixing network tariffs.

In the statement of financial position, unused congestion management revenue is presented as non-current and current liabilities.

2.15 Income tax

Income tax expense comprises the current income tax and deferred tax expense (income). Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case income tax is also recognised in other comprehensive income or directly in equity.

Income tax

Income tax expenses for the current year are calculated on the current year profit before tax, as adjusted for certain non-deductible expenses/non-taxable income. Income tax is calculated using the tax rate effective as at the date of issue of the financial statements. The income tax rate of 15% was used in 2023 and 2022.

Tax losses can be carried forward for an indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Group changes its activities due to which these losses were incurred, except when the Group does not continue its activities due to reasons which do not depend on the Group itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for five consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. Tax losses carried forward can be used to reduce the taxable income earned during the reporting year by a maximum of 70%.

In accordance with the provisions of the legal acts, the Group companies transfer tax losses to other companies of the Group for a fee equal to 15% of the amount of tax losses.
The Group companies are entitled to tax reliefs for investments in qualifying assets. The Group accounts for such reliefs as tax credits, which means that the reliefs reduce the amount of tax payable and the current year's tax expenses.

Deferred income tax

Deferred income tax is accounted for using the balance sheet liability method. Deferred tax assets and deferred tax liability are recognised for future tax purposes to reflect differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The Group also recognises deferred tax assets for accumulated tax credits – the amounts of the unused investment relief which are expected to reduce income tax liability in the future. Deferred tax liabilities are recognised for all temporary differences that will subsequently increase taxable profit, and deferred tax assets are recognised to the extent to which they are expected to reduce taxable profit in the future. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

Deferred tax assets are reviewed at each date of the financial statements and if it is not probable that the Group and the Company will generate sufficient taxable profit to realise these assets, they are reduced to the amount which is likely to reduce the taxable profit in future. Deferred tax assets and liabilities are measured using the tax rate that is applied when calculating the income tax of the year in which these temporary differences are expected to be settled or paid.

Deferred tax assets and liabilities are offset only where they relate to income taxes assessed by the same fiscal authority or where there is a legally enforceable right to offset current tax assets and current tax liabilities.

Current income tax and deferred income tax

Current income tax and deferred income tax are recognised as income or expenses and included in profit or loss for the reporting period, except for the cases when tax arises from a transaction or event that is recognised directly in equity or in other comprehensive income, in which case taxes are also recorded in equity and in other comprehensive income respectively.

In the financial statements as at 31 December 2023 and 2022, the Group had no significant assets or liabilities remeasured or measured at fair value, except for property, plant and equipment (Notes 3 and 7).

The Group's and the Company's principal financial assets not measured at fair value comprise cash and cash equivalents, trade and other receivables. Financial liabilities not measured at fair value comprise trade payables, other payables and liabilities, borrowings.

3 Significant accounting estimates and assumptions

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. Actual results may differ from those estimates. The significant management estimates and assumptions and the main sources for uncertainties used in the preparation of these financial statements that might cause substantial changes in the carrying amounts of the related assets and liabilities in the next financial year are presented below.

Revaluation of property, plant and equipment

As described in Note 7, the Group revalued its property, plant and equipment as at 31 December 2023. The fair value was measured using income and cost method. The assets' fair value was measured by the Group companies themselves, and the fair value is mainly affected by the assumptions related to revenue from electricity and gas transmission services in the future periods. The assumptions used in determining the fair value of property, plant and equipment are described in more detail in the above-mentioned note.

Impairment testing of investments in subsidiaries

The Company records investments in subsidiaries at cost less impairment. The Company assesses at each annual reporting date whether there is any indication that investments may be impaired. If such indications exist, the Company calculates impairment as the difference between the subsidiary's carrying amount and its recoverable amount and records the result in profit or loss.

The Company tested investments into subsidiaries for impairment. The Company's management decided to recognise additional impairment of EUR 7.7 million for the investment in TETAS UAB, and to reverse impairment of EUR 26 million recognised for investment in LITGRID in previous periods. The results of the impairment tests of investments in subsidiaries are disclosed in Note 9.

Assessment of deferred tax asset due to application of investment incentive

Given the response of the Income Tax Inspectorate obtained by the subsidiary Litgrid regarding the eligibility for income tax incentive in respect of the electricity transmission operator's investment projects, the Group estimated the investments qualifying for income tax incentive for the period 2019-2023. The Group estimated that the EUR 87 million of investments qualify for income tax incentive, and recognised a EUR 10 million income tax benefit for this amount, and a EUR 3 million deferred tax asset for unused part of investments. For detailed information please refer to Note 30.

Assessment of provisions for income from default interest

The Group assessed the probability of reimbursement of default interest estimated and charged (offset) to the contractors of Energy Cells UAB for the delays in the design, manufacture and installation of the Battery Energy Storage System. The Group assesses that there is a high probability that the contractor will seek full or partial recovery of the performance bank guarantee through legal proceedings, and will demand payment of the part contract works settled with (offset against) default interest. Due to the uncertainties of the possible outcome of the legal proceedings and the lack of arguments and justification of the contractor's claim, the Company recognised a EUR 9.7 million provision for the full amount of the default interest calculated and charged.

4 Reclassification of comparative information in financial statements

In 2023, the Group and the Company reclassified the grouping of the statement of comprehensive income:

The Group presented additional financial ratios of EBITDA and EBIT in the statement of comprehensive income, as the Group believes that these financial ratios provide valuable information to the Group's and the Company's management and stakeholders in making operational decisions. These financial ratios are not a substitute for the mandatory items in the statement of comprehensive income as defined by IFRS, but are presented in addition to the required information. After the reclassification, the statement of comprehensive income includes only the major expense items, with a more detailed classification presented in a separate note to the financial statements.

EBITDA is profit before interest, taxes, depreciation and amortisation, loss on revaluation, impairment and write-off of property, plant and equipment.

EBIT is operating profit before interest, taxes and passive income from investment activities (e.g. share of results of associates). EBIT measures the operating profit of the Company and the Group, by ignoring finance expenses.

The following is a restatement of the comparative figures in the consolidated and the Company's statement of comprehensive income for the year ended 31 December 2022 for the above reasons.

Group	2022		
	Before restatement	Restatement effect	After restatement
Revenue	587,757	-	**587,757**
Other income	2,167	-	**2,167**
Dividend income	43	(43)	**-**
Total revenue and other income:	**589,967**	**(43)**	**589,924**
Expenses for purchase of balancing and regulating electricity	(203,588)	203,588	-
Expenses for electricity system services	(111,633)	111,633	-
Expenses for electricity technological needs	(99,576)	99,576	-
Expenses for other electricity services	(5,309)	5,309	-
Expenses for natural gas system balancing service	(26,827)	28,627	-
Expenses for natural gas technological needs	(13,007)	13,007	-
Subcontracting and raw materials acquisitions	(59,101)	59,101	-
Purchase of electricity and natural gas services	-	-	(459,940)
Purchase of contracting services			(59,101)
Depreciation and amortisation	(35,056)	35,056	-
Wages and salaries and related expenses	(45,072)	-	(45,072)
Purchases of repair and maintenance services	(8,394)	-	(8,394)
Taxes and charges	(7,897)	7,897	-
Telecommunication and IT expenses	(4,695)	4,695	-
Transport expenses	(5,614)	5,614	-
Write-off expenses of property, plant and equipment	(211)	211	-
Write-off expenses of other assets	(49)	49	-
Write-downs of inventories, expected credit losses of receivables	(112)	112	-
Other expenses	(10,484)	(18,206)	(28,851)
Total expenses	**(636,625)**	**556,269**	**(601,358)**
EBITDA			**(11,434)**
Dividends	-	43	43
Depreciation and amortisation	-	(35,056)	(35,056)
Non-current assets write-offs	-	(112)	(211)
Operating profit (loss) EBIT	**(46,658)**	-	**(46,658)**
Interest income	213	(213)	-
Interest expenses	(3,232)	3,232	-
Total finance costs, net	**(3,019)**	-	(3,019)
Profit (loss) before income tax	**(49,677)**	-	**(49,677)**
Current year income tax expenses	16,653	-	16,653
Deferred tax benefit (expenses)	(9,491)	-	(9,491)
Total income tax	**7,162**	-	**7,162**
Net profit (loss)	**(42,515)**	-	**(42,515)**

Company	2022		
	Before restatement	Restatement effect	After restatement
Revenue	725	-	725
Other income	-	-	-
Dividend income	14,479	-	14,479
Total revenue and other income:	**15,204**	**-**	**15,204**
Wages and salaries and related expenses	(3,590)	-	(3,590)
Taxes and charges	(31)	31	-
Telecommunication and IT expenses	(149)	149	-
Transport expenses	(41)	41	-
Depreciation and amortisation	(110)	110	-
Impairment of investments in subsidiaries	(3,447)	3,447	-
Other expenses	(1,090)	(221)	(1,311)
Total expenses	**(8,458)**	**3,557**	**(4,901)**
EBITDA	**-**	-	**10,303**
Depreciation and amortisation	-	(110)	(110)
Impairment (reversal of impairment) of investments	-	(3,447)	(3,447)
Operating profit (EBIT)	**6,746**	**-**	**6,746**
Financing activities			
Interest income	430	(430)	-
Interest expenses	(1,662)	1662	-
Total finance costs, net	**(1,232)**	-	**(1,232)**
Profit (loss) before income tax	**5,514**	**-**	**5,514**
Deferred income tax benefit	(9)	**-**	(9)
Net profit (loss)	**5,505**	**-**	**5,505**

In the opinion of the Company's management, due to activities of the parent company, dividend income is attributable to operating activities, thus are included in EBITDA. The Group's EBITDA calculation excludes dividend income.

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 until 31 May 2023;
- activities conducted by energy facilities construction and contracting company TETAS UAB;
- activities conducted by operator of electricity storage facilities Energy Cells UAB;
- activities conducted by parent company EPSO-G UAB.

Considering that revenue, profit measure (EBITDA) and total assets after consolidation adjustments of the individual elements 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 are insignificant for the Group.

The key performance indicators are profit before interest, taxes, depreciation (amortisation), loss on impairment and write-off of property, plant and equipment (EBITDA), and net profit operating expenses, excluding electricity, gas and related expenses. These indicators are calculated on the basis of data reported in the financial statements.

The Board also monitors adjusted performance indicators, i.e. adjusted EBITDA, which is non-IFRS alternative performance measure. Adjustments include temporary regulatory differences resulting from the Council's decisions. All adjustments may have both positive and negative impact on the reporting period results. In Board's view, adjusted EBITDA more accurately presents results of the operations and enable a better comparison of the results between the periods as they indicate the amount that was actually earned by the Group in the reporting year.

Management also analyses investments and net debt of each individual segment.

In 2023, revenue from the Lithuanian clients accounted for 87% of the Company's total revenue (2022: 86%).

The table below contains the Group's information on segments for the period ended 31 December 2023:

	Transmission of electricity	Transmission of natural gas	Other activities	Elimination of intersegment transactions	Total
Revenue and other income	369,838	81,338	44,688	(16,977)	478,887
Operating expenses, excluding electricity, gas and related expenses, depreciation, write-off and impairment	(40,294)	(30,248)	(36,951)	17,000	(90,493)
EBITDA	**78,286**	**25,739**	**2,806**	**(5,579)**	**101,252**
Adjusted EBITDA	**37,334**	**24,660**	**2,806**	**(5,579)**	**59,221**
Temporary regulatory differences for previous periods	18,942	(2,883)	-	-	16,059
Temporary regulatory differences for reporting period	(59,894)	1,804	-	-	(58,090)
Overall effect of management's adjustments on EBITDA	**(40,952)**	**(1,079)**	**-**	**-**	**(42,031)**
Reconciliation of EBITDA and net profit/loss	**(29,900)**	**(13,177)**	**15,742**	**(20,116)**	**(47,451)**
Depreciation and amortisation	(19,737)	(12,595)	(1,958)	-	(34,290)
Loss on impairment and write-off of non-current assets	(21,905)	(8,169)	18,397	(18,406)	(30,083)
Total finance costs, net	4,434	(1,758)	(1,942)	(508)	226
Result of lost control in subsidiary and revaluation	-	9,076	-	(660)	8,416
Income tax	7,308	(567)	(235)	-	6,506
Share of results of associates		294	1,480	-	1,774
Dividend income	-	542	-	(542)	-
Net profit (loss)	**48,386**	**12,562**	**18,548**	**(25,695)**	**53,801**
Total assets	677,416	332,329	681,919	(613,207)	1,078,457
Net financial debt	(39,188)	(95,175)	(208,205)	259,030	(83,538)
Investments (additions of property, plant and equipment and intangible assets)	(165,371)	(35,703)	(33,146)	(8,900)	(243,120)

The calculation of EPSO-G's EBITDA includes dividend income, as referred to in Note 4. Accordingly dividend income are not reflected as EBITDA value adjustments, reconciling to Profit (loss) for the period.

When assessing property, plant and equipment, he Group identified and recorded an increase in value of EUR 5.8 million in the electricity segment, a decrease in value of EUR 4.7 million in gas transmission segment, and an increase in value of EUR 1 million in other segment (contracting and construction services). The effect revaluations on profit/loss and other general expenses (revaluation reserve) disclosed in Note 7.

The table below contains the Group's information on segments for the period ended 31 December 2022:

	Transmission of electricity	Transmission of natural gas	Other activities	Elimination of intersegment transactions	Total
Revenue and other income	420,308	96,652	83,007	(10,043)	589,924
Operating expenses, excluding electricity, gas and related expenses, depreciation, write-off and impairment	(36,720)	(25,711)	(90,652)	11,665	(141,418)
EBITDA	**(36,513)**	**31,108**	**6,837**	**(12,866)**	**(11,434)**
Adjusted EBITDA	**34,556**	**35,024**	**(7,642)**	**1,613**	**63,551**
Temporary regulatory differences for previous periods	26,964	(4,860)	-	-	22,104
Temporary regulatory differences for reporting period	44,105	8,776	-	-	52,881
Overall effect of management's adjustments on EBITDA	**71,069**	**3,916**	**-**	**-**	**74,985**
Reconciliation of EBITDA and net profit/loss	**(12,810)**	**(15,388)**	**11,836**	**(14,718)**	**(31,081)**
Depreciation and amortisation	(20,582)	(12,854)	(1,620)	-	(35,056)
Asset write-offs, impairment	(250)	(143)	(99)	280	(211)
Interest income	63	20	460	(330)	213
Interest expenses	(947)	(641)	(2,052)	408	(3,232)
Income tax	8,863	(2,368)	667	-	7,162
Dividend income	43	598	14,479	(15,077)	43
Net profit (loss)	**(49,323)**	**15,720**	**18,672**	**(27,584)**	**(42,515)**
Total assets	718,545	345,347	1,047,555	(685,719)	1,425,728
Net financial debt	(45,631)	(104,455)	(174,325)	352,972	28,561
Investments (additions of property, plant and equipment and intangible assets)	(77,071)	(42,852)	(53,440)	(1,833)	(175,196)

The Group's revenue from the major clients in 2023:

Company name	**2023**
Energijos Skirstymo Operatorius AB	103,582
Ignitis UAB	42,846
Ignitis Gamyba AB	9,033
Total revenue from major clients:	**155,461**

The Group's revenue from the major clients in 2022:

Company name	2022
Energijos Skirstymo Operatorius AB	208,486
Ignitis UAB	71,662
Ignitis Gamyba AB	35,165
Total revenue from major clients:	315,313

6 Intangible assets

Group	Goodwill	Patents and licences	Computer software	Other intangible assets	Statutory servitudes and protection zones	Total
Net book amount as at 31 December 2021	**61**	**120**	**4,425**	**483**	**4,665**	**9,754**
Additions	-	86	2,922	183	-	3,191
Write-offs	-	-	(18)	-	-	(18)
Reclassification with PP&E	-	-	89	-	-	89
Reclassification between categories	-	239	(239)	-	-	-
Value adjustment due to a change in assumptions	-	-	-	-	(1,684)	(1,684)
Amortisation charge	-	(87)	(2,133)	(216)	-	(2,436)
Reclassification to disposal group	-	(36)	(301)	(137)	-	(474)
Net book amount as at 31 December 2022	**61**	**322**	**4,745**	**313**	**2,981**	**8,422**
Acquisition cost	61	1,001	14,926	792	2,981	19,761
Accumulated amortisation	-	(679)	(10,181)	(479)	-	(11,339)
Net book amount as at 31 December 2022	**61**	**322**	**4,745**	**313**	**2,981**	**8,422**
Net book amount as at 31 December 2022	**61**	**322**	**4,745**	**313**	**2,981**	**8,422**
Additions	-	11	3,176	60	176	3,423
Write-offs	-	-	(5)	-	-	(5)
Value adjustment due to a change in assumptions	-	-	-	-	(62)	(62)
Reclassification from PP&E	-	70	280	-	-	350
Reclassification between categories	-	816	(816)	-	-	-
Off-set of grants against non-current assets	-	-	(2,415)	-	-	(2,415)
Amortisation charge	-	(335)	(1,078)	(125)	-	(1,538)
Net book amount as at 31 December 2023	**61**	**884**	**3,887**	**248**	**3,095**	**8,175**
Acquisition cost	61	1,840	12,992	580	-	18,568
Accumulated amortisation	-	(956)	(9,105)	(332)	-	(10,393)
Net book amount as at 31 December 2023	**61**	**884**	**3,887**	**248**	**3,095**	**8,175**

Intangible assets are carried at cost, less accumulated amortisation and accumulated impairment losses, if any.

The reassessment of the assumptions for the provisions (Note 28) for statutory servitudes and protection zones as at 31 December 2023 demonstrated no significant changes compared to 31 December 2022.

As at 31 December 2023, the Company's intangible assets amounted to EUR 77 thousand (as at 31 December 2022, EUR 57 thousand).

7 Property, plant, and equipment

Group	Land	Buildings	Structures and machinery	Vehicles	Other property, plant and equipment	Construction in progress	Total
Net book amount as at 31 December 2021	**682**	**26,079**	**520,816**	**1,049**	**14,217**	**40,260**	**603,103**
Additions	-	-	28,028	131	1,179	129,180	158,518
Prepayments for PP&E	-	-	-	-	-	13,591	13,591
Sales	-	-		(27)	(5)	-	(32)
Write-offs	-	-	(1,325)	-	(27)	-	(1,352)
Reclassification to/from inventories	-	-	(51)	-	(71)	-	(122)
Put into operation (from construction work in progress)	-	945	20,998	-	2,141	(24,084)	-
Reclassification from right-of-use assets	-	-	-	785	-	-	785
Reclassification (from intangible assets)	-	-	-	-	-	(89)	(89)
Reclassification between grant categories	-	-	(4,878)	-	(465)	5,343	-
Off-set of grants against non-current assets	-	-	(914)	-	-	(86,705)	(87,619)
Depreciation charge	-	(964)	(25,991)	(466)	(3,637)	-	(31,058)
Reclassification to disposal group	-	-	-	-	(4)	-	(4)
Net book amount as at 31 December 2022	**682**	**26,060**	**536,683**	**1,472**	**13,328**	**77,496**	**655,721**
Net book amount as at 31 December 2021	682	26,079	520,816	1,049	14,217	40,260	603,103
Acquisition/revaluation amount	682	29,000	612,233	3,469	23,924	77,496	746,804
Accumulated depreciation	-	(2,940)	(75,550)	(1,997)	(10,596)	-	(91,083)
Net book amount as at 31 December 2022	**682**	**26,060**	**536,683**	**1,472**	**13,328**	**77,496**	**655,721**
Net book amount as at 31 December 2022	**682**	**26,060**	**536,683**	**1,472**	**13,328**	**77,496**	**655,721**
Additions	-	498	14,018	65	4,398	229,576	248,555
Change in prepayments for PP&E	-	-	-	-	-	(8,858)	(8,858)
Sales	-	-	(110)	(43)	(17)	-	(170)
Write-offs	-	(13)	(718)	-	89	-	(642)
Revaluation	9	889	584	498	143	-	2,123
Impairment loss	-	-	(57)	-	(108)	(17)	(182)
Reversal of impairment	-	-	-	-	-	29	29
Put into operation (from construction work in progress)	-	2,152	54,135	-	3,632	(59,919)	-
Reclassification to/from inventories	-	-	(50)	-	(200)	-	(250)
Reclassification to intangible assets	-	-	-	-	-	(350)	(350)
Off-set of grants against non-current assets	-	(492)	(13,886)	-	(1,078)	(142,486)	(157,942)
Depreciation charge	-	(941)	(25,748)	(405)	(3,711)	-	(30,805)
Net book amount as at 31 December 2023	**691**	**28,153**	**564,851**	**1,587**	**16,476**	**95,471**	**707,229**
Net book amount as at 31 December 2022	682	26,060	536,683	1,472	13,328	77,496	655,721
Acquisition/revaluation amount	691	28,156	565,090	1,615	16,584	95,471	707,607
Accumulated depreciation after revaluation	-	(3)	(239)	(28)	(108)	-	(378)
Net book amount as at 31 December 2023	**691**	**28,153**	**564,851**	**1,587**	**16,476**	**95,471**	**707,229**

The Group's property, plant and equipment is carried at a revalued amount, less accumulated depreciation and impairment loss.

Prepayments for property, plant, equipment (PPE), included in the under "Construction work in progress":

	2023	2022
Carrying amount at the beginning of the period	**26,304**	**12,713**
Prepayments paid for PPE over the period	15,386	23,056
Transfer to construction work in progress	(23,965)	(9,465)
Carrying amount at the end of the period	**17,725**	**26,304**

As at 31 December 2023, the Group's interest capitalised as part of property, plant and equipment amounted to EUR 329 thousand; the annual interest capitalisation rate was 3.53% (2022: EUR 57 and 1.16%, respectively).

Write-offs mainly represented derecognition of component parts of assets replaced during reconstruction.

The Group's property, plant, and equipment is accounted for at a revalued amount. In 2023, the Group's management assessed property, plant and equipment using internal resources, without engaging independent external evaluator. The assessment of property, plant and equipment for previous period was carried out in the Group as at 31 December 2018.

The assessment of property, plant and equipment identified:

- the total fair value of property, plant and equipment of the electricity transmission segment was EUR 5.8 million higher than the carrying amount before revaluation;
- the total fair value of property, plant and equipment of the natural gas transmission segment was EUR 4.7 million lower than the carrying amount before revaluation;
- the total fair value of property, plant and equipment of the other segment (construction and contracting) was EUR 1.0 million higher than the carrying amount before revaluation;
- the EUR 15,954 thousand carrying amount of the property, plant and equipment of the other segment (electricity storage facilities) corresponds to its fair value, as the assets were newly acquired (installed) and put into operation in 2023.

Below is the information about gain or loss on revaluation of electricity and natural gas transmission segments as at 31 December 2023:

Segment	Recognised in other comprehensive income	Recognised through profit or loss	Total revaluation result by segments
EE TSO	27,434	(21,623)	5,811
NG TSO	3,255	(7,940)	(4,685)
Other segments	1,006	(9)	997
Total	**31,695**	**(29,572)**	**2,123**

The valuation of property, plant and equipment of the electricity and natural gas transmission system operators was carried out using the replacement cost method and the discounted cash-flow methods. The valuation of property, plant and equipment of the other segments (construction and contracting) was carried out using the comparable and replacement cost methods. The valuation corresponded to Level 3 of the fair value hierarchy. The valuation of the electricity and natural gas transmission system operators' assets involved the following steps:

- The total fair value of all of the electricity and natural gas transmission system operators' assets was determined using income method, as the assets of these network systems are two separate cash generating units.
- The replacement cost new (RCN) was determined for asset items;
- The depreciation and remaining useful life of the asset components were estimated;
- The assets were tested for economic obsolescence by making adjustments (by allocating the total fair value to specific items).

Electricity and gas transmission operators are regulated, therefore their assets are operated as a single cash generating unit. The fair value of the electrical grid is assessed using the income method, but its assessment excludes all activities related to the transmission network development (i.e. not related to the present assets being assessed), i.e. investments in development projects, connection of new consumers/producers, grants to development projects.

<u>**Estimation of fair value for property, plant and equipment of electricity transmission segment**</u>

Application of replacement cost method

The items of property, plant and equipment were allocated to main components of the technological assets: transformer substations, power transmission lines, back-to-back converters, and autotransformers.
The fair value of construction in progress was considered equal to carrying amount, because it consisted of newly acquired assets, the value of which approximates current fair value.

The RAB of each asset component included the present value of regulated cash flow generated by the component, depreciation expenses discounted until 2031, return on investment discounted until 2031, and discounted residual value which was estimated by dividing residual value of the asset component at the end of 2031 by the discount rate and by discounting to current value.
A new replacement cost was calculated for each asset component based on the physical parameters of the asset items (autotransformer capacity, number of transformer substation connectors, number of transmission line circuits and type of poles) and the current purchase and LRAIC model rates and statistical indices.

The remaining useful life of the asset components was estimated as follows:

- If the asset component is included in a 10-year reconstruction investment plan (is scheduled for reconstruction), the remaining useful life is the period before reconstruction;
- If information on the end of useful life/write-down date of the asset component is available, the remaining useful life is the period before the write-down;
- If not included in the plan, the remaining useful life is the difference between the asset component's standard useful life (55 years for lines, 35 years for autotransformers, substations and converters, 60 years for a building) and the functional obsolescence (the period of time from the date of the asset's entry into operation, after taking into account the reconstruction/replacement of components).

The replacement residual value of each asset component was calculated as a new replacement cost of the asset component multiplied by the component's remaining useful life and divided by the component's standard useful life.

Total fair value allocated to asset items

The increase in value of property, plant and equipment estimated using income approach was allocated to the asset items in proportion to replacement costs, ensuring that the value estimated is not lower than the regulated cash flow of the asset component.

Taking into account the ongoing investment programme for synchronisation projects, the Electricity TSO reviewed the alternative uses of the asset items affected by the synchronisation projects, and the remaining useful life. As a result, a shorter useful life was set for the components of Alytus back-to-back converter, i.e. until 30 June 2025.

Based on the estimated remaining useful life, the remaining useful lives of the asset items have been reviewed and updated. The updated useful lives will apply from 1 January 2024.

Application of discounted cash flow method

The following assumptions were applied in calculations of the total value of electricity transmission network under the income method:

- The forecast period until 2031.
- Additional component has been established for the financing of investments increasing the level of revenue from the regulated activities. Additional component was estimated by the electricity transmission system operator (hereinafter the "Electricity TSO") in the long-term financial forecasts for 2025-2031 based on a sustainable level of debt (assuming that the average debt to EBITDA ratio over the regulatory period is below but close to 4.5). However, given that the regulatory framework did not define the sustainable level of debt, 86% (EUR 12 million) of the requested additional component has been awarded for 2024, the need for additional component would be lower if actual investments were lower than planned, the amount of undiscounted additional component for 2025-2031 has been decreased in the measurement by 25%.
- The updated LRAIC model for the establishment of the regulated asset base and the cost of capital is applied in the regulatory pricing from 2022. The cost of capital comprises depreciation expenses of the regulated assets and return on investments, which is calculated by multiplying the regulated asset base by the rate of return on investments. Over the regulatory period of five years (current regulatory period covers 2022-2026), the cost of assets under optimisation (planned to be restored) is determined using the present (replacement) value and investments in the optimised assets over the regulatory period of five years are consistent with the value of assets being replaced, which is calculated under the LRAIC model. The cost of capital of the assets that are not optimised is determined using the historical value.
- The amounts of investments until 2031 are used from the actual ten-year investment plan, which excludes all development investments.
- All operating expenses attributable to the regulated activities are compensated through transmission revenue, except for wages and salaries, the compensation assumption of which is 96%. The terminal value was calculated based on the assumption that all the costs incurred by the Electricity TSO will be compensated with revenue.
- The calculation of cash flows for the years 2024-2025 included a difference between the permitted and actual return on transmission activity investments in 2022-2023. The permitted return on investments was raised as a result of operational cost efficiencies (savings). A regulatory gain is refunded through a lower transmission price and revenue offsetting the higher additional component of services and revenue.
- The rate of return on investments (ROI before tax) is equal to 5% for 2024 (equivalent to a 4.25% after tax), and from 2025 it is the same as the discount rate, i.e. 5.87% (equivalent to a 4.99% WACC after tax).
- Net cash flows generated from the assets were discounted using the discount rate (WACC after tax) of 4.99% calculated by the Company.

Sensitivity analysis

If the additional component for the financing of investments was not awarded, the value of the assets would be lower by EUR 92.1 million, if the total amount estimated in the long-term financial forecasts of the Electricity TSO was allocated, the value of the assets would be higher by an additional EUR 30.7 million. The sensitivity of asset valuation to the additional component for the financing of investments and the change in the rate of return on investments from 2027 is presented in the tables below:

Additional component for the financing of investments, % of forecast	Change in asset value, EUR million
0%	-92.1
33%	-61.4
67%	-30.7
100%	0
133%	30.7
Change in rate of investment return from 2025, %	Change in asset value, EUR million
-0.50%	-15.2
-0.25%	-7.6
0.00%	0
0.25%	7.6
0.50%	15.3
Change in discount rate (return on investments is recalculated from 2025 accordingly), %	Change in asset value, EUR million
-1.00%	1.5
-0.50%	0.7
0.00%	0
0.50%	-0.6

Estimation of fair value for property, plant and equipment of gas transmission segment

The cost approach involves determining the replacement cost of a new asset (RCN) at the level of the individual asset item. RCN includes the cost of materials, installation works, labour, transportation and handling fees, overall costs of contractor, also indirect costs, such as engineering and design costs. The market prices were determined using transaction data of the Natural Gas TSO for the last three years, the reports of ACER and Gasgrid and other publicly available data.
Assets of a unique nature (around 1% of the total value of the assets) were subject to the indirect cost method due to inability to apply the direct cost method or the lack of the necessary information. The indirect cost method was used to determine the current replacement value of each new asset by indexing (based on consumer price, gas price, metal price and building cost indices published by Statistics Lithuania) the capitalized historical cost of the new asset.

The calculated RCN will reduced by the amount of functional obsolescence due to occurrence of functional failures over a particular period as a result of intensity of use. The physical obsolescence was estimated using age-life methods, based on the Iowa-type survivor curves. These depreciation curves were used to determine the life cycle of asset based on economic useful life, in view of current repairs and maintenance Based on Iowa-type curves, the useful life of the assets in some cases was different form the useful life used for the accounting purposes of the Natural Gas TSO. The useful life will be reviewed and extended, as appropriate. The changes will apply from 1 January 2024.

After identifying the asset's RCN and assessing its physical obsolescence, the asset's replacement residual value (depreciated replacement cost, DRC) was estimated.

In discounted cash flow method, future cash flows are estimated and discounted by using cost of capital to give their present values. This method was applied to measure the fair value of property, plant and equipment and to estimate the economic obsolescence.
For the purpose of fair value measurement and estimation of the economic obsolescence, the cash flow forecast was developed for the period from October 2023 to 2028. The terminal value of cash flows is applied in subsequent periods.

Key assumptions for the cash flow forecast:

- In the Certificate No O5E-389 of 8 May 2023, the Council set the cap on the revenue from natural gas transmission activities of the Company of EUR 67,011 thousand for 2024;

- The Council approved a 5.04% pre-tax return on investments (WACC) for 2024, while in the long term, based on the Council's WACC methodology and market trends, the rate of return on investments will increase and will be equal to the discount rate of 6.07% (post-tax);
- A discount rate (post-tax) of 5.16% was applied to discount the cash flows.
- The Company's operating costs are estimated in accordance with the Council's methodology for determining the revenue and prices of natural gas transmission activities. Some costs are not included in the regulated prices.
- The estimation of the going-concern value of discounted cash flows excludes the growth rate (equal to 0)

Asset values estimated using the DRC method were adjusted for economic obsolescence: reduced in proportion to the results of the economic obsolescence test (the total fair value of assets was determined using income method), except for assets for which such allocation would have resulted in a value lower than the asset's regulatory asset base (RAB) value. For such assets the RAB value was considered to be its fair value. The amount of reduction that would otherwise have been allocated to the asset was allocated pro rata to the other assets. In order to distribute the value of economic obsolescence among separate items of assets so that the resulting value would reflect more accurately the fair value of the respective separate item of assets, the Company followed a policy whereby the fair value of particular item of assets would not be lower than the RAB assumption used in respect of that particular item of assets.

Economic obsolescence was applied (i.e. distributed) to all assets, except for the following categories (or separate items of assets from different categories), where DRC was approximated to the carrying amount of these assets:

- construction in progress; because new projects reflect the fair value best, which is included in RAB at full;
- other items of property, plant and equipment that are not directly related to the underlying technological asset (e.g. office buildings, furniture, tools, computers, equipment);
- assets with the fair value equal to the net book amount for the purpose of valuation (assets acquired no earlier than one year until the their valuation date);
- assets with the value before economic obsolescence (DRC) lower than RAB value attributed to these assets (those kept at RAB value).

The main reasons for the change in the value of separate items of assets include the following:

- impact of the economic obsolescence: the differences between financial and regulatory accounting polices resulted in recognition of the CBCA contribution to the Polish TSO as a non-current asset in the financial accounts, but it was not recognised as RAB by the Council (the asset's value decreased), however, the other assets were accounted for at a carrying amount which was lower the value of the RAB set for these assets (as a result the value of the assets increased);
- new values were established (set) for fully depreciated assets that are still in use.

<u>Sensitivity analysis.</u>

The natural gas transmission system operator (TSO) performed sensitivity analysis of the fair value measurement in respect of changes in unobservable inputs. The fair value measurement is the most sensitive to the rate of return (WACC) set by the Council and the discount rate.

The fair value of the asset sensitivity is presented for the following scenarios:

<u>Scenario (1) of sensitivity analysis:</u> to determine the level of revenue from 2024 onwards, the Council would apply a rate of return of 6.04/4.04% (currently is set at 5.04% for 2024) with a 1% increase/decrease in the rate of return and the other valuation parameters remaining unchanged; a 1% increase in the rate of return would result in the EUR 9,727 thousand increase in the fair value of property, plant and equipment, and a 1% drop in the rate of return would result in the EUR 9,727 thousand decrease in the fair value of property, plant and equipment.

<u>Scenario (2) of sensitivity analysis:</u> applying a 1% higher/lower discount rate (after tax) with the other valuation parameters remaining unchanged; a 1% increase in the discount rate would result in the EUR 11,544 thousand decrease in the fair value of property, plant and equipment, and a 1% decrease in the discount rate would result in the EUR 12,181 thousand increase in the fair value of property, plant and equipment.

Below is the table on the asset's sensitivity analysis:

	WACC (pre-tax return on investments approved by the Council)				
	Change		4.04%	5.04%	6.04%
			-1.0%	0.0%	1.0%
Discount rate (post-tax)	4.16%	-1.0%	2,189	12,181	22,174
	5.16%	0.0%	-9,727	-	9,727
	6.16%	1.0%	-21,017	-11,544	-2,070

The table below presents the net book amounts of the Group's property, plant and equipment, which would have been recognised had the historical cost method been used, less grants received and negative revaluations that would be treated as an impairment equivalent, as at 31 December 2023 and 31 December 2022:

	Land	**Buildings**	**Structures and machinery**	**Transport**	**Other property, plant and equipment**	**Construction in progress**	**Total**
As at 31 December 2023	682	27,655	596,546	1,115	16,235	95,472	737,705
As at 31 December 2022	682	26,319	695,984	1,523	12,985	55,141	792,634

Had the value of the Group's property, plant and equipment not been reduced by the amount of grants, its carrying amount would have been EUR 679,785 thousand higher as at 31 December 2023 (EUR 532,859 thousand as at 31 December 2022). The following table shows information on property, plant and equipment, the value of which was reduced by the amount of grants received/receivable:

	As at 31 December 2023	**As at 31 December 2022**
Carrying amount at the beginning of the period	**532,859**	**459,500**
Additions	157,942	**87,619**
Depreciation charge	(17,594)	**(13,998)**
Write-off	(362)	**(262)**
Carrying amount at the end of the period	**672,845**	**532,859**

As at 31 December 2023, the Group had commitments to acquire property, plant and equipment to be fulfilled in the upcoming periods for the amount of EUR 337 million (31 December 2022: EUR 468 million).

As at 31 December 2023, the Company's property, plant and equipment amounted to EUR 83 thousand, as at 31 December 2022 – EUR 3 thousand. The Company's other property, plant and equipment comprised computer hardware and furniture.

8 Right-of-use assets

Group	Land	Buildings	Vehicles	Total
Net book amount as at 31 December 2021	**5,894**	**2,747**	**2,486**	**11,127**
New contracts	-	229	2,437	2,666
Indexation	-	3	-	3
Write-offs	-	(35)	(661)	(696)
Reclassification to property, plant and equipment	-	-	(785)	(785)
Depreciation charge	(60)	(590)	(251)	(899)
Reclassification to disposal group	-	(83)	(2)	(85)
Net book amount as at 31 December 2022	**5,834**	**2,271**	**3,224**	**11,329**
Acquisition cost	6,070	4,184	6,730	16,984
Accumulated depreciation	(236)	(1,913)	(3,506)	(5,655)
Net book amount as at 31 December 2022	**5,834**	**2,271**	**3,224**	**11,329**
Net book amount as at 31 December 2022	**5,834**	**2,271**	**3,224**	**11,329**
Reclassifications between groups	-	156	(156)	-
New contracts	61	884	414	1,359
Indexation	-	5	143	148
Write-offs	-	(120)	(59)	(179)
Depreciation charge	(62)	(609)	(1,176)	(1,847)
Net book amount as at 31 December 2023	**5,833**	**2,587**	**2,390**	**10,810**
Acquisition cost	6,131	3,512	4,543	14,186
Accumulated depreciation	(298)	(925)	(2,153)	(3,376)
Net book amount as at 31 December 2023	**5,833**	**2,587**	**2,390**	**10,810**
Company				
Net book amount as at 31 December 2021		**197**	**16**	**213**
New contracts	-	-	107	107
Depreciation charge	-	(62)	(23)	(85)
Net book amount as at 31 December 2022	**-**	**135**	**100**	**235**
Acquisition cost	-	369	190	559
Accumulated depreciation	-	(234)	(90)	(324)
Net book amount as at 31 December 2022	**-**	**135**	**100**	**235**
Net book amount as at 31 December 2022	**-**	**135**	**100**	**235**
New contracts	-	629	18	647
Write-offs	-	(73)	-	(73)
Depreciation charge	-	(83)	(32)	(115)
Net book amount as at 31 December 2023	**-**	**608**	**86**	**694**
Acquisition cost	-	629	125	754
Accumulated depreciation	-	(21)	(39)	(60)
Net book amount as at 31 December 2023	**-**	**608**	**86**	**694**

As at 31 December 2023 and 2022, the additions were due conclusion of new contracts for the lease of new office premises, vehicles and equipment, also due indexation of lease payments for office premises, as the average consumer price index was higher than indicated in the lease contracts. Increase in the Company's right-of-use assets in 2023 resulted from new premise and vehicle lease contracts.

9 Investments in subsidiaries and associates

As at 31 December 2023 and 31 December 2022, the Company had a shareholding in the following Group companies:

Group companies	Acquisition cost	Impairment	Carrying amount	Ownership interest (%)
	As at 31 December 2023			
	Subsidiaries			
LITGRID AB	217,215	-	217,215	97.5
Amber Grid AB	126,529	-	126,529	96.6
Baltpool UAB	388	-	388	67
TETAS UAB	16,150	11,130	5,020	100
Energy Cells UAB	2,375	-	2,375	100
Total	**362,656**	**11,130**	**351,526**	

			Associates	
TSO Holding AS*	**13,830**		**13,830**	39.6
			As at 31 December 2022	
			Subsidiaries	
LITGRID AB	217,215	26,090	191,125	97.5
Amber Grid AB	126,529	-	126,529	96.6
Baltpool UAB	388	-	388	67
TETAS UAB	7,150	3,447	3,703	100
Energy Cells UAB	2,375	-	2,375	100
Total	**353,657**	**29,537**	**324,120**	
			Associates	
TSO Holding AS	**13,830**	**-**	**13,830**	39.6

By the decision of 15 December 2023 of the Company, as a sole shareholder, the issued capital of TETAS UAB was raised through issue of 2,000 units of shares with the nominal value of EUR 1 each, a cash contribution of EUR 6,300 thousand and the EUR 2,700 thousand set off with the long-term loan.

On 9 December 2022, the Company also raised the issued capital of TETAS UAB through issue of 1,000 units of shares with the nominal value of EUR 1 each and a cash contribution of EUR 4,000 thousand.

<u>Impairment testing of investments in subsidiaries</u>

Having identified impairment indications for investments in subsidiary TETAS UAB as at 31 December 2023, the Company performed impairment testing for this company and established a total impairment of EUR 11,130 thousand. As at 31 December 2022, the impairment of EUR 3,447 thousand was recognised for TETAS UAB, and, respectively, the impairment of EUR 7,683 thousand as at 31 December 2023.

When performing the impairment test for this investment as at 31 December 2023, the Company applied the discounted cash flow method and used the following key assumptions:

- cash flow forecasts until 2028;
- 2.0% projected cash flow growth rate in the period of continuing operations (beyond 2028);
- 11.79% discount rate (after tax) was used to calculate discounted cash flows;

The Company also assessed the impairment of the investment in the subsidiary Litgrid for reversal as at 31 December 2023. The assessment of the impact of temporary regulatory deviations on the net assets as at 31 December 2023 and the impairment test of the investments in Litgrid indicated that the recoverable amount of the investment exceeds its acquisition value. In impairment testing of the investment in Litgrid as at 31 December 2023, the Company applied the discounted cash flow method and used assumptions similar to those used in the fair value measurement for Litgrid's property, plant and equipment as at 31 December 2023:

- cash flow forecasts until 2031;
- the normalised cash flow is used in the period of continuing operations (beyond 2031);
- 4.99% discount rate (after tax) was used to calculate discounted cash flows;
- other measurement assumptions are disclosed in Note 7.

As at 31 December 2023, the Company fully reversed the impairment of EUR 26,090 thousand recognised in previous periods for the investment in Litgrid, as the investment's recoverable amount exceeded its carrying amount.

Presented below is the summarised statement of financial position of the Group companies with significant non-controlling interest as at 31 December 2023 and 2022.

Company name Year	Current assets and liabilities			Non-current assets and liabilities			Net assets
	Assets	Liabilities	Total net current assets	Assets	Liabilities	Total net non-current assets	
Litgrid							
As at 31 December 2023	264,797	138,673	126,124	412,619	300,057	112,562	**238,686**
Net assets attributable to minority interest as at 31 Dec 2023							**5,942**
As at 31 December 2022	334,621	412,553	(77,932)	383,924	139,012	244,912	**166,980**
Net assets attributable to minority interest as at 31 Dec 2022							**4,175**
Amber Grid							
As at 31 December 2023	34,421	79,572	(45,151)	297,908	66,093	231,815	**186,664**
Net assets attributable to minority interest as at 31 Dec 2023							**6,387**
As at 31 December 2022	53,168	83,178	(30,010)	292,179	78,777	213,402	**183,392**
Net assets attributable to minority interest as at 31 Dec 2022							**6,272**

Presented below is the summarised statement of comprehensive income of the Group companies with significant non-controlling interest for 2023 and 2022.

Company name Year	Revenue	Profit before income tax	Income tax (expense) benefit	Total comprehensive income for the period	Comprehensive income attributable to non-controlling interest	Dividends paid to non-controlling interest
Litgrid						
As at 31 December 2023	369,838	41,078	7,308	71,706	1,792	-
As at 31 December 2022	420,308	(58,347)	8,898	(49,449)	(1,236)	(126)
Amber Grid						
As at 31 December 2023	81,338	13,130	(567)	15,330	524	(413)
As at 31 December 2022	96,652	18,088	(2,368)	15,720	538	(339)

Presented below is the summarised statement of cash flows of the Group companies with non-controlling interest for 2023 and 2022.

Company name Year	Net cash flows from operating activities	Net cash flows from investing activities	Net cash flows from financing activities	Net increase (decrease) in cash flows	Cash and cash equivalents at the beginning of the year	Cash and cash equivalents at the end of year
Litgrid						
As at 31 December 2023	58,388	(51,168)	(7,085)	135	499	634
As at 31 December 2022	(52,482)	82,711	(31,549)	(1,320)	1,819	499
Amber Grid						
As at 31 December 2023	39,437	(15,567)	(23,770)	100	21	121
As at 31 December 2022	18,992	(4,267)	(14,716)	9	12	21

<u>Investments in associates and joint ventures</u>

The Group's investments in associates and joint ventures in the consolidated financial statements included the following:

Company name	Nature of investment	Ownership interest (%)	Investment value as at 31 December 2022	Fair value of the investment after loss of control	Dividends received	Share of results of associate	Investment value as at 31 December 2023
TSO Holding AS	Associate	39.6	13,915	-	(1,406)	1,480	13,989
GET Baltic UAB	Associate	34	-	3,348	-	295	3,643
Baltic RCC OU	Joint venture	33.3	45	-	-	-	45
Total investments:			**13,960**	**3,348**	**(1,406)**	**1,775**	**17,677**

Below is the summarized statement of comprehensive income of TSO Holding, given the operating results of the Group of Nord Pool Holding AS (shareholding of 34%) in 2023. This information represent the management's estimates made based on the available unaudited financial information of the said companies presented in their reports:

	2023
Revenue	16,535
Profit before income tax	4,740
Income tax benefit (expenses)	(998)
Net profit (loss)	**3,742**
Other comprehensive income	-
Total comprehensive income for the period	**3,742**
Comprehensive income attributable to non-controlling interest	1,482
Balance of comprehensive income attributable to the Group	1,480

In June 2023, the Group received EUR 1,406 thousand in dividends from TSO Holding AS, by which the value of investment in associate was reduced.

The Group increased the investment in TSO Holding AS by EUR 1,480 thousand and recognised income.

Summarized statement of comprehensive income of GET Baltic for the period from the beginning of the reporting period to the date of loss of control, and from the date of loss of control to 31 December 2023:

	2023
Revenue	1,111
Profit before income tax	1,027
Income tax benefit (expenses)	(159)
Net profit (loss)	**868**
Other comprehensive income	-
Total comprehensive income for the period	**868**
Comprehensive income attributable to non-controlling interest	295

The Group also assessed the change in equity of GET Baltic UAB from the date of loss of control (31 May 2023) and increased the value of the investment by EUR 295 thousand and recognised income.

10 Loss of control of a subsidiary

The Group lost control of GET Baltic following the completion of the share sale transaction on 31 May 2023. The remaining portion of the investment in GET Baltic (34% of the shares) after the loss of control is recognised as an investment in an associate, which is accounted for using the equity method and measured at fair value at the time of loss of control. The fair value of the remaining shareholding in GET Baltic was calculated using the share price of the sale transaction, as the strategic partner EEX has a commitment to purchase the remaining shareholding in GET Baltic over a two-year period, on similar terms and conditions, upon fulfilment of the obligations set out in the share purchase and sale contract.

In the consolidated statement of comprehensive income, the total result of disposal of control in the company and revaluation of the remaining part of investment in associate was EUR 8,416 thousand, of which gain on disposal of control was EUR 5,554 thousand, and gain on revaluation of investment in associate was EUR 2,861 thousand. The result of disposal of control in the company and revaluation of the remaining part of investment in associate was calculated by reference to the net asset value of the disposal group of EUR 1,429 thousand at the time of disposal on 31 May 2023.

Effect of loss of control on cash flow statement items:

	2023
Gain on disposal of control in subsidiary, cash	6,500
Revaluation of the remaining part (34%) of the investment	3,348
Total effect of the loss of control and revaluation	9,848
Net assets of subsidiary	(1,429)
Gain on loss of control and revaluation of associates	**8,419**

Main categories of assets and liabilities over which the control was lost:

	As at 31 May 2023
Non-current assets	498
Current assets	41,791
Total assets:	**42,289**
Non-current liabilities	48
Current liabilities	40,812
Total liabilities:	**40,860**
Net assets	**1,429**

Information on the cash flow generated by the subsidiary is provided below:

	As at 31 May 2023	**As at 31 December 2022**
Net cash flows from operating activities	494	752
Net cash flows used in investing activities	437	(80)
Net cash flows from/used in financing activities	(555)	(749)
Net increase in cash generated by the subsidiary	**376**	**(77)**

<u>Allocation of the purchase consideration for the investment in associate</u>

Upon loss of the control in the subsidiary GET Baltic UAB, the Group performed an analysis of whether there is any difference between the fair values and carrying amounts of assets and liabilities for the purpose of allocation of the purchase consideration. The analysis:

- did not identify intangible assets or property, plant and equipment that exist but are not recognised in the financial statements, or the fair value of which is significantly different from the carrying amount. The associate's main assets include current financial assets (receivables, security deposits of exchange participants, funds in bank accounts).
- did not identify liabilities not recognised or the value of which is significantly different from the carrying amount. Main liabilities include payables to exchange participants, prepayments received, security deposit liabilities.

The acquisition cost of GET Baltic was determined using the fair value of the sale transaction of GET Baltic, which, in the management's assessment, corresponds to the fair value of Get Baltic's shares. Based on estimates of the Group's management, the difference between the acquisition cost of the associate and the identifiable net assets is recognised as perceived goodwill, which is included in the carrying amount of the investments in associate.

	As at 31 May 2023 (EUR thousand)
Share of the carrying amount of net assets attributable to associate	486
Perceived goodwill	2,862
Cost of investment in associate	**3,348**

<u>Associate's share options</u>

On 31 May 2023, the Group issued a put option enabling the Group to sell the remaining 34% shareholding in GET Baltic at a fixed price in the period of 24 months after the loss of control. Under the same option agreement, the strategic partner issued a call option to purchase the remaining shares of GET Baltic at a fixed price, subject to the fulfilment of the obligations set out in the shareholders' agreement, within 24 months of the date of the put option. In management's assessment, these options meet the definition of derivatives. The put option, given the maximum 48-month option expiration term, creates a non-current financial asset for the Group that is measured at fair value. The investor's call option creates a financial liability for the Group that can be exercised at any time after the investor has fulfilled its obligations. Based on the management's estimates, the expected exercise

period of the call option is 24 months from the put option date. As the Group does not have an irrevocable right to defer the put option, the liability is recognised as a current liability and measured at fair value.

The Group's derivatives are reported under the following items of the statement of financial position:

	As at 31 December 2023
Non-current assets	
Other non-current assets (put option of GET Baltic)	**166**
Current liabilities	
Other current payables	-
Call option of GET Baltic	**166**

At initial recognition on 31 May 2023, the fair value of the put option per share amounted to EUR 0.19, and the 34% shareholding to EUR 202 thousand. The derivative liabilities were recognised at the same value because the exercise prices of the options are the same. Below is the fair value of derivatives as at 31 December 2023:

Share option	Subscription date	Maturity	Exercise price	Fair value of option	
				As at 31 May 2023	As at 31 December 2023
Put option	As at 31 May 2023	As at 31 May 2025	3.22	202	166
Call option	As at 31 May 2023	As at 31 May 2025	3.22	202	166

1)The share exercise price is increased at 6% annual interest rate for the period from the exercise date until final settlement for the remaining shares.

A 2.61% risk-free interest rate was used to estimate the fair value of the option.

11 Inventories

	Group	
	As at 31 December 2023	As at 31 December 2022
Materials, inventories and assets held for sale	4,364	4,771
Natural gas	4,339	12,250
Less: impairment	(1,147)	(810)
Carrying amount	**7,556**	**16,211**

Changes in the value of natural gas inventories as at 31 December 2023, compared to 31 December 2022, mostly resulted from the decrease in natural gas prices.

Inventories recognised as expenses during the reporting period amounted to EUR 36,541 thousand as at 31 December 2023 (31 December 2022: EUR 82,181 thousand). The value of inventories recognised as expenses in 2023 decreased significantly due to the completion of the Physical Barrier project in 2022, the implementation of which resulted in a significant increase in inventory expenses in 2022.

Movements in write-down allowance for inventories in 2023 and 2022 are indicated below:

	Group	
	2023	**2022**
Carrying amount as at 1 January	810	626
Change in write-down allowance	337	184
Carrying amount as at 31 December	**1,147**	**810**

12 Prepayments and contract assets

	Group	
	As at 31 December 2023	As at 31 December 2022
Prepayments	699	843
Deferred expenses	2,842	2,710
Contract assets	2,607	6,363
Accrued revenue from contract works	*930*	*3,468*
Accrued revenue from natural gas transmission and related services	*1,677*	*2,780*
Accrued other income	-	*115*
Carrying amount	**6,148**	**9,916**

13 Trade receivables

Trade receivables comprised:

	Group		Company	
I. Trade receivables under contracts with customers	As at 31 December 2023	As at 31 December 2022	As at 31 December 2023	As at 31 December 2022
I.1 Trade receivables after one year	*10*	*10*	-	-
Less: expected credit losses of non-current receivables	-	-		
Net book amount of receivables after one year:	**10**	**10**	**-**	**-**
I.2 Current trade receivables				
Receivables for electricity transmission and related services	19,058	61,080	-	-
Receivables for transmission and transit of natural gas	6,770	18,284	-	-
Receivables for contract works and other services	5,195	4,420	383	197
Less: expected credit losses of trade receivables	(249)	(17)	-	-
Net book amount of trade receivables under contracts with customers	**30,774**	**83,767**	**383**	**197**
	-	-	-	-
II. Trade receivables under other contracts:	-	-	-	-
Accrued receivables for the services related to electricity transmission	10,270	1,477	-	-
Congestion management revenue receivable	770	649		
Other trade receivables	74	286		
Less: expected credit losses of trade receivables	-	-	-	-
Net book amount of trade receivables under other contracts:	**11,114**	**2,412**	-	-
Total current trade receivables:	**41,888**	**86,179**	**383**	**197**

<u>Current trade receivables/Expected credit losses of trade receivables</u>

Trade receivables under other contracts comprised congestion revenue funds receivable, receivables from ITC fund, natural gas imbalance and lease of assets. The fair value of trade receivables under contracts with customers approximates their carrying amount. In 2023, the Group accounted for expected credit losses of EUR 232 thousand with regard to late payments.

As at 31 December 2023, receivables for electricity transmission and related services, compared to 31 December 2022, decreased as, in December 2023 compared to December 2022, the price for ancillary (system) services was 8 times lower, and the volume 4 times higher, and the price for balancing/imbalance services was 4.3 times lower.

The accrued receivables under the Inter-TSO Compensation (ITC) mechanism increased by EUR 6.7 million due to the significantly higher prices for the electricity in technological equipment approved by the National Energy Regulatory Council in 2023. The receivables accrued in 2023 will be reduced in 2024, once all the participating parties of ITC (35) approve calculation results.

As at 31 December 2023, receivables for natural gas transmission and related services, compared to 31 December 2022, decreased due to lower prices for transmission services in 2023, affected by the significant decrease in expenses for technological needs.

The Company did not recognise any doubtful debts.

The Group applies a simplified credit risk assessment approach as required by IFRS 9 and accounts for loss allowances for lifetime credit losses from initial recognition of receivables. To determine credit losses of receivables, the Group applies the individual assessment and a loss coefficient matrix. The loss ratio matrix is based on historical data for a period exceeding 36 months on settlements of debts by customers. The loss ratios may be adjusted in view of macroeconomic forecasts. The loss ratios are classified into separate groups of receivables on the basis of credit risk characteristics and overdue period.

Trade receivables	Not past due	Past due				Total
		1-30 days	31-90 days	91-180 days	181 and more days	
As at 31 December 2023						
Current portion of trade receivables, of which:	**40,121**	**1000**	**191**	**575**	**1**	**41,888**
State-owned companies	31,792	-	-	-	-	31,792
Expected credit losses, %	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Other customers	8,255	1,000	191	575	1	10,021
Trade receivables assessed individually	*7,950*	*956*	*140*	*575*	*0*	*9,622*
Impairment	*-*	*0*	*8*	*240*	*-*	*248*
Trade receivables assessed collectively	*379*	*44*	*51*	*0*	*0*	*474*
Expected credit losses, %	*0*	*1.4%*	*2%*	*15%*	*100%*	
Impairment	*-*	*1*	*0*	*0*	*0*	*1*
Total expected credit losses	**-**	***1***	***2***	***230***	***1***	***249***

Movements in impairment recognised for the Group's trade receivables during the year 2023 and 2022 were as follows:

	2023	2022
Carrying amount as at 1 January	**17**	**112**
Increase in impairment (reversal of impairment)	(232)	(95)
Carrying amount as at 31 December	**249**	**17**

14 Other receivables

	Group		Company	
	As at 31 December 2023	As at 31 December 2022	As at 31 December 2023	As at 31 December 2022
Administered PSO funds receivable	33,429	28,307	-	-
Administered LNG terminal funds receivable	9,377	7,802	-	-
VAT receivable from the state budget	1,050	2,061	-	-
Grants receivable	52,199	32,726	-	-
Loans to subsidiaries	-	-	44,889	20,991
Other receivables	2,611	791	1,336	68
Less: expected credit losses of other receivables	(23)	(23)	-	-
Carrying amount	**98,643**	**71,664**	**46,225**	**21,059**

The fair value of other receivables approximates their carrying amount.

One major part of the Group's other receivables and receivables past due consisted of PSO and LNG terminal funds receivable. The Group is not exposed to credit risk in collecting PSO and LNG terminal funds as its acts as an administering entity, therefore expected credit losses are not formed for these past due amounts.

The line item of grants receivable includes grants receivable from the EU structural funds for the projects being implemented by the Group. The essential amounts of receivable grants as at 31 December 2023 included: grant of EUR 34,005 thousand receivable under the instrument Connecting Europe Facility (CEF) for the compensation of expenses incurred in the synchronisation projects; receivable support of EUR 10,833 thousand under the Recovery and Resilience Facility (RRF) for the installation of electricity storage facilities; EUR 7,360 thousand for the implementation of the projects on the development of the natural gas transmission network.

15 Other financial assets

	Group	
	As at 31 December 2023	As at 31 December 2022
Administered PSO funds	-	33,000
Funds deposited for guarantees and deposits	15,898	7,758
Funds of the exchange participants	-	13,906
Carrying amount	**15,898**	**54,664**

16 Cash and cash equivalents

	Group		Company	
	As at 31 December 2023	As at 31 December 2022	As at 31 December 2023	As at 31 December 2022
Cash at bank	123,236	248,096	120,015	244,310
Carrying amount	**123,236**	**248,096**	**123,236**	**244,310**

The fair value of cash and cash equivalents is equal to their nominal and carrying amounts.

As at 31 December 2023, the Company had term deposit agreement with the credit institution of the Bank of Lithuania in amount of EUR 120,000 thousand, with maturity up to 90 days. Short-term investments were made with the aim of optimizing return on excess cash balances, taking into account projected need for cash and liquidity forecasts. In management's assessment, short-term deposits (up to 90 days) should be accounted for under cash equivalents, since they can be used to finance the Group's and the Company's operations in the short term without significant financial costs.

17 Issued capital

As at 31 December 2023 and 2022, the issued capital of the Company amounted to EUR 189,631 thousand and was divided into 653,900,000 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares as at 31 December 2023 and 2022 were fully paid.

Capital management

Capital consists of equity recorded in the statement of financial position. According to the Law on Companies of the Republic of Lithuania, the equity of the Company must account for at least ½ of the amount of the authorised share capital. As at 31 December 2023 and 31 December 2022, the Company and all companies of the Group complied with this requirement.
The Company's and the Group's main objective when managing capital is to maintain an optimal capital structure in order to ensure ability to continue as a going concern, minimisation of the cost of capital and risk. The structure of the capital of the Group companies is formed taking into consideration demand for operating activities, planned investments and development.

The Company's Board approved the dividend policy, which sets uniform principles for the payment of dividends for all companies of the Group to ensure sustainable growth of the value of the business of the Group and its companies, long-term benefit to the shareholders, achievement of long-term and short-term objectives. The dividend policy is one of the capital risk management tools. According to the dividend policy, the allocation of dividends depends on the return on the companies' equity, availability of financial resources for payment of dividends, implementation of projects important for the State and other circumstances. At least 60% of net profit is allocated for the payment of dividends, depending on the return on equity and other conditions affecting the company's solvency.

The allocation of the Company's dividends for 2022-2026 is regulated by Resolution No 208 of the Government of the Republic of Lithuania of 29 March 2023 On the payment of dividends by EPSO-G UAB for the shares held by the State by the right of ownership. Under the provisions of this Resolution, the holders of the Company's shares can each year allocate 0.5% of profit to be appropriated for the payment of dividends, if EPSO-G UAB implements or participates in the implementation of an economic project of state importance recognised by the decision of the Government of the Republic of Lithuania, or implements a project of state importance recognised by the decision of the Parliament of the Republic of Lithuania, or if, after the payment of a dividends, the liabilities referred to in the decision would exceed the Group's consolidated equity capital.

There were no changes in capital management objectives compared to previous years.

18 Revaluation reserve

The revaluation reserve arises from revaluation of property, plant and equipment due to the value increase.

Group	Revaluation reserve	Deferred income tax	Less: deferred income tax
Balance as at 31 December 2021	**363**	**(53)**	**310**
Depreciation of revaluation reserve	(34)	1	(33)
Balance as at 31 December 2022	**329**	**(52)**	**277**
Revaluation of property, plant and equipment	30,070	(4,510)	25,560
Depreciation of revaluation reserve	(45)	7	(38)
Balance as at 31 December 2023	**30,354**	**(4,555)**	**25,799**

19 Legal and other reserves

Legal reserve

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of not less than 5% of net profit are required until the reserve reaches 10% of the issued capital. The legal reserve can only be used to cover future losses. Following increase in the Company's issued capital to EUR 189,631 thousand in 2022, the legal reserve was increased from EUR 276 thousand (5% of the net profit for 2022) to EUR 2,524 thousand in 2023. As at 31 December 2023, the legal reserve was not fully formed. The total value of individual separate legal reserves of the Group subsidiaries is reported as an aggregate amount at the Group level. In 2023, the EUR 2,521 thousand from the legal reserve of the subsidiary Litgrid was used to cover loss of 2022.

Other reserves

Other reserves are formed based on the decision of the shareholders (i.e. for the purpose of business development) and can be redistributed on the distribution of the next year's profit.

20 Dividends

As indicated in Note 17, the Company is eligible to allocate 0.5% of profit to be appropriated for the payment of dividends to the holders of its shares for the period 2022-2026 under Resolution No 208 of the Government of the Republic of Lithuania of 29 March 2023 On the payment of dividends by EPSO-G UAB for the shares held by the State by the right of ownership.

2023 On 13 April, the Ordinary General Meeting of Shareholders of EPSO-G UAB approved the distribution of the Company's profit (loss) for 2022. EUR 66 thousand was allocated to dividends for the year ended 31 December 2022. Dividends per share amounted to EUR 0.0001.

2022 On 3019 April, the Ordinary General Meeting of Shareholders of EPSO-G UAB approved the distribution of the Company's profit (loss) for 2021. EUR 845 thousand was allocated to dividends for the year ended 31 December 2021. Dividends per share amounted to EUR 0.0109.

21 Grants

Grants comprise grants for the acquisition of non-current assets and compensation of expenses. Movements in grants in 2022 and 2021 were as follows:

	Group	
Opening balance	**2023**	**2022**
Grants receivable (Note 14)	32,726	20,230
Grants received in advance (non-current liabilities) (Note 29)	(32,802)	(1,677)
Grants received in advance (current liabilities) (Note 26)	(35,193)	(9,887)
	(35,269)	**8,666**
Recognised grants		
Transfer to property, plant and equipment (Note 7)	157,942	87,619
Transfer to intangible assets (Note 6)	2,415	-
Grants used for compensation of expenses (Note 32)	315	197
	160,672	**87,816**
Grants received		
Monetary grants (CFS)	(71,455)	(107,795)
Congestion revenue transferred to grants (Note 27)	(13,457)	(22,992)
	(84,912)	**(130,787)**
Grants received in the form of assets	**(16,875)**	**(964)**
Closing balance		
Grants receivable (Note 14)	52,199	32,726
Grants received in advance (non-current liabilities) (Note 29)	-	(32,802)
Grants received in advance (current liabilities) (Note 26)	(28,583)	(35,193)
	23,616	**(35,269)**

22 Borrowings

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

	Group		Company	
	As at 31 December 2023	**As at 31 December 2022**	**As at 31 December 2023**	**As at 31 December 2022**
Non-current borrowings				
Bonds issued	74,849	74,805	74,849	74,805
Bank borrowings	89,105	107,781	-	-
Current borrowings				
Current portion of non-current borrowings	11,792	24,038	-	-
Accrued interest	2,166	1,550	1,992	1,326
Current borrowing from the Group companies	-	-	214,141	331,562
Overdraft	17,981	-	17,981	-
Total borrowings	**195,893**	**208,174**	**308,963**	**407,693**

Non-current borrowings by maturity:

	Group		Company	
	As at 31 December 2023	**As at 31 December 2022**	**As at 31 December 2023**	**As at 31 December 2022**
Between 1 and 2 years	11,792	12,251	-	-
Between 2 and 5 years	103,900	107,272	74,849	74,805
More than 5 years	48,262	63,063	-	-
Total	**163,954**	**182,586**	**74,849**	**74,805**

On 1 June 2022, the Company placed a EUR 75 million worth five years' duration sustainability-linked bond issue. The bonds pay an annual yield of 3.117%. During 2023, expenses related to interest on the bonds issued amounted to EUR 2,338 thousand. Borrowings received by the Company from the subsidiaries under the cash pool agreements amounted to EUR 214,141 thousand as at 31 December 2023.

23 Lease liabilities

The Group's and the Company's lease liabilities and their movements:

	Group		Company	
	As at 31 December 2023	As at 31 December 2022	As at 31 December 2023	As at 31 December 2022
Carrying amount at the beginning of the period	**11,361**	**10,423**	**236**	**219**
Concluded lease contracts	1,254	2,666	629	108
Terminated lease contracts	(120)	(28)	(74)	-
Interest charged	154	130	6	1
Lease payments (principal and interest)	(1,994)	(1,744)	(115)	(92)
Indexation	226	-	19	-
Reclassification to disposal group	-	(86)	-	-
Carrying amount at the end of the period	**10,881**	**11,361**	**701**	**236**
Non-current lease liabilities	9,282	9,640	552	142
Current lease payments	1,599	1,721	149	94

Future lease payments under non-cancellable lease contracts are as follows:

	Group		Company	
	As at 31 December 2023	As at 31 December 2022	As at 31 December 2023	As at 31 December 2022
Total lease liabilities:	**10,881**	**11,361**	**701**	**236**
Current portion	1,599	1,721	149	94
Repayment terms of non-current liabilities:	**9,282**	**9,640**	**552**	**142**
Between 1 and 2 years	1,211	1,302	154	95
Between 2 and 3 years	961	899	150	27
Between 3 and 5 years	743	952	248	20
Over 5 year	6,367	6,487	-	-

The Group's interest calculated on lease liabilities and included in finance costs amounted to EUR 154 thousand during nine months period ended at 31 December 2023.

24 Net debt

Reconciliation of net debt balances and cash flows from financing activities as at 31 December 2023 and 2022:

Group	Cash	Borrowings	Other non-current financial liabilities	Lease liabilities	Total
Net debt as at 31 December 2021	**41,284**	**(167,402)**	**(84,226)**	**(10,423)**	**(220,767)**
Bonds issued	-	(74,805)	-	-	(74,805)
New Leases	-	-	-	(2,670)	(2,670)
Increase/(decrease) in cash and cash equivalents	207,629	-	-	-	207,629
Repayment of borrowings	-	35,423	-	-	35,423
Terminated lease contracts	-	-	-	10	10
Settlement of other non-current financial liabilities	-	-	84,226	-	84,226
Lease payments	-	-	-	1,636	1,636
Transfer to disposal group	(817)	-	-	86	(731)
Other changes					
Interest charged (included in expenses and capitalised)	-	(3,077)	(67)	(130)	(3,274)
Interest payments	-	1,687	67	130	1,884
Net debt as at 31 December 2022	**248,096**	**(208,174)**	**-**	**(11,361)**	**28,561**
Proceeds from borrowings	-	(17,981)	-		(17,981)
New Leases				(1,254)	(1,254)
Lease indexation	-	-	-	(226)	(226)
Increase/(decrease) in cash and cash equivalents	(124,484)	-	-	-	(124,484)
Repayment of borrowings	-	30,878	-	-	30,878
Terminated lease contracts	-	-	-	120	120
Lease payments	-	-	-	1840	1,840
Change in cash and cash equivalents in disposal group	(376)	-	-	-	(376)
Other changes					
Interest charged	-	(6,094)	-	(154)	(6,248)
Interest payments	-	5,478	-	154	5,632
Net debt as at 31 December 2023	**123,236**	**(195,893)**	**-**	**(10,881)**	**(83,538)**

Company	Cash	Borrowings	Other non-current financial liabilities	Lease liabilities	Total
Net debt as at 31 December 2021	**36,868**	**(94,652)**	**(84,226)**	**(219)**	**(142,229)**
Increase in cash and cash equivalents	207,442	-	-	-	207,442
Bonds issued	-	(74,805)	-	-	(74,805)
New Leases	-	-	-	(108)	(108)
Lease payments	-	-	-	91	91
Change in Group cash pool account	-	(236,910)	-	-	(236,910)
Settlement of other non-current financial liabilities	-	-	84,226	-	84,226
Other changes					
Interest charged (included in expenses and capitalisation)	-	(1,663)	(67)	(1)	(1,730)
Interest payments	-	337	67	1	405
Net debt as at 31 December 2022	**244,310**	**(407,693)**	**-**	**(236)**	**(163,619)**
Proceeds from borrowings/new leases	-	(17,981)	-	(629)	(18,610)
(Decrease) in cash and cash equivalents	(124,295)	-	-	-	(124,295)
Lease payments	-	-	-	109	109
Indexation/Amortisation of bond liability	-	(43)	-	(19)	(62)
Change in Group cash pool account	-	117,420	-	-	117,420
Terminated lease contracts	-	-	-	74	74
Other changes					
Interest charged (included in expenses and capitalisation)	-	(9,502)	-	(6)	(9,508)
Interest payments	-	8,836	-	6	8,842
Net debt as at 31 December 2023	**120,015**	**(308,963)**	**-**	**(701)**	**(189,649)**

25 Trade payables

	Group		Company	
	As at 31 December 2023	**As at 31 December 2022**	**As at 31 December 2023**	**As at 31 December 2022**
Payables for electricity	26,684	53,737	-	-
Payables for natural gas	-	2,600	-	-
Payables in performing natural gas balancing	2,416	5,622	-	-
Payables for property, plant and equipment	29,530	44,917	-	-
Payables for repairs, services	9,414	10,476	-	-
Other trade payables	296	10	153	222
Carrying amount	**68,341**	**117,362**	**153**	**222**

The fair value of trade payables approximates their carrying amounts.
As at 31 December 2023, the debt for electricity decreased by 2 times due to the decrease in exchange electricity price. As at 31 December 2023, the debt for property, plant and equipment decreased due to payments made to vendors for installation works of battery energy storage system (BESS).

26 Prepayments received

	Group	
	As at 31 December 2023	**As at 31 December 2022**
Security deposits received	14,343	16,598
Grants received in advance	28,583	35,193
Prepayments received from new consumers	217	568
Other prepayments received	1,269	-
Carrying amount	**44,412**	**52,359**

As at 31 December 2023, grants received in advance mainly comprise monetary funds received from the CEF (Connecting Europe Facility) fund, which amounted to EUR 28,563 thousand and will be used to finance investment in electricity transmission network in 2024.

27 Congestion management funds liabilities

	2023	2022
Congestion management funds liabilities as at 1 January	**351,495**	**109,087**
Congestion management funds received during the period*	108,527	267,296
Used to finance property, plant and equipment	(13,457)	(22,992)
Congestion management funds recognised as income during the period	(145,491)	(1,896)
Congestion management funds liabilities as at 31 December	**301,074**	**351,495**
Non-current portion of congestion management funds liabilities	264,173	64,095
Current portion of congestion management funds liabilities	36,901	287,400

The principles of the receipt and use of congestion management funds are set out in Note 2.14. A revenue balance unused according to the purposes set out in Regulation (EC) No 714/2009 of the European Parliament and of the Council amounted to EUR 301,074 thousand as at 31 December 2023, and EUR 351,495 thousand as at 31 December 2022.

The congestion management funds collected in 2023 are presented in the statement of cash flows under operating activities. In 2022, congestion management funds were used only to finance property plant and equipment acquisitions, therefore were recorded in the statement of cash flows under the cash flows from investment activities.

Under the Council's Resolution No O3E-1330 of 30 September 2022 On the Adjustment of the Service Price Cap of Litgrid AB in 2023. In 2023, the congestion management revenue was used to reduce the tariff amounted to EUR 142,300 thousand, and the remaining amount of EUR 3,191 thousand was used to compensate loss on disconnection of interconnectors.

28 Provisions

	Group	
	As at 31 December 2023	As at 31 December 2022
Provisions for pension benefits to employees	1,341	1,446
Provisions for servitude liabilities	419	468
Provisions for registration of protection zones	532	1,391
Provisions for litigations/claims	11,054	100
Provisions for warranties	1,392	1,452
Carrying amount	**14,738**	**4,857**
Non-current provisions	2,528	2,956
Current provisions	12,210	1,901

Description of the Group's provisions and the expected timing of realisation of economic benefit

	Provisions for pension benefits	Provisions for servitude compensations	Provisions for registration of protection zones	Provision for warranties	Provisions for litigations/claims	Total
Carrying amount at 31 December 2021	**924**	**277**	**3,803**	**7**	**661**	**5,672**
Calculated	-	-	-	1,445	100	1,545
Revised estimate	522	260	(1,944)	-	-	(1,162)
Payments made	-	(69)	(468)	-	(661)	(1,198)
Carrying amount at 31 December 2022	**1,446**	**468**	**1,391**	**1,452**	**100**	**4,857**
Calculated	-	-	176	14	11,054	11,244
Revised estimate	(105)	201	(264)	-	-	(168)
Payments made	-	(250)	(771)	(74)	(100)	(1,195)
Carrying amount at 31 December 2022	**1,341**	**419**	**532**	**1,392**	**11,054**	**14,738**

Provisions for litigations/claims

Energy Cells, the Group company, in line with the provisions of the Contract for the Design, Manufacture and Installation of the Battery Energy Storage System (hereinafter the "Contract"), charged EUR 9,697 thousand of default interest to a contractor Fluence Energy GmbH ir Siemens Energy Oy (Lithuanian branch) (hereinafter the "Contractor") for the delays in the design, manufacture and installation of the Battery Energy Storage System. The principal amount of the said default interest was settled (offset) using performance bank guarantee, and the remaining amount offset against obligation to the contractor for the contract works performed. The Group assesses that there is a high probability that the contractor will seek full or partial recovery of the performance bank guarantee through legal proceedings, and will demand payment of the part contract works settled with (offset against) default interest. Due to the uncertainties of the possible outcome of the legal proceedings and the lack of arguments and justification of the Contractor's claim, the Group recognised a EUR 9,697 thousand provision for the full amount of the default interest calculated and charged.

In the light of ongoing litigation, the provision of EUR 1,358 thousand was recognised for litigations/claims as at 31 December 2023 (EUR 100 thousand as at 31 December 2022).

Provisions for pension benefits to employees represent a termination benefit to the Group's employees of the retirement age established by legislation and by the collective employment agreements (Note 2.14). The term of the non-current provision is calculated for each employee using actuarial assumptions: age of the employee, probability of death, employee turnover rate, discount rate (1.23% as at 31 December 2023; 0.83% as at 31 December 2022), long-term salary growth rate (3% as at 31 December 2023; 4% as at 31 December 2022).

As at 31 December 2023, the provision for statutory servitudes amounted to EUR 419 thousand (assumptions applied: number of applications expected to be received – 1,813, average compensation amount per application – EUR 213, discount rate – 1.74%), and as at 31 December 2022, the provision amounted to EUR 468 thousand (assumptions applied: number of applications expected to be received – 1,213, average compensation amount per application – EUR 231, discount rate – 1.24%).
As at 31 December 2023, a new provision of protection zones of EUR 176 thousand was recognised for the protection of electronic communications infrastructure (assumptions applied: expected value of services according to purchases effected, discount rate – 1.74%). As at 31 December 2022, the provision of protection zones of EUR 367 thousand was recognised for completed works designated for the protection of the electricity transmission network installed on the land plot not owned (assumptions applied: expected value of services according to purchases effected, discount rate – 1.24%) The natural gas transmission operator reduced provision of protection zones by EUR 264 thousand in line with the above changes in assumptions.

In the light of ongoing litigation, the provision of EUR 1,358 thousand was recognised for litigations/claims as at 31 December 2023 (EUR 100 thousand as at 31 December 2022).

29 Other non-current payables and liabilities

	Group	
	As at 31 December 2023	As at 31 December 2022
Prepayments received from connection of new consumers	1,595	1,115
Grants received in advance	-	32,802
Contractual obligations under connection agreements	1,531	1,271
Non-current trade payables	285	475
Carrying amount	**3,411**	**35,663**

Contractual obligations under connection agreements comprised new consumers' funds designated for the connection to the gas transmission system. These obligations will be recognised as income over the operation period of the assets created during the connection. A part of contractual obligations, which will be recognised as income within one year, was recorded in current liabilities from contracts with customers.

30 Current and deferred income tax

Income tax expenses comprised as follows:

	Group		Company	
	2023 31 December	**2022 31 December**	**2023 31 December**	**2022 31 December**
Income tax benefit for the period	(6,948)	(16,653)	-	-
Deferred tax expenses	442	9,491	250	9
Income tax expenses/(benefit) for the reporting period	**(6,506)**	**(7,162)**	**250**	**9**

The movement in deferred tax assets and liabilities prior to offsetting the balances with the same fiscal authority was as follows:

Group

Deferred tax assets:	**PP&E revaluation (impairment)**	**Impairment for other assets**	**Congestion management funds**	**Differences in depreciation rates**	**Unused investment relief**	**Accumulated tax loss**	**Other**	**Total**
As at 31 December 2021	**3,950**	**217**	**18,611**	**214**	**4,608**		**1,754**	**29,354**
Recognised in profit or loss	(327)	(30)	(16,233)	419	(2,416)	8,796	260	(9,531)
Deferred tax assets offset against deferred tax liabilities (tax loss utilised)	-	-	-	-	-	(489)		(489)
As at 31 December 2022	**3,623**	**187**	**2,378**	**633**	**2,192**	**8,796**	**1,525**	**19,334**
Recognised in profit or loss	3,829	164	(58)	-566	1,421	(6,463)	440	(1,233)
As at 31 December 2023	**7,452**	**351**	**2,320**	**67**	**3,613**	**2,333**	**1,965**	**18,101**

Deferred tax liabilities	**Revaluation of PP&E (increase in value)**	**Tax relief on acquisition of PP&E**	**Other**	**Total**
As at 31 December 2021	**(46)**	**(1,287)**	**(1,003)**	**(2,336)**
Recognised in profit or loss	-	(87)	126	39
As at 31 December 2022	**(46)**	**(1,374)**	**(877)**	**(2,297)**
Recognised in profit or loss	9	247	799	1,055
Recognised in the item of other comprehensive income	(4,754)	-	-	(4,754)
As at 31 December 2023	**(4,791)**	**(1,127)**	**(78)**	**(5,996)**

Deferred tax assets, net, as at 31 December 2022	**17,037**
Deferred tax assets, net, as at 31 December 2023	**12,105**

The analysis of movements in deferred tax assets and liabilities over time is as follows:

	Group	
	As at 31 December 2023	As at 31 December 2022
Deferred tax assets:		
Deferred tax assets to be realised after more than 12 months	12,105	10,156
Deferred tax assets to be realised within 12 months	5,996	9,178
Total:	**18,101**	**19,334**
Deferred tax liabilities to be settled after more than 12 months	(5,791)	(1,923)
Deferred tax liabilities to be settled within 12 months	(205)	(374)
Total:	**(5,996)**	**(2,297)**

The Group's revaluation of property, plant and equipment as at 31 December 2023 resulted in a EUR 3,829 thousand increase in deferred tax assets and a EUR 4,754 thousand in deferred tax liabilities.

As at 31 December 2023, the Group recognised deferred tax asset of EUR 2,260 thousand (as at 31 December 2022, EUR 8,796 thousand) for accrued tax losses, which was essentially incurred due to the changes in the principle for taxation of congestion management funds made by the Group company Litgrid. Litgrid's deferred tax asset for accrued tax losses amounted to EUR 1,683 thousand as at 31 December 2023 (as at 31 December 2022, EUR 8,306 thousand).

For the purpose of calculating income tax for 2023, the taxable profit was reduced by 70% of the tax losses carried forward from 2022, by reducing the deferred tax asset.

Given the response from the State Tax Inspectorate on the eligibility for income tax incentive, in 2023, Litgrid estimated the investments qualify for receiving investment project incentive for the period 2019-2023, revised tax returns for previous periods by reducing income tax paid for previous periods of EUR 7,156 thousand, and additionally recognising the deferred tax asset of EUR 3,165 thousand.

The Group recorded prepaid income tax which resulted from the principle for taxation of congestion management funds and the recognition of investment incentive.

The Company did not recognise deferred tax asset in 2023, because there were no companies of the Group that could take over a tax loss in 2023.

	Group		Company	
	As at 31 December 2023	As at 31 December 2022	As at 31 December 2023	As at 31 December 2022
Profit (loss) before income tax	**53,801**	**(49,677)**	**25,079**	**5,514**
Income tax calculated at a rate of 15%	8,070	(7,452)	3,762	827
Effect of investment incentive	(2,796)	(266)	-	-
Deferred income tax (unused investment incentive)	(3,165)	-	-	-
Tax effect of non-taxable income and non-deductible expenses	(1,459)	933	(3,762)*	(1,605)*
Prior year adjustment due to recognition of investment incentive	(7,156)	(377)	-	-
Effect of unrecognised tax losses	-	-	250	787
Income tax expenses/(benefit) through profit or loss	**(6,506)**	**(7,162)**	**250**	**9**
Income tax expenses/(benefit) through other comprehensive income	**4,754**	**-**	**-**	**-**

* The income tax calculated by the Company in 2023 included income not subject to tax representing dividends received from the subsidiaries of EUR 13,357 thousand (2022: EUR 14,479 thousand).

31 Other current payables and liabilities

	Group		Company	
	As at 31 December 2023	As at 31 December 2022	As at 31 December 2023	As at 31 December 2022
Administered PSO funds payable	68,998	159,310	-	-
Administered LNG terminal funds payable	8,906	7,635	-	-
Accrued administered LNG terminal funds*	471	328	-	-
Accrued administered Emergency intervention funds*	12,348	-	-	-
Employment-related liabilities	3,986	4,661	402	680
Accrued expenses relating to vacation reserve	4,755	3,676	297	198
VAT payable	135	5,291	35	16
Real estate tax payable	753	1,288	-	-
Dividends payable	561	580	-	-
Accrued liabilities for non-current assets (CBCA contribution)**	27,450	27,450	-	-
Accrued other expenses	1,667	2,137	190	98
Other payables	2,514	1,730	-	-
Carrying amount	**132,544**	**214,086**	**924**	**992**

* In implementing the Council Regulation (EU) 2022/1854 of 6 October 2022 on an emergency intervention to address high energy prices, the Law on the implementation of the Regulation (EU) 2022/1854 was adopted on 15 December 2022. In line with the Law, the surplus market revenue collected from electricity producers in the period from 1 December 2022 to 30 June 2023 was transferred to the subsidiary Baltpool. Additionally, a solidarity contribution was collected from companies operating in crude oil, natural gas, coal and oil refining sectors. The contribution is calculated in accordance with the procedure established by the Regulation (EU) 2022/1854 and the Law from the taxable profit share of such entities for the tax year beginning in 2023 (hereinafter jointly referred to as the “Emergency Response Funds”, ERF).

** Other payables of EUR 27,450 thousand include the commitment to pay CBCA contribution. In accordance with the cross-border cost allocation principles, as part of GIPL project, the CBCA contribution will be paid to the Polish transmission system operator upon completion of construction of the interconnection in the territory of Poland, and upon fixing and auditing the value of construction works.

32 Revenue

The Group's revenue included as follows:

	Group	
	As at 31 December 2023	As at 31 December 2022
Group's revenue from contracts with customers		
Revenue from electricity transmission and related services		
Electricity transmission services	64,171	72,516
Trade in balancing/imbalance electricity	108,063	175,145
Electricity ancillary services	27,979	137,175
Revenue from other sales of electricity and related services	5,945	2,025
Total revenue from electricity transmission and related services:	***206,158***	***386,861***
Revenue from natural gas transmission and related services		
Natural gas transmission services	67,376	65,383
Revenue from transmission system balancing service	12,543	30,567
Revenue from connection of new customers	42	35
Total revenue from natural gas transmission and related services:	***79,961***	***95,985***
Other revenue from contracts with customers		
Revenue from construction, repair and technical maintenance services	25,110	69,701
Revenue from trading on the gas exchange and related services	880	1,563
Revenue from the biofuel exchange, thermal energy auctions, PSO funds administration and other revenue	1,805	1,623
Total other revenue:	***27,795***	***72,887***
Total Group's revenue from contracts with customers:	***313,914***	***555,733***
Group's revenue not attributable to contracts with customers		
Public service obligation	-	28,954
Congestion revenue used to compensate the electricity transmission tariff*	142,300	-
Congestion revenue recognised compensating for the cost incurred	3,191	1,896
Other services related to electricity	14,937	1,161
Revenue from connection of producers and relocation of electrical installations	13	13
Other income	69	-
Total revenue not attributable to contracts with customers:	***160,510***	***32,024***
Total Group revenue:	***474,424***	***587,757***

* The congestion management funds used as income when calculating the electricity transmission tariff in 2023.

Revenue from electricity transmission and related services in 2023 compared to 2022 decreased by 46.7% due to the following reasons:

- The electricity transmission revenue decreased by 11.5% due to a smaller volume of electricity transmitted by 6.9% and decrease in the actual transmission price by 4.9% (excludes the congestion management funds used to reduce transmission tariff).
- The revenue from balancing/imbalance energy sale decreased by 38.2% due to decrease in the electricity sale price by 57.5%, although the volume of electricity sold increased by 46.2%.
- Revenue from ancillary services decreased 79.6%. The main reason for this was a 55.9% lower ancillary services acquisition component to the transmission service price.
- In 2023, no revenue was generated from PSO services (balancing of electricity produced from renewable energy sources), as the Electricity TSO discontinued this service from 2023.
- The increase in other services related to electricity was driven by the increase in accrued revenue under the Inter-TSO Compensation (ITC) mechanism due to the significantly higher prices for the electricity in technological equipment approved by the National Energy Regulatory Council in 2023.

The Company's revenue from contracts with customers comprised revenue from the provision of management and professional services, which amounted to EUR 1,357 thousand in 2023 (EUR 725 thousand in 2022).

	Group	
	2023	**2022**
Revenue recognised over time		
Electricity transmission and related services	366,599	418,885
Natural gas transmission and related services	80,030	95,985
Revenue from performance of construction contracts	13,623	60,775
Revenue from membership fees	-	90
Total revenue recognised over time:	**460,252**	**575,735**
Revenue recognised at a point in time upon provision of services		
Revenue from repair and maintenance services	11,487	8,926
Revenue from trading on the exchanges	2,685	3,096
Total revenue recognised at a point in time upon provision of services:	**14,172**	**12,022**
Total revenue:	**474,424**	**587,757**

The Group's other income comprised as follows:

	Group	
	As at 31 December 2023	**As at 31 December 2022**
Revenue grants	315	-
Income from lease of assets	786	741
Interest on late payment and default charges	1,030	723
Other income	2,332	703
Total other revenue:	**4,463**	***2,167***

33 Costs

The Group's electricity, natural gas and contract service purchase expenses comprised the following:

	Group	
	As at 31 December 2023	As at 31 December 2022
Expenses for purchase of electricity services		
Expenses for purchase of balancing and imbalance electricity	(108,391)	(203,588)
Expenses for electricity ancillary (system) services	(95,792)	(111,633)
Expenses for electricity technological needs	(38,536)	(99,576)
Expenses for electricity and related services	(6,349)	(5,309)
Total expenses for purchase of electricity services:	***(249,068)***	**(420,106)**
Expenses for purchase of natural gas services		
Expenses for natural gas system balancing service	(18,209)	(26,827)
Expenses for natural gas technological needs	(7,142)	(13,007)
Total expenses for purchase of natural gas services:	***(25,351)***	***(39,834)***
Total expenses for purchasing electricity and natural gas services	**(274,419)**	**(459,940)**
Total expenses for subcontracting services and raw materials acquisitions:	***(12,723)***	***(59,101)***
Other expenses		
Taxes and charges	(9,711)	(7,897)
Telecommunication and IT expenses	(5,431)	(4,695)
Transport expenses	(3,316)	(5,614)
Premise expenses	(1,836)	(1,633)
Business protection expenses	(1,412)	(1,248)
Insurance expenses	(1,405)	(960)
Consultation service expenses	(1,426)	(1,191)
Business trip expenses	(1,068)	(1,359)
Personnel development costs	(783)	(629)
Membership fee	(776)	(756)
Expenses of governing bodies	(561)	(392)
Public relations	(492)	(567)
Audit expenses	(284)	(56)
Other expenses	(4,812)	(1,854)
Total other expenses:	***(33,313)***	***(28,851)***

34 Finance expenses, net

	Group		Company	
	2023	2022	2023	2022
Finance income				
Interest income	6,474	213	8,001	430
	6,474	**213**	**8,001**	**430**
Finance costs				
Interest on borrowings	(6,230)	(3,054)	(9,453)	(1,662)
Other finance expenses	(18)	(178)	(55)	-
	(6,248)	**(3,232)**	**(9,508)**	**(1,662)**
Total finance costs, net	**226**	**(3,019)**	**(1,507)**	**(1,232)**

35 Dividend income

	Group		Company	
	2023	2022	2023	2022
Dividend income	0	43	13,357	14,479
Total dividends and income from investing activities	**0**	**43**	**13,357**	**14,479**

In 2023, the Company received EUR 13,357 thousand in dividends, of which EUR 1,406 thousand from associate TSO Holding and EUR 11,951 thousand from the Group companies. In 2022, the Company received EUR 14,479 thousand in dividends from the Group companies.

Dividends paid by the Group companies to the Group's non-controlling interest amounted to EUR 563 thousand in 2023, and EUR 464 thousand in 2022.

36 Related-party transactions

As at 31 December 2023 and 31 December 2022, the Group's and the Company's parent 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://governance.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 under market conditions, 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 transactions conducted with the related parties during the twelve-month period of 2023 and balances arising on these transactions as at 31 December 2023 were as follows:

Related party	Purchases of services	Purchases of gas on exchange, LNG terminal funds and PSO funds*	Sales of services	Sales of gas on exchange, LNG terminal funds and PSO funds*	Payables for services	Payables for gas, LNG terminal funds and PSO funds*	Receivables for services	Receivables for gas, LNG funds and PSO funds
Ignitis group companies:								
Ignitis Grupė AB								
Energijos Skirstymo Operatorius AB	2,301	79,520	103,582	(13,398)	1,170	8,710	16,280	14
Ignitis UAB	14,926	11,235	42,846	2,796	1,618	4,932	2,440	528
Ignitis Gamyba AB	133,126	-	9,033	3,172	12,886	-	1,102	640
Ignitis Grupės Paslaugų Centras UAB	9	-	285	-	-	-	29	-
Ignitis Polska Sp.z.o.o.	-	-	121	-	-	-	-	-
Vilniaus Kogeneracinė Jėgainė UAB	616	-	592	-	100	-	123	-
Kauno Kogeneracinė Jėgainė UAB	276	-	89	-	36	-	1	-
Transporto Valdymas UAB	456	-	-	-	48	-	-	-
Other state-owned companies:								
State Enterprise Ignalina Nuclear Power Plant	-	-	535	(382)	-	41	55	-
Klaipėdos Nafta AB	-	-	-	-	-	3,975	-	-
LTG Infra AB	1	-	296	(160)	75	23	37	-
Other state-owned companies	653	-	1,378	-	60	-	69	-
Total	**152,364**	**90,755**	**158,757**	**(7,972)**	**15,993**	**17,681**	**20,136**	**1,182**

* Purchases and sales of the gas product of the gas exchange operator as well as the Group's purchases and sales of LNG terminal funds and PSO funds are not presented in the Group's statement of profit or loss, as the Group acts as an agent in respect of these funds when collecting and allocating these funds.

The Group's transactions conducted with the related parties during the twelve-month period of 2022 and balances arising on these transactions as at 31 December 2022 were as follows:

Related party	Purchases of services	Purchases of gas on exchange, LNG terminal funds and PSO funds*	Sales of services	Sales of gas on exchange, LNG terminal funds and PSO funds*	Payables for services	Payables for gas, LNG terminal funds and PSO funds*	Receivables for services	Receivables for gas, LNG funds and PSO funds	Finance costs
Ignitis group companies:									
Ignitis Grupė AB	-	-	-	-	-	-	-	-	67
Energijos Skirstymo Operatorius AB	6,831	(5,844)	208,476	10,588	1,001	-	35,104	493	-
Ignitis UAB	133,667	18,996	71,662	33,572	2,384	3,660	15,867	402	-
Ignitis Gamyba AB	183,545	(59,119)	35,165	97,989	110,066	-	4,733	1,566	-
Ignitis Grupės Paslaugų Centras UAB	6	-	299	-	-	-	27	-	-
Vilniaus Kogeneracinė Jėgainė UAB	579	-	259	2	250	-	23	-	-
Kauno Kogeneracinė Jėgainė UAB	771	-	202	1	81	-	1	-	-
Transporto Valdymas UAB	688	-	-	-	62	-	-	-	-
Other state-owned companies:									
State Enterprise Ignalina Nuclear Power Plant	-	-	1,156	98	-	-	159	-	-
Klaipėdos Nafta AB	-	10,729	4	-	-	3,975	1	-	-
State Enterprise Geoterma	-	-	-	-	-	-	-	-	-
LTG Infra AB	-	-	652	37	15	-	127	-	-
State Border Guard Service under the Ministry of Interior	-	-	52,752	-	-	-	-	-	-
Other state-owned companies	1,603	-	207	-	61	205	52	-	-
Total	**327,690**	**(35,238)**	**370,834**	**142,287**	**113,920**	**7,840**	**56,094**	**2,461**	**67**

* Purchases and sales of the gas product of the gas exchange operator as well as the Group's purchases and sales of LNG terminal funds and PSO funds are not presented in the Group's statement of profit or loss, as the Group acts as an agent in respect of these funds when collecting and allocating these funds.

The Company's related-party transactions during the twelve-month period of 2023 and the balances thereof as at 31 December 2023 were as follows:

Related parties	Payables and accrued expenses	Receivables and accrued revenue	Sales	Purchases	Loans granted/(received)	Finance income/dividend income	Finance costs
State-owned companies							
Group companies							
Litgrid AB	482	150	505	-	(166,600)	-	4,849
Amber Grid AB		227	349	-	25,009	12,329	-
Tetas UAB	-	295	172	-	4,842	537	-
Baltpool UAB	146	26	101	-	(47,541)	305	2,069
GET Baltic UAB	-	-	12	-	-	-	-
Energy Cells UAB	-	172	209	-	15,038	815	-
Total:	***628***	***870***	***1,348***		***(169,252)***	***13,986***	***6,918***

The Company's transactions conducted with the related parties during the twelve-month period of 2022 and balances arising on these transactions as at 31 December 2022 were as follows:

Related parties	Payables and accrued expenses	Receivables and accrued revenue	Sales	Purchases	Loans granted/(received)	Finance income/dividend income	Finance costs
Ignitis Grupė AB	-	-	-	-	-	-	67
State-owned companies							
Transporto Valdymas UAB	-	-	-	25	-	-	-
State Border Guard Service under the Ministry of Interior	-	-	974	-	-	-	-
Group companies							
Litgrid AB	25	79	242	13,830	(232,008)	4,917	20
Amber Grid AB	-	54	127	-	9,571	9,643	-
Tetas UAB	-	77	134	-	8,793	172	-
Baltpool UAB	-	9	72	-	(99,554)	-	-
GET Baltic UAB	-	2	29	-	-	-	-
Energy Cells UAB	-	39	123	-	5,327	41	-
Total:	**25**	**260**	**1,701**	**13,855**	**(307,871)**	**14,773**	**87**

Payments to key management personnel	Group		Company	
	As at 31 December 2023	As at 31 December 2022	As at 31 December 2023	As at 31 December 2022
Employment-related payments	3,629	3,401	870	744
Whereof: termination benefits	35	227	30	114
Number of key management personnel (average)	32	31	7	6

No loans, guarantees or any other benefits were paid or calculated, nor any assets were transferred to the Group's and the Company's management personnel in 2023 and 2022.

Key management personnel consists of the heads of administration and departmental directors. In 2023, payments to the members of the collegial management bodies amounted to EUR 518 thousand (2022: EUR 395 thousand).

As at 31 December 2023, the accrued vacation reserve attributable to the Company's management totalled EUR 52 thousand, and the financial incentives amounted to EUR 116 thousand.

37 Financial risk management

The Group and the Company are exposed to financial risks in their operations. In managing these risks, the Group and the Company seek to mitigate the impact of factors which could adversely affect the Group's and the Company's financial performance. The Group and the Company comply with the Treasury and Financial Risk Management Policy of the EPSO-G UAB Group, as approved by the Board of EPSO-G UAB (hereinafter "the Risk Policy").

Financial instruments by category (as per the statement of financial position)

Financial assets	Group As at 31 December 2023	Group As at 31 December 2022	Company As at 31 December 2023	Company As at 31 December 2022
Long-term loans granted	-	-	-	2,700
Trade receivables (Note 13)	41,888	86,179	383	197
Other receivables (Note 14)	2,588	768	46,225	21,059
Other financial assets (Note 15)	15,898	21,664	-	-
Cash and cash equivalents (Note 16)	123,236	248,096	120,015	244,310
Financial assets at amortised cost	**183,610**	**356,707**	**166,623**	**268,266**
Other financial assets				
Financial assets measured at fair value through profit or loss	166	-	-	-
Total financial assets:	**183,776**	**356,707**	**166,623**	**268,266**

Financial liabilities	Group As at 31 December 2023	Group As at 31 December 2022	Company As at 31 December 2023	Company As at 31 December 2022
Borrowings (Note 22)	195,893	208,174	308,297	407,693
Lease liabilities (Note 23)	10,881	11,361	701	236
Trade payables (Note 25)	68,341	117,362	153	222
Other payables and liabilities (Note 31)	32,192	31,897	190	98
Total	**307,307**	**368,794**	**309,341**	**408,249**

Credit risk

As at 31 December 2023 and 31 December 2022, credit risk was related to the following line items:

	Group As at 31 December 2023	Group As at 31 December 2022	Company As at 31 December 2023	Company As at 31 December 2022
Contract assets	2,607	6,363	-	-
Financial assets at amortised cost*	183,610	356,707	166,623	268,266
Maximum credit risk	186,217	363,070	166,623	268,266

Credit risk arising from trade and other receivables are disclosed in Notes 13 and 14.

The Group has a significant credit risk concentration, because exposure to credit risk is shared among 10 main customers, receivables from which accounted for approximately 92% as at 31 December 2023 (as at 31 December 2022: approximately 91%) of the Group's total trade receivables (financial assets). As at 31 December 2023, receivables from the major customer, distribution network operator Energijos Skirstymo Operatorius AB, accounted for 35% (as at 31 December 2022, 40%) of the Group's total trade receivables (financial assets).

Credit risk is managed through a regular performance of monitoring procedures (individual monitoring of debtors, monitoring and analysis of buyers to anticipate potential future solvency problems, etc.). The Group companies have approved regulations for trade receivables management, which sets out specific actions and deadlines required for the reduction of trade receivables.

The table below provides the ratings of the banks where the Group and the Company hold their cash and cash equivalents (Note 16) and other financial assets (Note 15):

	S&P	Moody's
Swedbank*	AA-	
SEB*	AA-	
OP Corporate Bank	AA-	
Luminor		A3

* The ratings assigned to the parent banks as at 31 December 2023 are provided.

Trade and other receivables are mainly from the state-owned entities and large manufacturers with no history of significant defaults.

Liquidity risk

The Group's policy is to ensure a sustainable financial position enabling to maintain an investment grade credit rating and provide sufficient liquidity, i.e. to ensure that the Group will have sufficient cash and/or committed credit facilities and overdrafts to meet its contractual obligations at any time. Liquidity risk is managed centrally by forecasting and regularly updating cash flows for the Group companies and by ensuring efficient management of liquid funds through the Group's account.

The Group's cash flows from operating activities were positive in 2023, therefore its exposure to liquidity risk is not significant. As at 31 December 2023, the Group's current ratio (total current assets / total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were 0.98 and 0.96, respectively (31 December 2022: 0.74 and 0.71, respectively). As at 31 December 2023, the Group's net debt was negative, i.e. the Group companies' liabilities to creditors exceeded their cash. As indicated below, like the Company, the Group has overdraft contracts to meet its financial liabilities and plans to apply for the overdraft limit increase.

As at 31 December 2023, the Company's current and quick ratios were 0.71 (31 December 2022: 0.79). The Company's liquidity ratios weakened due to a decrease in balance of cash and cash equivalents and additional loans granted to the Group companies, as well as due to a decrease in current liabilities after the repayment of short-term loans to the Group companies under the cash pool agreements. As at 31 December 2023, the Company and the Group had undrawn credit limit of EUR 32,019 thousand under the agreement with OP Corporate bank, effective until 2 March 2024. As described in note on the events after reporting period, the Company carry outs public procurement of the credit limit services, and the award of the contract is scheduled in April 2024. The credit line agreement will be concluded for the period of 24 months with the option to extend for additional 12 months and the maximum credit line of EUR 100 million. Additionally, the Company plans to extend the cash pool agreement with Litgrid, effective until 24 May 2024, by applying variable interest rate linked to EURIBOR. As at 31 December 2023, the Company's borrowing limits under the cash pool agreement with the subsidiaries LITGRID and Baltpool amounted to EUR 450,000 thousand (undrawn amount was EUR 235,859 thousand). As at 31 December 2023, the Company's lending limits applicable to the subsidiaries Amber Grid, Tetas and Emergency Cells amounted to EUR 86,000 thousand (undrawn amount was EUR 41,111 thousand).

The table below discloses the contractual maturities of the Group's and the Company's financial liabilities. This information has been prepared based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group	Less than 3 months	Between 4 months and 1 year	Between 2 and 5 years	More than 5 years	Total liabilities
As at 31 December 2023					
Trade and other payables	70,991	29,500	42	-	**100,533**
Borrowings	2,456	31,764	125,698	50,644	**210,562**
Lease liabilities	445	1,248	3,614	10,864	**16,171**
As at 31 December 2022					
Trade and other payables	120,777	28,401	-	-	**149,178**
Borrowings	8,302	19,805	131,161	65,916	**225,184**
Lease liabilities	410	1,427	3,587	10,935	**16,359**

Company	Less than 3 months	Between 4 months and 1 year	Between 2 and 5 years	More than 5 years	Total liabilities
As at 31 December 2023					
Trade and other payables	153	190	-	-	**343**
Borrowings	238,711	-	80,688	-	**319,399**
Lease liabilities	43	130	593	-	**766**
As at 31 December 2022					
Trade and other payables	222	992	-	-	**1,214**
Borrowings	580	333,525	82,786	-	**416,821**
Lease liabilities	30	65	143	-	**238**

Market risk

The Group has non-current borrowings with interest rates linked to EURIBOR. The Group's current borrowings from the Group companies are linked to variable interest rates. Increasing/decreasing the interest rate by +/- 1% would decrease/increase the Group's profit before tax by EUR 1,230 thousand as at 31 December 2023 (2022: the profit before taxes would decrease/increase by EUR 2,730 thousand).

The Group and the Company did not have any financial instruments to manage the exposure to the risk of variations of interest rates as at 31 December 2023 and 2022.

Risk of fluctuation in purchase price of gas and electricity

The Group is exposed to the risk related to changes in the natural gas purchase price. Changes are caused by various fluctuations in international markets. The Group's natural gas operator is subject to specific regulation on compensation for losses.

Fair value of financial assets and financial liabilities

The Group's and the Company's principal financial assets and liabilities not carried at fair value are trade and other receivables, cash and cash equivalents, loans, trade and other payables and other financial assets.

The following methods and assumptions are used to estimate the value of each category of financial instruments that are not measured at fair value:

- The carrying amount of current trade and other amounts receivable, other financial assets, cash and cash equivalents, loans to the related parties, current trade payables and other amounts payable approximates their fair value (Level 3).
- The fair value of non-current borrowings is estimated based on the quoted market price for the same or similar loans or on the current interest rates available for debt with the same maturity profile. In making these estimates, the Company and the Group relied on interest rates published by the Bank of Lithuania. The fair value of the Group's non-current borrowings with fixed interest rates was approximately EUR 17,220 thousand lower than their carrying amount as at 31 December 2023 (31 December 2022, EUR 15,613 thousand). As at 31 December 2023 the fair value of issued debt bonds with fixed interest rate coupon was approximately EUR 2,177 thousand (2022: EUR 7,954 thousand) lower than it's carrying amount.

Assessment of climate change impact

The Group directs large attention to the assessment of a possible impact of climate change and related economic consequences on the activities of the subsidiaries. Impact related to climate change may arise due to physical (extreme) climate changes and due to the aim of the countries to move to the Green deal, which may result in additional requirements applicable in the energy sector: compliance with a new regulatory environment; introduction of new technologies; response to changes in market demand due to green energy solutions.

Valuation of property, plant and equipment

Each year, the Group reviews the estimated useful life of its property, plant and equipment, and assesses the need for impairment or revaluation. The useful life of the Group's non-current assets was not reduced. During the revaluation of the Group's non-current assets (described in Note 7), a significant impact of climate change on the Group's assumptions used in the valuation was not identified. In view of the assumptions made, there is no need for the climate risk sensitivity analysis. The Group's management does reasonably expect that climate change will have a significant impact on the valuation of property, plant and equipment. Any environmental requirements for investments in innovative assets should be assessed in reference to the regulatory environment.

The requirement of provisions and expected credit losses

The Company's management believes that there are no risks or additional liabilities for provisions related to specific legal requirements aimed at reducing environmental damage or to penalties for non-compliance with environmental requirements that should be taken into account in the financial statements. When estimating ECL, no significant climate and environmental risks have been identified.

Future climate change regulation does not have a material impact on the Group's amounts of assets and liabilities reported herein. Further details on the Group's environmental activities are available in the sustainability section of the annual report.

38 Services provided by the audit firm

In the period of from 2023 to 2022 the audit firm provided the following audit and non-audit services to the Group and to the Company. Information on non-audit services is disclosed based on the date of services rendered:

	Group		Company	
Type of services	As at 31 December 2023	As at 31 December 2022	As at 31 December 2023	As at 31 December 2022
	Audit services, in Eur			
Total audit services	284,000	166,887	56,000	30,635
	Non-audit services, in Eur			
Assurance and other related services	49,565	59,788	14,935	25,000
Other services	16,125	16,992	4,335	4,903
Total non-audit services:	**65,690**	**76,780**	**19,285**	**29,903**

39 Events after the reporting period

The Company carry outs procurement of the credit limit services, and the award of the contract is scheduled in April 2024. The credit line agreement will be concluded for the period of 24 months with the option to extend for additional 12 months and the maximum credit line of EUR 100 million.

13

RESPONSIBILITY STATEMENT, INDEPENDENT AUDITORS REPORT

13.1. Responsibility Statement

13. RESPONSIBILITY STATEMENT

13.1. Responsibility Statement

22-03-2024

Following the Law on Securities of the Republic of Lithuania and the Rules on Information Disclosure of the Bank of Lithuania, we, Mindaugas Keizeris, Chief Executive Officer of UAB EPSO-G, Darius Kašauskas, Chief Financial Officer of the Group and Žydrūnas Augutis, Chief Financier, hereby confirm that, to the best of our knowledge, the attached UAB EPSO-G consolidated and separate financial statements, for the period ended 31 December 2023, prepared in accordance with International Financial Reporting Standards adopted by the European Union, give a true and fair view of the UAB EPSO-G and Group assets, liabilities, financial position, profit and cash flows. UAB EPSO-G consolidated annual report for 2023 year gives a true and fair view of business developments and operating activities and UAB EPSO-G and Group situation including a survey report of the principal risks and uncertainties.

Chief Executive Officer	Mindaugas Keizeris
Chief Financial Officer	Darius Kašauskas
Chief Financier	Žydrūnas Augutis