2020

EPSOG

Consolidated annual report

Contents

The financial statements were approved on 13 April 2021.

ROLANDAS ZUKAS	**ŽYDRŪNAS AUGUTIS**
Chief Executive Officer	Chief Financier

TRANSLATION NOTE:

This version of the accompanying documents is a translation from the original, which was prepared in Lithuanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the accompanying documents takes precedence over this translation.

Statement of the Chairman of the Board

Dear all,

2020 was a year of substantial achievements and target-oriented changes for EPSO-G Group, while ensuring a reliable operation of the domestic energy transmission and exchange systems and continuity of implementation of the strategic projects, with further focus on good governance practice across the entire Group.

The timely and effective response demonstrated by EPSO-G Group's management and those in charge following the outbreak of COVID 19 pandemic by taking care of the staff and implementing effective business continuity and prevention measures deserves the utmost respect.

Regardless of the significant changes caused by the pandemic in the operating environment, all companies of the Group were profitable, managed to save job places and to meet all their obligations to social and business partners.

By working hand in hand with the Baltic and Polish partners, the synchronization with the continental Europe was continued, a reliable supply of electricity and gas was ensured for the domestic private and business consumers, and better opportunities were created for large energy consumers to connect faster to the transmission network or to become a balancing market participant.

The purposeful development of the gas transmission infrastructure, regional integration and streamlined launch of the gas exchange in the Finnish market have opened up new opportunities for the market participants to benefit from the notably favourable prices in the global market. This has contributed to the price convergence across the region and facilitated the cross-border trade between the Finnish and Baltic gas markets.

The fact that the most complex gas interconnection Poland-Lithuania (GIPL) works have already been accomplished under the country's largest rivers, and that the laid section has been tested and connected to the gas transmission system, enables us to feel confident that all the work of this substantial project will be completed on time. It is now important to find solutions, in cooperation with the regional partners, to make more effective use of the economic potential of the new interconnection, which is about to become operational.

Gediminas Almantas

Chairman of the Board, EPSO-G

We feel proud that, while maintaining the continuity of the Group's daily operations and strategic choices, we have been awarded the highest possible governance rating A+, and EPSO-G has been recognised as a leader in the quality of management of its subsidiaries. This was achieved by a continuous focus on the implementation of operating policies across the Group: at the end of the reporting period, EPSO-G Group had in essence all policies governing good governance, including EPSO-G Group's compliance management policy (approved in 2020) and compliance management methodology implementing the policy.

In accordance with the provisions of the above documents, throughout 2021, a uniform compliance management system will be further developed and ensured across the Group, which will help prevent the Group companies from financial or reputational damages that may result from internal and external misconduct. The major focus and additional resources will be dedicated to the priority areas selected by the Boards of the Group companies, where the highest likelihood of non-compliance cases or non-compliance risks arises or may arise. The development of EPSO-G's long-term procurement strategy and a modern electronic document management system will be beneficial for that purpose.

Moreover, in 2020, the Board of EPSO-G approved a new organisational structure for the holding company by expanding the range of competencies and functions. This change is linked with the strategic choice to increase the value created by the holding company for all Group companies and the shareholder.

This is an introduction to the next stage of the corporate reform, which will be implemented together with the Group's new strategy before 2030. The changes introduced in 2020 were focused on project, finance, and strategic compliance management. They reflect the already achieved maturity of integration of the Group companies, as well as their preparedness for the implementation of the new strategy, the most important elements of which will be energy security, market integration and transformation aspects in creating a harmonious and sustainable energy future.

In parallel to our daily activities, we should have a long-term perspective and understand the ongoing paradigm shifts in the energy sector. For the first time in Europe in 2020, more electricity was generated from renewable natural resources than from fossil fuels. For this reason, the year 2020 is considered to be a turning point for sustainable investment. Not only are the solid government financial instruments being directed towards green and sustainable practices, but the business world has also made a significant turn.

On the other hand, we are well aware that hasty decisions, similarly as in any other field, may pose risks. Therefore, in this context, an excellent tool for assessing newly opening opportunities and responsibilities of all EPSO-G Group companies, as well as the entire energy sector, was a study RAIDA 2050 that was carried out by EPSO-G in 2020 in order to analyse the development scenarios of the Lithuanian power system and power market during 2020-2050 in line with the objectives identified in the National Energy Independence Strategy.

Witnessing the today's energy sector changing faster than ever before, we should also understand that a successful outcome of the change is determined firstly by our professional and engaged employees able to transform challenges into new opportunities.

Therefore, as I look with confidence at the 2021 goals and express my gratitude to each of the Company's customers, employees, shareholders, board and committee members for their joint work, I encourage first and foremost to be guided by our values – professionalism, cooperation, and progress – in any efforts directed towards creating the future of energy in our country.

„Witnessing the today's energy sector changing faster than ever before, we should also understand that a successful outcome of the change is determined firstly by our professional and engaged employees able to transform challenges into new opportunities.“

Statement of the Chief Executive Officer

Dear shareholders, partners, employees and all stakeholders,

I am proud to introduce the 2020 consolidated results of operations of the holding company EPSO-G and the Group. They reflect that regardless of the significant changes in operating conditions due to the COVID 19 pandemic, all companies in the Group were profitable, and the financial result of 2020 was the best since the launch of EPSO-G Group. We have managed to achieve this as a result of the professionalism of each of our colleagues and the joint work of all of them.

We earned EUR 270.5 million revenue, which is almost higher by one tenth in comparison to EUR 250,8 million earned in 2019. Earnings before depreciation, amortization, interest and income tax (EBITDA) during the period increased from EUR 47.7 million up to EUR 74,8 million. We reduced the debt to Ignitis Group for Litgrid shares by almost EUR 8 million to EUR 148.6 million. Net profit rose to EUR 40,1 million from EUR 11.4 million in 2019. Energy transmission activities are regulated, and therefore, the surplus earnings are refunded to the domestic consumers. We have refunded a part of the surplus already in 2020.

In 2020, the benefits from purposeful development of the energy transmission infrastructure and integration of the regional markets became more than self-evident.

The positive dynamics of the results were mainly driven by a significant increase in the volume of gas transmission services to Latvia due to favourable gas prices and launch of the interconnection between Estonia and Finland, as well as by a marked increase in gas consumption in the domestic energy sector. Those results offset lower revenue in the beginning of the year due to warmer weather conditions and a nearly 2% decline in electricity transmission services due to local economic slowdown. The result of operations was also affected

Rolandas Zukas

CEO, EPSO-G

by the change in the prices of regulated services and lower operating expenses.

With the launch of operations in Finland in the beginning of the previous year and a significant increase in the number of exchange participants and transactions, GET Baltic's traded volume increased more than two and a half times, with 11% of the total gas consumed in the Baltic and Finnish markets acquired on the exchange.

The trends favourable to the consumers have continued in the biomass market - due to the competitive environment, the price of biomass transactions on the Baltpool exchange decreased by almost one fifth. A particularly positive trend is that district heating producers are increasingly focusing on price risk management, taking advantage of the opportunities offered by the biomass market.

Following a substantial reorganization of the management of the contractor company Tetas, resulting in lower dependence on one customer, the company operates profitably and seeks proactively for opportunities in the market of renewable energy sources.

At the same time, we have continued the implementation of the strategic projects for the integration of electricity and gas transmission systems with Europe, and after assessing the possible energy development scenarios, we have started planning our work essential for a sustainable energy future.

Last year, two more out of total 14 projects approved by the Government as important for the synchronization with the European networks were completed, and the European Union provided the maximum possible support for the construction of a submarine connection with Poland and for installation of synchronous compensators. The fact that the most complex gas interconnection Poland-Lithuania (GIPL) works have already been carried out under the country's largest rivers and that the laid section has been tested and connected to the gas transmission system, enable us to feel confident that this important project will be completed in full by the end of the year. In parallel, we are working with the regional partners aiming to make most effective use of the regional potential of the new interconnection.

We have continued other important planned work - with the new strategy of EPSO-G Group gaining clear outlines, based on the results of the study RAIDA 2050, the most important directions of the activities of the Group companies for the next decade have been identified. Continuing to focus on transparency and accountability, the quality of EPSO-G's governance has again been awarded the highest A+ rating. This shows that we are and can be even better as we follow the provisions of the new compliance policy.

I am well aware that all this has not been easy to achieve, especially when working remotely. I also understand that the risks of COVID 19 have not disappeared and that we will need to work hard and stay focused in the near future to neutralize the impact of the pandemic on the projects we are implementing. We continue our close monitoring of the situation and must be constantly prepared to adjust our actions accordingly.

I also believe that each of us can feel proud of the results achieved in 2020. Accordingly, with a confident look at the ambitious targets set for 2021, I would like to express my sincere appreciation to each employee, shareholder, Board and Committee member of the Group. For professionalism. For cooperation. For the ability to see the opening opportunities. For the determination not only to pursue, but also to exceed the set targets in creating the future of the local energy.

„Each of us can feel proud of the results achieved in 2020. Accordingly, with a confident look at the ambitious targets set for 2021, I would like to express my sincere appreciation to each employee, shareholder, Board and Committee member of the Group. For professionalism. For cooperation. For the ability to see the opening opportunities. For the determination not only to pursue, but also to exceed the set targets in creating the future of the local energy."

EPSO-G in brief

7.8% ↑

the increase of EPSO-G's consolidated revenue in 2020 **(to EUR 270.7 million)**

2.2% ↓

the decrease of EPSO-G's consolidated operating expenses in 2020 **(to EUR 229.9 million)**

56.6% ↑

the increase of earnings (EBITDA) in 2020 **(to EUR 74.3 million)**

18.8%

EPSO-G Group's return on equity in 2020

10 TWh ↓

the amount of electricity transmitted to the residents of Lithuania and business entities **(-1.8 %)**

25 TWh ↑

the amount of natural gas transmitted to the residents of Lithuania and business entities **(+6.9 proc.)**

2.5 times ↑

the increase in volume of gas trading on the GET Baltic exchange following the launch of activities in the Finnish market

19% ↓

the fall in price of the amount of biofuels purchased on the Baltpool exchange in 2020 **(470 thousand TOE)**

A+

the rating of the governance transparency and accountability of EPSO-G Group

Key performance indicators of EPSO-G Group

	2020	2019	CHANGE	
			+/-	%
REVENUE, thousand EUR	270,520	250,820	19,700	7.9%
EBITDA[1], thousand EUR	74,763	47,750	27,013	56.6%
NET PROFIT, thousand EUR	40,085	11,403	28,682	251.5%
RETURN ON EQUITY (ROE)[2], %	18.8%	6.0%		
NUMBER OF EMPLOYEES	1,081	993	89	9.0%
TOTAL ELECTRICITY TRANSMITTED, GWh	10,088	10,277	-189	-1.8%
TOTAL GAS TRANSPORTED, GWh	25,144	23,530	1,614	6.9%
TURNOVER OF THE NATURAL GAS EXCHANGE, GWh	7,201	2,858	4,343	151.9%
AMOUNT OF BIOMASS SOLD IN THE ENERGY EXCHANGE, TOE	470	432	38	8.8%

[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] Return on Equity (ROE) = net profit/ ((equity at the beginning of the period + equity at the end of the period)/2)

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Independent auditor's report

To the shareholder of EPSO-G UAB

Our opinion

In our opinion, the separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of EPSO-G UAB (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2020, and the Company's and the Group's separate and consolidated financial performance, and separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Company's and the Group's separate and consolidated financial statements comprise:

- the consolidated and the company's statement of financial position as at 31 December 2020;
- the consolidated and the company's statement of comprehensive income for the year then ended;
- the consolidated and the company's statement of changes in equity for the year then ended;
- the consolidated and the company's statement of cash flows for the year then ended; and
- the notes to the separate and consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company and the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the separate and consolidated financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

Reporting on other information including the consolidated annual report

Management is responsible for the other information. The other information comprises the consolidated annual report (but does not include the separate and consolidated financial statements, our auditor's report thereon, and does not include Information on compliance with transparency guidelines, Notice of Compliance with the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius AB).

Our opinion on the separate and consolidated financial statements (together "the financial statements") does not cover the other information, including the consolidated annual report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the consolidated annual report, we considered whether the consolidated annual report includes the disclosures required by the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings, the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the consolidated annual report for the financial year for which the financial statements are prepared, is consistent with the financial statements; and
- the consolidated annual report has been prepared in accordance with the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings and the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

In addition, in light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated annual report which we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

On behalf of PricewaterhouseCoopers UAB

Rasa Radzevičienė
Partner
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
13 April 2021

The auditor's electronic signature is used herein to sign only the Independent Auditor's Report

01

General information on EPSO-G Group companies

01

General information on EPSO-G Group companies

The consolidated report of the holding company EPSO-G and the Group companies prepared for the twelve months period ended on 31 December 2020.

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.

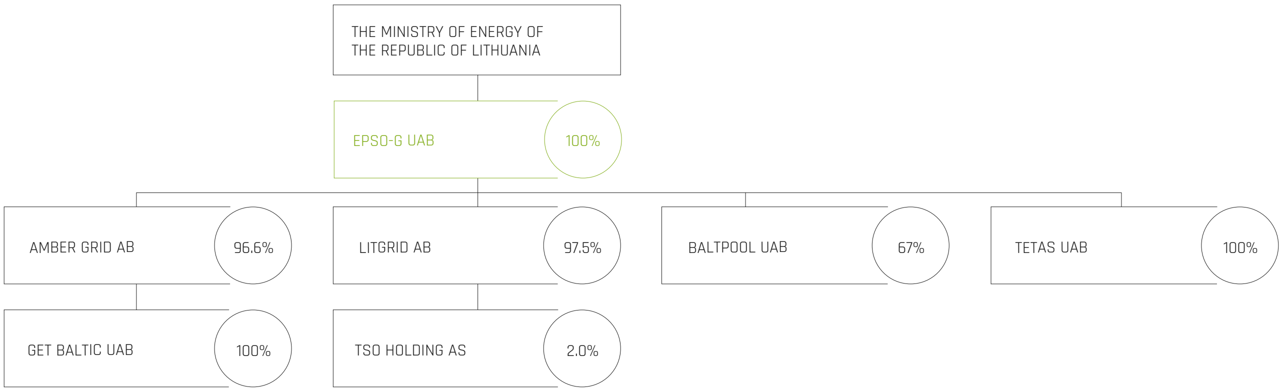
COMPANY NAME	EPSO-G UAB
LEGAL FORM	Private limited company
DATE AND PLACE OF INCORPORATION	25 July 2012, the Register of Legal Entities of the Republic of Lithuania
COMPANY CODE	302826889
REGISTERED OFFICE ADDRESS	Gedimino pr. 20, LT-01103 Vilnius
MAIL ADDRESS	Gedimino pr. 20, LT-01103 Vilnius
TELEPHONE	+370 685 84866
E-MAIL	info@epsog.lt
WEBSITE	www.epsog.lt
AUTHORISED CAPITAL	EUR 22,482,695
SOLE SHAREHOLDER	Republic of Lithuania whose property and non-property rights are implemented by the Ministry of Energy of the Republic of Lithuania

The main activity of EPSO-G Group with more than 1,081 qualified employees is to ensure uninterrupted, stable electricity transmission through high voltage grids and natural gas transportation through high-pressure pipelines and efficient management, maintenance and development of these transmission systems. The Group also manages and develops the biomass, natural gas and timber trade platforms designed to ensure competition in the market of energy resources and roundwood.

All the companies belonging to 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 of 31 December 2020, EPSO-G Group (hereinafter – EPSO-G Group or the Group) consisted of the holding company EPSO-G UAB (hereinafter – EPSO-G or the Company), four directly controlled companies of the Group (LITGRID AB (hereinafter – Litgrid), Amber Grid, AB (hereinafter – Amber Grid) BALTPOOL UAB (hereinafter – Baltpool), TETAS UAB (hereinafter – Tetas) and the indirectly controlled company GET Baltic UAB (hereinafter – GET Baltic)).

The structure of EPSO-G Group companies as at 31 December 2020:



NAME	LITGRID AB	Amber Grid AB	BALTPOOL UAB	TETAS UAB	GET Baltic UAB
LEGAL FORM	Public limited company	Public limited company	Private limited company	Private limited company	Private limited company
DATE AND PLACE OF INCORPORATION	16 November 2010, the Register of Legal Entities of the Republic of Lithuania	11 June 2013, the Register of Legal Entities of the Republic of Lithuania	10 December 2009, the Register of Legal Entities of the Republic of Lithuania	8 December 2005, the Register of Legal Entities of the Republic of Lithuania	13 September 2012, the Register of Legal Entities of the Republic of Lithuania
COMPANY CODE	302564383	303090867	302464881	300513148	302861178
REGISTERED OFFICE ADDRESS	Viršuliškių skg 99B, LT-05131, Vilnius	Savanorių pr. 28, LT-03116 Vilnius	Žalgirio g. 90, LT-09303, Vilnius	Senamiesčio g. 102B, LT-35116, Panevėžys	Geležinio Vilko g. 18 A, LT-08104 Vilnius
TELEPHONE	+370 5 278 2777	+370 5 236 0855	+370 5 239 3157	+370 640 38334	+370 5 236 0000
FAX	+370 5 272 3986	+370 5 236 0850			
E-MAIL	info@litgrid.eu	info@ambergrid.lt	info@baltpool.eu	info@tetas.lt	info@getbaltic.com
WEBSITE	www.litgrid.eu	www.ambergrid.lt	www.baltpool.eu	www.tetas.lt	www.getbaltic.com
NATURE OF THE ACTIVITY	Electricity Transmission System Operator	Natural Gas Transmission System Operator	Energy exchange operator, administrator of the funds of services of public interest	Specialised services of maintenance, repair and installation of transformer substations and distribution points, works of testing and tests, design of energy objects	Operator of Natural Gas Exchange
SHARES HELD BY EPSO-G	97.5%	96.6%	67.0%	100%	96.6%

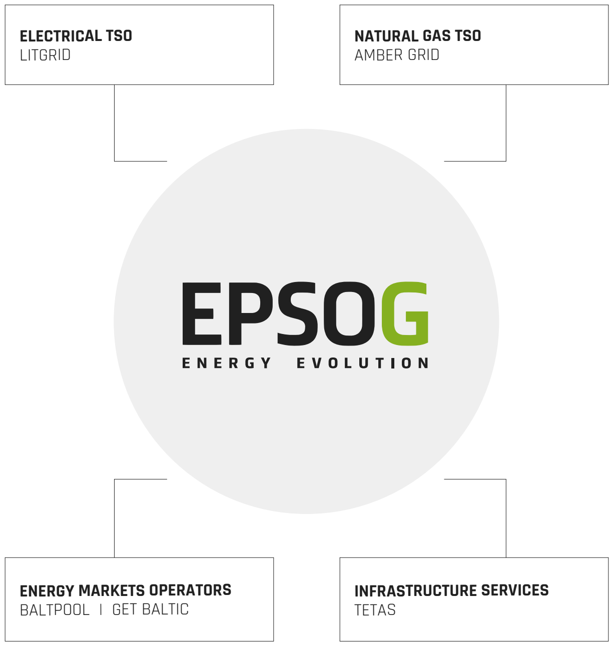
1.1. EPSO-G Group

EPSO-G, the holding company of the Group of Energy Transmission and Exchange Companies, was established on 25 July 2012 as a result of the implementing of the mandatory requirements of the III Energy Package regarding the separation of energy production and distribution and transmission activities. Originally, the Company operated as a financial holding, the main function of which was consolidation of the financial results of the Group companies.

As Lithuania aimed to become the member of the Organization for Economic Co-operation and Development (OECD), it was decided by means of the decisions of the Government and the direct shareholder (the Ministry of Energy of the Republic of Lithuania) in 2015-2016 to carry out a major restructuration of EPSO-G into an active management company directly participating in the management of the subsidiaries, carrying out supervision and control of their activities, performing other independent functions related to the integrated management of the Group.

In accordance with the decisions of the Government of the Republic of Lithuania and the Ministry of Energy of the Republic of Lithuania "The Guidelines for the Corporate Governance of the Group of the State-Owned Companies of Energy Sector" (hereinafter – the "Guidelines for the corporate governance") have been approved by the Order No 1-212 of the Minister of Energy of the Republic of Lithuania of 7 September 2015. The Guidelines have consolidated the new corporate governance model and core functions of the Group.

As of 31 December 2020, EPSO-G Group consists of the holding company, the transmission system operators managing the infrastructures of electricity and natural gas transmission, the market operators managing natural gas, biomass and timber exchanges, as well as the companies providing the infrastructure maintenance services:



1.2. Holding company EPSO-G

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

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

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

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

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

- By making decisions within the competence of the General Meeting of Shareholders in its subsidiaries, thus ensuring interconnection among policies, objectives, targets and measures;
- By nominating the employees of EPSO-G to the Boards of the companies of the Group, thus ensuring the targeted implementation of the goals set by the shareholder, 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 Appointment Committee, thus ensuring equal principles of appointment and remuneration in the Group;
- By setting up a centralized Group-wide internal audit that is accountable to the Audit Committee and the Board of the Company and is not subordinate to the administration of the companies;
- By adopting the Group's policies that regulate various areas of activity, thus implementing good sustainable development practices in the Group;
- By providing representative, standardised draft documents to the companies of the Group that equalize the activity of the companies;
- By implementing functional mentoring of activities in the Group;
- By providing consulting services to the companies of the Group.

1.2.1. Tasks and functions of the holding company EPSO-G and activities related to their implementation

TASKS OF EPSO-G	PROJECTS / FUNCTIONS	ACTIVITIES
Management of strategic projects	Synchronization GIPL	• Control of strategic energy projects • Representation of interests in Lithuania and international institutions • Adjustment of actions towards result and ensuring integrity • Ensuring transparency and efficiency of public procurement
Corporate governance	Competent representation of shareholder interests in the governance bodies of the companies of the Group	• Group strategy and common objectives implementing shareholder expectations • Integrated, uniform principles-based financial and business management practices (uniform Group policy) • Implementation of good business practices
	Goal setting and integration	• Coordination and approval of business plans of companies • Establishment of annual goals on boards, compatibility assurance
	Opportunities identification and development empowerment	• Setting of ambitious goals, development of new activities, acquisitions of new companies
	Ensuring efficiency	• Assessment of the efficiency and anticipation and implementation of optimization measures of the activities of the companies of the Group • Budgetary tasks and control of operational management costs • Unified, mature and market-comparable remuneration management
	Operational control	• Centralized audit function • Supervision of the implementation of operational plans • Evaluation of annual results on boards
	Compliance and risk management	• Setting of compliance management principles • Control of the identification and management of risk management tools
Ensuring accountability	Accountability to the shareholder	• Accountability according to the requirements of the Letter of Expectations • High-quality and immediate information on the status of the companies of the Group • High-quality and immediate information on the status of the projects • Formal and non-formal communication
	Management of relations with stakeholders	• dentification of interest groups • Determination of the expectations of stakeholders • Ensuring communication strategy and functional leadership in risk management • Communication
	Procurement criteria, control	• Participation in procurement commissions • Analysis, evaluation and approval of essential contract terms on boards
	Determination of business and behavioural models	• Common values, policies and procedures that are followed by all companies of the Group
	Transparency	• Ensuring accountability to stakeholders • Ensuring corruption prevention
Ensuring synergies	Finance management	• General treasury management
	Operational management	• Joint purchases • Services for the companies of the Group • Know-how • Search and implementation of innovations

1.2.2. Clients

The client of EPSO-G - the shareholder of the Group and the companies of the Group. Highly qualified specialists and a good reputation of the holding company are essential for quality management decisions that are crucial to the operations of the companies they manage, for the effective supervision of operations and consulting.

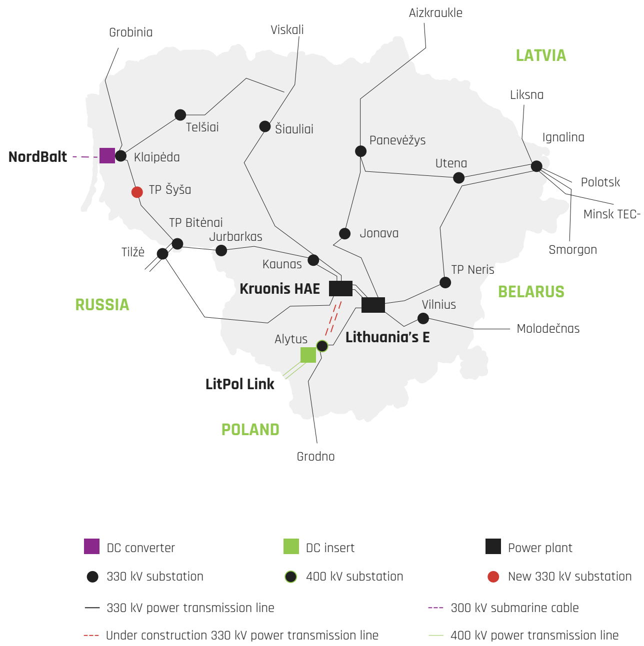
Detailed information on the activities of the EPSO-G holding company in 2020 is provided in Section 7 (Governance Report) of this report.

1.3. LITGRID

Litgrid, the electricity transmission system operator which is part of EPSO-G Group, ensures a reliable transmission of electricity and electricity balance, manages and operates a high-voltage electricity transmission grid as well as DC connection LitPol and NordBalt. The company takes care of the development of the transmission network and electricity market, coordinates electricity flows and maintains a stable functioning of the domestic power network.

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. In implementing the programme on the synchronisation with the European continental networks, the company carries out 14 projects of strategic importance approved by the Government of the Republic of Lithuania.

The mission of the company: a reliable transmission of high quality electricity in the European market creating a value for the society.



As of 31 December 2020, Litgrid maintained 2,745.4 kilometers of high-voltage (400-330-110 kV) lines and 237 transformer substations and switchgears in Lithuania. In order to maintain a stable service life of overhead lines and to ensure the stable operation of installations, in 2020, repairs of installations were carried out in 27 transformer substations and switchgears with the voltage of 110-330 kV, 1,696.7 km of overhead lines with the voltage of 110kV and higher were repaired, 438 towers and 27.7 km of lightning conductor cable were replaced, and 1,466 thousand hectares of overhead line routes were cleaned.

1.3.1. 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 network, and to the operators of the distribution networks. Electricity transmission is an activity regulated by the state. The main activities of the TSO include the management of the high voltage electricity transmission network and securing reliable, effective, high-quality, transparent and safe transmission of electricity.
- **System services to maintain reliable system functioning.** Litgrid purchases from energy generating companies the services for the capacity reserve assurance at the electricity generation facilities, reactive power and voltage management, and emergency, disruption prevention and response services, and provides consumers with system services. The capacity reserve is needed when electricity production suddenly and unexpectedly falls or its consumption increases.

- **Trade in imbalance and balancing electricity 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 network as well as the transmission network's optimisation, development and/or reconstruction related to the acceptance and transmission of electricity generated by producers that use renewable energy sources; balancing of electricity produced from renewable energy sources connected to the transmission network 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.**

1.3.2. Customers of the electricity transmission system operator

Litgrid's direct customers are the electricity transmission network's users and parties responsible for balancing, balancing service providers, renewable energy producers and independent suppliers.

Users of the transmission network:

- Distribution system operator ESO AB and Dainavos Elektra UAB;
- Electricity consumers with electrical equipment connected to an electricity transmission network purchasing electricity for consumption;
- Electricity producers connected to the electricity transmission network.

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

1.3.2. Key financial indicators of LITGRID Group:

	2020	2019	CHANGE	
			+/-	%
REVENUE, thousand EUR	207,516	183,913	23,603	12.8%
EBITDA[1], thousand EUR	51,199	22,155	29,044	131.1%
NET PROFIT, thousand EUR	26,603	2,959	23,644	799.1%
ASSET, thousand EUR	414,353	376,198	38,155	10.1%
NUMBER OF EMPLOYEES	308	290	18	6.2%

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

1.4. AMBER GRID

Amber Grid, the natural gas transmission system operator, which is part of EPSO-G Group, is 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 mission of the company is to efficiently and reliably carry out gas transmission, creating favourable conditions for competition in the gas market and development of renewable energy resources.

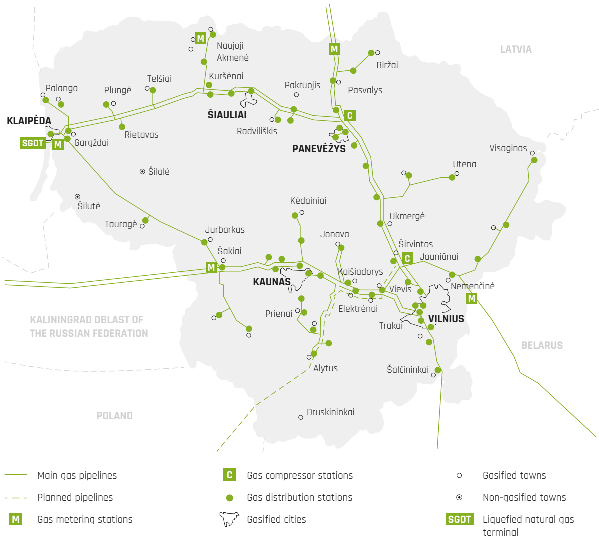
The transmission system managed by Amber Grid consists of trunk gas pipelines, gas compressor stations, gas distribution stations, gas accounting stations, anti-corrosion equipment for gas pipelines, data transmission and communication systems and other asset attributed to the transmission system.

The Lithuanian gas transmission system is connected to the Latvian, Belarusian natural gas transmission systems and those of Kaliningrad Region of the Russian Federation, Klaipėda LNG floating storage and regasification unit terminal, the distribution systems of Lithuanian distribution system operators and to the consumer systems directly connected to the transmission system.

As of 31 December 2020, the Company operated 67 (2019: 68) gas distribution stations (GDS) and gas metering stations (GMS), as well as 2 gas compressor stations (GCS).

The length of the pipelines operated is 2,115 km (in 2018: 2,115 km), diameter from 100 to 1,220 mm. The design pressure of most of the transmission system is 54 bar.

Natural gas transmission system in Lithuania



1.4.1. 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 and Kaliningrad District of the Russian Federation.

The company renders these 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 floating storage and regasification unit 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 renewable energy sources (RES).

1.4.2. Customers

The customers of the company 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. 108 system users used the services of Amber Grid as at 31 December 2020 (2019: 105 system users).

1.4.3. GET BALTIC

Amber Grid holds 100% of shares of GET Baltic UAB. GET Baltic UAB is a licensed natural gas market operator that has the status of a Registered Reporting Mechanism (RRM) granted by the Agency for the Cooperation of Energy Regulators (ACER). The company administrates the electronic trading platform for trading short-term and long-term natural gas products in the market area in Lithuania, the single market area of Latvia and Estonia, and the market area in Finland. By developing the solutions suitable for trading natural gas, GET Baltic seeks to improve the liquidity, competitiveness, and transparency of the wholesale gas market in the Baltic countries and Finland.

2020 was a year of changes and rapid development for GET Baltic. Continuous improvement of the exchange operations and a streamlined launch in Finland had a very positive impact on the company's financial performance.

As from 1 January 2020, GET Baltic started its operations in Finland, where it became a single regional trading platform for the Baltic and Finish gas market participants and started offering implicit capacity allocation services to the Finnish transmission system operator Gasgrid Finland Oy.

Given the integration of natural gas markets in Latvia and Estonia, the market areas on GET Baltic gas exchange were combined as well into a single market area with effect from 2020.

In order to ensure more favourable conditions for secondary capacity trading in Finland, during the reporting period the company implemented the Project for development of secondary capacity trading platform based on European standards. As from 1 December 2020, the secondary capacity trading platform operated by GET Baltic has been launched in Finland.

By seeking to provide its customers with additional possibilities for efficient integration of the existing services into their IT systems and to enhance user experience in delivering speedy, convenient and accurate data exchange, GET Baltic got ready to provide Data Exchange Services based on REST API solution by the end of 2020.

Thereby, by implementing the goals set for the company, more favourable conditions were created for price convergence across the region and for streamlining cross-border trade between natural gas markets in Finland and Baltic countries.

The expansion of geographical presence of GET Baltic in 2020 ensured continuous trading on GET Baltic gas exchange on 24/7 basis.

1.4.4. GET BALTIC exchange performance in 2020:

- the total traded volume increased to 7.2 TWh. This was an all-time record since the start of operations of GET Baltic. Compared to 2019, the turnover increased as much as 2.5 times (2019: 2.9 TWh);
- it accounted for over 11% of total demand for gas in the Baltic countries and Finland (65 TWh);
- 51% of the total traded volume was purchased in Lithuania (3,687 GWh), 37% in Finland (2,296 GWh), and 11% in the common Latvian-Estonian market area (824 GWh);
- In total 20,576 transactions were concluded, i.e. 128% more compared to 9,045 transactions in 2019. This was a record number of transactions in the history of GET Baltic;
- The number of active exchange participants increased by 75% compared to the previous year. In total 56 exchange participants placed orders, whereof 55 participants concluded transactions. In 2019, 32 exchange participants were active and placed orders, whereof all of them concluded transactions;
- transaction with the lowest price of 4 EUR/MWh was concluded in July, and transaction with the highest price of 23.1 EUR/MWh was concluded in January.

GET BALTIC activities in 2020

99 Exchange participants

56 Active exchange participants

3 Market Makers

7,206 GWh Traded volume

20,576 Number of transactions

MARKET AREA	NUMBER OF EXCHANGE PARTICIPANTS	NUMBER OF MARKET MAKERS	BUY VOLUME TRADED, GWh	SELL VOLUME TRADED, GWh
FINLAND	27	1	2,696	1,993
LATVIA-ESTONIA	21	2	824	1,640
LITHUANIA	71	1	3,687	3,574

1.4.3. Key financial indicators of Amber Grid

	2020	2019	CHANGE	
			+/-	%
REVENUE, thousand EUR	52,286	55,619	-3,333	-6.0%
EBITDA[1], thousand EUR	26,075	25,206	869	3.4%
NET PROFIT, thousand EUR	18,170	12,572	5,598	44.5%
ASSET, thousand EUR	304,793	237,520	67,273	28.3%
NUMBER OF EMPLOYEES	319	316	3	0.9%

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

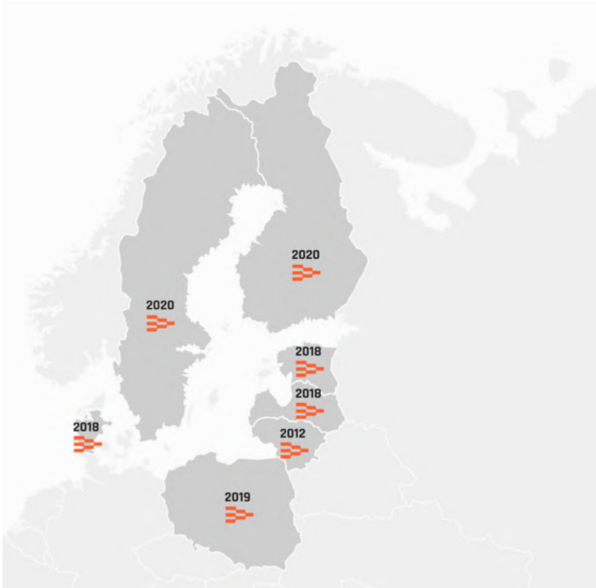
1.5. BALTPOOL

Baltpool, the operator of the Exchange for the energy resources and trading timber, organises trade, i.e. creates a level playing field for all market players to acquire biomass and timber under competitive conditions and thus ensure the maximum benefit to the consumers and return to the state.

In addition, Baltpool organizes auctions of heat supplied to centralized networks and acts as an administrator of the electronic timber trading system.

The target set for the company is to create equal conditions for market participants to purchase biomass and timber under competitive conditions and thus create conditions for the formation of prices that reflect the relationship between supply and demand.

The Exchange trades in biomass in Lithuania, Latvia, Estonia, Poland, Denmark, Finland (Finbex) and in Sweden with the partner Svebio.



1.5.1. Baltpool customers by activities performed:

- The key customers in the activity of the biomass exchange are the biomass buyers (district heating companies, independent heat generating entities and other companies using in their activity the biomass products traded in the exchange) and biomass suppliers (manufacturers and suppliers of wood pellets and chips);
- Timber sellers, specifically the State Forestry Enterprise and its territorial subdivisions, are the key customers in the activity of timber auction organising. Timber buyers are the companies using timber products in their activity: from timber processing companies to biomass supply companies.
- The most important customers in the activity of heat auction organising are heat supply companies, which are obliged to buy the necessary quantity of heat from independent heat suppliers at heat auctions and independent heat suppliers connected to the heat supply systems and sell heat at the auction.
- The customers in the activity of administration of the PSO funds are the electricity consumers, which as per the valid legal regulation must pay the PSO funds for the electricity consumed by them. The PSO funds are collected from the electricity consumers connected to the distribution network through the distribution network operator. The consumers connected to the networks managed by the transmission system operator transfer the PSO funds directly to the administrator. The energy companies which in accordance with the legal acts render the services of public interest also are the customers of the company, i.e. the services such as generation of electricity from renewable energy sources, the services of electricity generation which is necessary for the ensuring security of electricity supply, and other services stipulated in the description of the procedure of rendering the services of public interest in the electricity sector.

1.5.2. Baltpool in biomass exchange in Lithuania in 2020:

- As of 31 December 2020, 325 participants were registered in the biomass exchange (239 sellers and 100 buyers);
- 17 new participants joined the exchange (11 sellers and 6 buyers);
- The number of concluded transactions totalled 5,530 (with the value of EUR 53,703,054).
- The weighted average price of concluded transactions was 9.99 EUR/MWh, while in 2019, the weighted average price equalled to 12.45 EUR/MWh.
- BWCS SPOT LT (BALTPOOL WOOD CHIPS SPOT LITHUANIA) index during 2020 ranged from 7.83 EUR/MWh to 10.33 EUR/MWh. At the end of 2020, the last fixed price was 9.79 EUR/MWh.

1.5.3. Baltpool in biomass exchange in Latvia, Estonia, Finland, Poland, Denmark and Sweden in 2020

- As of 31 December 2020, 73 market participants from Latvia were registered in the system. During 2020, 5 new participants joined in. The number of concluded transactions amounted to 78. Their value was EUR 1,130,226 (in 2019 the number of transactions amounted to EUR 87. Their value was EUR 666,114);
- As of 31 December 2020, 16 market participants from Estonia were registered in the system. During 2020, 6 new participants joined in, including Estonia's largest energy supplier Enefit Energiatootimine, which has three power plants in Ida-Viru region. The number of concluded transactions amounted to 27. Their value was EUR 194,715. The trading in Estonia was launched in Q2 2020;
- As of 31 December 2020, 4 market participants from Poland were registered in the system. During 2020, 2 participants joined in;
- At biomass exchange Biomassxpool in the Kingdom of Denmark, which was developed using Baltpool trading platform system, 9 transactions were concluded with a total value of DKK 4,438,178 (EUR 596,635.65) during 2020. As of 31 December 2020, 70 market participants were registered in Biomassxpool, of which 8 were from Lithuania, 10 from Latvia and one exporter from Estonia. As from 1 January 2021, Baltpool launched its activities in the Kingdom of Denmark under its own brand, Baltpool;
- In Finland, Finbex trading on the Baltpool exchange was started in the fall of 2020. As of 31 December 2020, 6 participants (4 buyers, 2 sellers) joined the exchange;
- A partnership agreement was signed with Svebio, an association uniting biofuel buyers and sellers in Sweden. The beginning of registration and trading of Swedish market participants is scheduled for early 2021;

1.5.4. Baltpool in heat auction data management system in 2020

- As of 31 December 2020, 60 participants were registered (13 buyers and 60 sellers);
- During 2020, the amount of heat offered for sale was 6,643,900 MWh;
- The amount of heat traded was 4,902,322 MWh at a weighted average price of 2.02 ct/kWh. In the same period last year, the trading volume was 4,683,419 MWh and the weighted price was 2.69 ct / kwh.

1.5.5. Baltpool in electronic timber sales system in 2020

- 1,131 auctions took place, or by 239 more than in 2019;
- 4,920 concluded transactions, or by 1,079 more than in 2019;
- As of 31 December, the total number of registered participants was 1,017 (approved registrations), 1,730 (total registrations), of which 396 active members submitting orders;
- During 2020, 76 new participants joined the system;
- The volume of transactions, compared to 2019, increased from 2,139,972 to 2,804,614 st.

1.5.6. Special obligations

Under the Resolution No 1338 of 7 November 2012 of the Government of the Republic of Lithuania on Appointment of PSO Funds Administrator in the Power Sector, Baltpool was appointed to implement the special obligation to perform the functions of a PSO funds administrator in the power sector. Detailed information and reports on the implementation of this function are publicly available on the Baltpool website: https://www.baltpool.eu/lt/viap-gautos-ismoketos-likutis/.

1.5.7. Key financial indicators of Baltpool

	2020	2019	CHANGE	
			+/-	%
REVENUE, thousand EUR	1,132	975	157	16.1%
EBITDA[1], thousand EUR	273	169	104	61.5%
NET PROFIT, thousand EUR	182	92	90	97.8%
ASSET, thousand EUR	45,953	67,637	-21,684	-32.1%
NUMBER OF EMPLOYEES	18	17	1	5.9%

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

1.6. TETAS

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

- 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.
- Construction of electrical networks: construction, maintenance and reconstruction of 0.4-110 kV new cable lines.
- Installation of renewable energy sources: installation of solar power plants, supply / assembly of equipment, maintenance and troubleshooting.
- Connection of electrical equipment of new electricity consumers to the networks, including installation of electricity networks owned by a consumer.
- Relay protection and automation (RPA) configuration and start-up and adjustment works are performed.
- Projects for the construction, reconstruction and repair of critical energy and communication buildings or their separate parts from the initial study of the object development to the project preparation are prepared. Project implementation supervision works are performed.
- Projects for connecting new electricity consumers' electrical equipment to the networks are prepared.

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

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

Installation of renewable energy sources (RES) (e.g. installation of solar panels) and operation works and their development in foreign markets are currently the priority directions of the Company's activities. In 2019, the Company started providing services to the German market. During 2020, revenue from foreign markets accounted for 13%. In 2020, RES activities were launched.

1.6.1. Key financial indicators of Tetas

	2020	2019	CHANGE	
			+/-	%
REVENUE, thousand EUR	26,110	14,746	11,364	77.1%
EBITDA[1], thousand EUR	2,218	949	1,269	133.7%
NET PROFIT, thousand EUR	854	-205	1,059	-
ASSET, thousand EUR	11,926	8,396	3,530	42.0%
NUMBER OF EMPLOYEES	395	338	57	16.9%

[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

02

Mission, vision, values

02

Mission, vision, values

In the course of the implementation of the objectives set by the Shareholder's Letter of Expectations for the holding company EPSO-G we create an advanced, transparent, effectively managed group of future energy companies providing long-term benefits to shareholders and ensuring secure and reliable energy supply, efficient operation of energy transmission systems and trading platforms, and enabling regional consumers to freely exchange energy and get it at a competitive price whenever it is needed.

The value created by EPSO-G Group - a secure, sustainable and competitive energy market.

Secure - energy is transmitted in a secure and reliable manner.

Sustainable - an opportunity to freely exchange energy and get it at a competitive price whenever it is needed.

Competitive - open to market players and allowing them to choose.

PERSPECTIVE

Vision - future energy group efficiently operating in international environment

PURPOSE

Mission - to ensure and create a secure, sustainable and open energy market enchancing the competitiveness of the country's economy and the welfare of society

VALUES

Professionalism

Cooperation

Progress

EPSO-G vision

a group of future energy efficiently operating in the international environment.

EPSO-G mission

to ensure and create a secure, sustainable and open energy market enhancing the competitiveness of the country's national economy and the welfare of Lithuania's people.

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

EPSO-G values:

- **Professionalism** - we strive for every employee in the group to be recognized and be able to grow as a professional in their field of activity. We understand what an important role professional knowledge, hands-on experience and continuous learning play in terms of the results of the Group and ensuring continuity of activity.
- **Cooperation** - we emphasize sincere and constructive cooperation with each other which makes it possible to pursue the goals set in a concerted manner.
- **Progress** - openness to new business practices and ideas promotes the creation, renewal, implementation of meaningful changes and leads us forward.

VALUES	BEHAVIOR
Professionalism	I do my job better than expected I say what I do and I do what I say I will keep my promises
Cooperation	I communicate clearly and understandably I show my position and respect others I help others achieve the result
Progress	I take the initiative and learn from my mistakes I look for new ideas and implement them I am constantly building capacity and sharing it

2.1. Operating and regulatory environment

In 2020, EPSO-G Group companies was most affected by significant air temperature deviations from the standard climatic norm in Q1 2020, lower demand for electricity transmission services due to the COVID 19 pandemic and increased gas transmission volumes due to extremely favourable gas prices.

In 2020, cheaper electricity from the Nordic countries in the wholesale market and lower demand in the Lithuanian market created the conditions for a fall in wholesale electricity prices. Although the price of electricity increased at the end of the year, in 2020, Lithuania had the lowest wholesale electricity price since 2012. This situation in the market was determined by the sharp increase in the amount of energy produced by wind farms, record-breaking level of water reservoirs in the Scandinavian countries, falling oil and gas prices and lower electricity demand due to the pandemic.

In Lithuania, the average wholesale electricity market price, compared to 2019, decreased by 26% to 34 EUR/MWh. According to the import / export (net) ratio, in 2020, 52% of Lithuania's electricity demand was imported: 42% from Scandinavia via NordBalt connection, 33% of electricity imports was from third countries, while 19% of electricity was imported across the border with Latvia and 5% via the LitPol Link interconnection with Poland.

In 2020, annual electricity consumption in Lithuania was by 2% lower compared to 2019. Despite the short-term decline in electricity consumption caused by the COVID-19 pandemic, Litgrid forecasts that electricity demand will grow by an average of 2% per year over the next decade and will reach 14.7 TWh in 2029 (12.16 TWh in 2019). Electricity consumption will be most affected by general economic trends, increasing efficiency of electricity consumption, the number of electric cars and heat pumps, and the amount of electricity consumed.

The impact of lower demand for electricity transmission services on EPSO-G Group's results was amortized by increased gas consumption in Lithuania and transit in the direction to Latvia due to the extremely favourable gas price in the LNG market, as well as exceeded expectations of operations of Gas Exchange GET Baltic in the Finnish market and gas pipeline between Estonia and Finland that became operational at the beginning of 2020.

According to Amber Grid data, 33 terawatt-hours (TWh) of natural gas was transported to consumers in Lithuania, Latvia, Estonia and Finland - by 12% more than in 2019, when 29.5 TWh of natural gas was transported for the needs of the Baltic region. In 2020, gas supply through the Lithuanian gas transmission infrastructure to the Baltic states and Finland increased to 8 TWh per year. This is the largest amount of gas transferred northwardly.

This was also positively influenced by operations of Gas Exchange GET Baltic launched in the Finnish market in early 2020. As a result, the trading turnover on the exchange increased more than 2.5 times compared to 2019, and the total amount of gas acquired on the exchange was 11% of the total gas consumed in the Baltic and Finnish markets. It is forecasted that Lithuania's role in the single regional gas market will become even more pronounced after the completion work of the construction of the gas pipeline connection with Poland at the end of 2021 and with the introduction of a new, alternative gas transmission channel at the beginning of 2022.

As a result of the competitiveness of liquefied natural gas in the market, gas transportation through the Klaipėda LNG terminal was high as well. In 2020, as in 2019, gas imports through the LNG terminal accounted for 65% of the total amount of gas supplied to the EU gas market through Lithuania (2018: 35%).

Gas consumption in Lithuania continued to grow in 2020. During the reporting period, the country consumed 25.1 TWh of gas or 7% more than in 2019, when 5% growth in gas consumption was recorded. Due to favourable prices on the global markets, the resumed usage of gas as fuel in the Lithuanian electricity sector, in 2020, the country had the highest gas consumption in the last five years.

According to Amber Grid, the developed infrastructure ensures the flows meeting the needs of gas system consumers, it is sufficiently permeable to transmit them and is resistant to adverse conditions. Specialists estimate that gas consumption in Lithuania, which has been declining for some time, will stabilize in the upcoming years and reach 21 TWh per year.

Consumer-friendly trends had persisted in the biomass market as well - in 2020, with the price of biomass falling by 19.4% on Baltpool exchange, in 2020-2021, the heating season has been the most favourable for district heating users over the past few years. It is particularly positive that district heating producers are increasingly focusing on price risk management, taking advantage of the opportunities offered by the biomass market.

Following the declaration of a national emergency in Lithuania in 2020 due to the threat of the spread of coronavirus (COVID-19), business continuity and preventive measures were applied in EPSO-G Group: appointed employees responsible for monitoring and reporting the situation to the management; identified business units and employees undertaking the critical functions and administrating the main systems; implemented additional organisational measures at the system operation centre; planned technical and succession measures in case of spread of the virus. The companies have reviewed its emergency management plan, prepared the following additional documentation and implementing measures: lists of critical functions, lists of measures necessary to ensure continuous implementation of the functions, resources and responsible individuals, as well as other documents and measures.

Given the impact of the Covid-19 pandemic, the International Energy Agency (IEA) forecasts that global energy demand will return to pre-crisis levels in 2023, in the case of the Stated Policies Scenario (STEPS) or in 2025, in the case of the Delayed Recovery Scenario (DRS).

According to the Ministry of Finance as of 29 January 2020 estimates, due to the impact of the COVID-19 virus, the Lithuanian economy shrank by 1.3% in 2020. 2.8-3.1% growth of the gross domestic product (GDP) is projected for 2021-2023.

The activities and strategic choices of EPSO-G Group are materially influenced by legislative initiatives and strategic planning documents at national and EU level:

- At national level, the most important strategic planning documents influencing EPSO-G Group's activities are: the updated National Energy Independence Strategy (NEIS) approved by the Seimas 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 significantly 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%.

- In the EU context, the umbrella of the European Green Deal covering a wide range of economic sectors is of a great importance for EPSO-G Group. The Green Deal sets the target that by 2050 climate neutrality will be achieved in Europe, while by 2030, CO2 emissions will be reduced by 50-55% compared to 1990. In the scope of the Green Deal, the strategies for the Energy System Integration, Hydrogen and Offshore Wind presented in 2020 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. In 2021, the European Commission has plans to present a review package of legislative initiatives to achieve ambitious climate change targets, including a prospective review of the Renewable Energy Directive.

„The activities and strategic choices of EPSO-G Group are materially influenced by legislative initiatives and strategic planning documents at national and EU level."

2.2. Regulatory environment

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

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

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

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

The prices of the transmission of electricity and natural gas are regulated by establishing price and / or revenue caps. The permitted level of income consists of the reasonable required costs, including a return on investment that meets the criterion of reasonableness. The specific service prices that are within the established revenue caps are set by the service providers, while the Council after verification and establishment that they have been calculated in accordance with the pricing and / or tariff requirements set out in the methodologies for calculating prices and / or revenue caps and that they do not discriminate against consumers and are not erroneous, shall approve them.

The price and / or revenue caps of electricity and natural gas transmission are set for the regulatory period of five years (the period duration may be changed by a reasoned decision of the NERC), and 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.

As from 1 January 2020, electricity and natural gas transmission prices set by transmission system operators and approved by the Council were applicable for 2020.

Average price of transmission services applied by Amber Grid in 2020 to the needs of Lithuanian consumers (in terms of long-term and short-term services) decreased by more than 16% on average compared to the average price applied in 2019 - up to 1.22 EUR/ MWh. This decrease was mainly influenced by the fact that the amount of revenue allowed for Amber Grid for 2020 was reduced by the set amount of excess return on investment for previous periods.

The average approved price of Litgrid's electricity transmission service in 2020 was 0.814 ct/kWh, and compared to 2019, it was higher by almost 24%. This increase mainly resulted from the fact that the amount of Litgrid's allowable revenue for 2019 was reduced by the set amount of excess return on investment for previous periods.

In addition, in 2020, the average, non-differentiated price of Litgrid system services approved by the NERC was applied from 1 January 2020, which, compared to the one applied in 2019 (0.615 ct/kWh) increased by almost 28% - up to 0.785 ct/kWh. The main reasons for the change in this price were the costs required to ensure the isolated operation of the electricity system throughout the year, as well as the costs of maintenance and conservation of Unit 7 of Lithuania Power Plant actually incurred but not assessed by Litgrid in the previous period, as well as the maintenance of Units 7-8 of Lithuania Power Plant and conservation costs for the performance of the Baltic power system isolated operation test.

The tariff applied on Baltpool biomass exchange until 1 September 2020 compared to the previous applicable tariff was lower by 21.3% (0.48 EUR/TOE). This was mainly due to Baltpool's revenue earned in 2017-2018 from active trading on the biomass exchange, as a result this amount is reimbursed by reducing the price to the exchange participants. Under the decision of the NERC, as from 1 September 2020, the applicability of this tariff to biofuel suppliers in Lithuania has been extended. The tariff has been converted to other units – as from 1 September 2020, a tariff of 0.04127 EUR/MWh (VAT excl.) shall apply (converted by applying the coefficient 1 TOE = 11.63 MWh).

On 1 January 2021, the adjusted electricity and natural gas transmission prices set by the transmission system operators and approved by the Council, and the price of Litgrid system services took effect.

On 28 May 2020, the NERC with regard to the revenue cap of the natural gas transmission operations adjusted by the decision of the NERC approved the natural gas transmission prices set by the Board of Amber Grid effective from 1 January 2021.

It was approved that the average gas transmission price to meet the domestic consumer needs in Lithuania in 2021 will be 1.40 EUR/MWh, which is about 15% higher compared to the average gas transmission price in 2020 (1.22 EUR/MWh), and about 4% lower compared to the average gas transmission price in 2019 (1.46 MWh). Such change was mostly driven by one-off correction of return on investment for 2020 for the previous periods.

On 1 October 2020, the Council approved a maximum price cap of 0.721 ct/kWh for high-voltage electricity transmission service, which came into force on 1 January 2021, and compared to the one applied in 2020 (0.814 ct/kWh) is lower by about 11%. This change was mostly driven by Litgrid's received return on investment in 2018-2019 higher than the one set by the Council. Within this limit and taking into account the resolution of the Council of 16 October 2020 on the price of electricity system services, Litgrid set the prices of electricity transmission services and the procedure for their application, which, in accordance with the legislation, on 29 October 2021, was announced by the Council.

From 1 January 2021, the approved average price of the electricity transmission service decreased respectively by almost 11% up to 0.721 ct/kWh.

The average undifferentiated price of Litgrid system services approved by the Council from 1 January 2021 decreased by almost 3% up to 0.762 ct/kWh. The main reasons for the change in this price were the forecasted lower costs of capacity reserves for 2021 (especially the costs of the tertiary active power reserve service, which are about 34% lower than the estimated prices in 2020 due to the significantly lower purchase price of the tertiary active power reserve). Lower costs required to ensure the isolated operation of the power system and to manage reactive power are also forecasted.

On 3 December 2020, the Council approved the new standard contractual terms of balancing services and imbalance purchase-sale contracts prepared by Litgrid enabling the operation of the balancing capacity market and demand aggregation services from 2021. A new segment of the balancing market has been created - the balancing capacity market, where Litgrid will conduct daily hourly auctions, while balancing capacity will be ordered from market participants according to actual hourly need at the lowest offered capacity price. Until now, the balancing service - the so-called secondary reserve - has been purchased for the whole year ahead. In addition, from 2021, balancing services can be provided not only by electricity producers but also by independent demand aggregators, which will reduce consumption at a certain cost if necessary.

The auction of balancing capacity in Lithuania is the first step towards a regional balancing capacity market mechanism, which is planned to be implemented in the Baltic states before the synchronization of the Baltic power systems with the continental European network. In autumn 2020, the transmission system operators of the three Baltic states launched the concept of the Baltic frequency control unit and the common Baltic balancing market, as well as conducted a market consultation on this document forecasting how the system frequency will be controlled and the balancing market will be organized following the synchronization.

New market mechanisms and opportunities for independent demand aggregators to participate in the balancing market will allow managing the costs of balancing services in the most efficient way: the system service tariff and the imbalance costs of electricity market participants.

By changing standard contractual terms of balancing services and imbalance purchase-sale contracts, Litgrid implements the amendments to the Law on Electricity adopted in June 2010 and the Regulation (EU) 2019/943 of 2019 on the internal market for electricity. As at the end of 2020, Litgrid had concluded balancing agreements with five electricity generators and one demand aggregator.

For the transmission system to be easily accessible and flexible and for the promotion of regional gas market development, the gas transmission prices at the entry points have been harmonised since 2020 with those applicable in the adjacent tariff zone that covers Latvia, Estonia and Finland. In addition, for the purpose of ensuring the best possible conditions for the market participants to benefit from the Lithuanian LNG terminal and in order to increase the competitors' pressure on the prices in the gas market, a 75% discount has been applied since 2019 to the gas transmission price at the entry point in Klaipėda. The same pricing will be applicable in 2021 as well.

„From 1 January 2021, the approved average price of the electricity transmission service decreased respectively by almost 11% up to 0.721 ct/kWh.“

03

Strategic objectives

03

Strategic objectives

3.1. Strategic directions

In 2020, the strategic directions of EPSO-G Group have not changed - the implementation of the objectives of the renewed strategy of 2019, focusing on four directions of activities, was continued, i.e. development of regional activities and insuring the success of strategic projects, sustainable growth of the companies of the Group and long-term benefits for shareholders, effective activities and innovation, and creation of a developing and progressing organisation.

The objectives formulated in the Shareholder's (the Ministry of Energy) Letter of Expectations are posed for the implementation of EPSO-G strategies. The letter contains the indicators of the evaluation of the activities of the Group companies, accountability and tasks that are important for the shareholder. The Shareholder's Letter of Expectations is published on EPSO-G website, in the menu item **Objectives and Accountability**.

3.1.1. Implementation of strategic projects

EPSO-G Group implements strategic energy projects in the electricity and natural gas sectors, the success of which contributes to the energy and geopolitical perspective of Lithuania and the Baltic region, as well as to business competitiveness.

Strategic projects in the electricity and natural gas sectors to achieve the fundamental goal - integration into a common European energy system:

- Synchronization of the Baltic states with the networks of the continental Europe - the main goal is to adapt the legal framework of the European Union in the fields of electricity market, electricity system management and development, and to eliminate politicized and discriminatory system management practices by 2025. The synchronous work of the Baltic states with CEN is important in political and technical aspects: management of the system in accordance with non-discriminatory principles agreed with other TSOs, which meet the requirements of the EU's third energy package; equal opportunities for competition with third countries in the electricity market; conditions for trading and securing electricity reserves in the European single market; decentralized frequency regulation based on the technological capabilities of power plants, which will ensure greater independence of the Baltic electricity system.

- Construction of the gas pipeline between Poland and Lithuania (GIPL) is a natural gas infrastructure connecting the natural gas transmission systems of Poland and Lithuania, as well as the Baltic states and Finland, with the European Union (EU) system. The connection will enable the flow of natural gas in both directions. GIPL gas pipeline will run from Jauniūnai gas compressor station (GCS) in Širvintos district to the Hołowczyce GSC on the Polish side. It is estimated to complete the connection between Poland and Lithuania by the end of 2021.

Both projects have been recognized by the European Commission as Projects of Common Interest (PCI).

Detailed information on these projects and the progress of their implementation is provided in Section 3.4 Summary of significant infrastructure projects.

3.1.2. Development of markets

The common gas market of the Baltic states is a strategic interest of Lithuania. It is an important objective in reducing the risk related to a declining level of the infrastructure use that has been observed so far.

In 2020, negotiations on special conditions for Lithuania's participation in the common market according to the 3+1 formula took place. On 20 April 2020, the updated action plan for the development of the Baltic gas market was approved. It forecasts market integration actions in 2020-2022, including harmonized gas transportation pricing, waiving of cross-border tariffs and the principles of the Inter-TSO compensation (ITC) mechanism, regional gas transmission system capacity allocation system, data exchange principles, common information system. It is important to note that debates are still under way regarding Lithuania's accession to the neighbouring tariff zone, covering Latvia, Estonia and Finland (the FINESTLAT tariff zone), and regarding the applicable Baltic and Finnish gas market integration measures, in order to ensure that all interested parties may benefit from them.

In 2020, a study on the integration of the Lithuanian, Latvian, Estonian and Finnish natural gas markets (the "Integration Study") was initiated at the request of the transmission system operators of Lithuania, Latvia, Estonia and Finland, including the possibility for Lithuania to join the neighbouring FINESTLAT tariff zone active since 2020, which includes the establishment of the Inter-TSO compensation (ITC) mechanism. Following the completion of the first stage of the study in 2020 identifying the impact of the single zone after the elimination of cross-border tariffs between Lithuania and Latvia on average wholesale gas prices and redistribution of gas flows in the region, as well as general socio-economic well-being, it was decided to launch the second stage of the study, i.e., to develop ITSC mechanism, and then to continue negotiations on a common tariff zone. The decision to develop the common tariff zone on mutually beneficial terms is to be taken in 2021.

On 16 December 2020, the Council, taking into account that Gas Interconnection Poland-Lithuania (GIPL) will be launched from 2022, announced a public consultation (ongoing until 17 February 2021) of a document on the methodology for setting the service process of the Lithuanian natural gas transmission system operator Amber Grid AB and preliminary prices for the remaining regulatory period 2022-2023 of gas transmission prices. It also provides for pricing principles for the newly developed cross-border gas interconnection point between Poland and Lithuania, the so-called Santaka (GIPL) gas entry and exit point.

The public consultation is conducted in line with the requirements of the European Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonized transmission tariff structures for gas. The final decision on applicable prices from 2022 will be adopted by the Council by 31 May 2021 at the latest, taking into account the comments, suggestions received during the consultation, the recommendations of the Agency for the Cooperation of Energy Regulators (ACER) and the final allowable revenue set for the transmission system operator by the Council for 2022.

Following the necessary preparations, on 1 January 2020, GET Baltic, the regional gas exchange GET Baltic operating in the Lithuanian, Latvian and Estonian markets, started operations in Finland, thus becoming a single regional trading platform for the Baltic and Finnish gas market participants. Finnish gas market participants were given the opportunity of short-term and long-term trading, as well as to benefit from an implicit capacity allocation model acting as an integrated trading model. This contributed to price convergence in the region and facilitated cross-border trade between the Finnish and Baltic gas markets. The successful launch in the Finnish market has resulted in the increase of GET Baltic's gas trading turnover by 2.5 times to 7.2 TWh in 2020. This accounted for more than 11% of the total gas demand of the Baltic-Finnish countries and was a record gas trade turnover in the entire history of GET Baltic.

It should also be noted that the liberalization of the Finnish market and the launch of the gas interconnection with Estonia opened up opportunities for market participants to take advantage of extremely favourable gas prices on the international market by importing them via the Klaipėda liquefied gas terminal. Consequently, gas transit to Latvia via the Lithuanian gas transmission infrastructure for the needs of the Baltic states and Finland and for gas storage at the Insulins underground gas storage facility in Latvia increased by 33% up to 8 TWh per year and was a record quantity of gas transmitted by Amber Grid to Latvia.

Baltpool, that has become the Lithuanian biomass trading centre ensuring the stability of the biomass supply at a competitive price, incorporating small biomass suppliers to the supply chain as well, thus promoting a stable development of the biomass market, adapting the market platform to specific national needs and has already started operations in the regional market - having created the conditions for the use of the exchange platform services for Latvian, Danish, Estonian, Finnish and Polish market participants, proceeded with the geographical development to the Swedish market. The collaboration with the Swedish Bioenergy Association Svebio of buyers and sellers of biomass fuel launched in 2020, events presenting the biomass fuel exchange for the Swedish market participants were actively held. It is projected that at the beginning of 2021, the trading and registration of the Swedish participants will be launched, while ship trading and larger transaction volumes will increase activity and competitiveness on the exchange.

The progress is continued with heat auctions and roundwood trade, while index of prices of wood chips BALTPOOL WOOD CHIPS SPOT LITHUANIA (BWCS Lithuania) and TIMBER SPOT LITHUANIA index have already become important landmarks for the market participants to objectively assess the current situation in the market and to monitor price fluctuations and trends in biomass and wood markets.

3.1.3. Effective and high-quality services

Lithuanian energy consumers get the most benefit from the favourable conditions created by the energy transmission system operators for energy transmission to the market from various sources. The creation of the proper infrastructure opens up an opportunity for the consumers to exchange energy in a simple and comfortable manner.

In that context, the aim here is to create operating harmonized conditions for the use of natural gas transmission system in the Baltic states, to ensure availability of interconnections in the electricity sector (without the third-country influence) by ≥ 95 %. Moreover, when monitoring and aiming to ensure the adequacy of the Lithuanian electricity system, in co-operation with the responsible institutions, the aim is to create power market mechanisms that would promote balanced investments in the development of a reliably accessible local generation and (or) maintenance of the existing one.

In order to achieve regional market integration, Amber Grid has set the prices of natural gas transmission services, which create favourable conditions for market participants to use the LNG terminal - for 2020, 75% discount on the price of transmission services at Klaipėda entry point was applied. Furthermore, in order to increase the simplicity and flexibility of the transmission system and to promote the development of the regional gas market, transmission service prices at entry points have been harmonized with entry prices in the neighbouring tariff zone covering Latvia, Estonia and Finland. In addition, in 2020, at entry points and at the exit point with Latvia, lower multipliers for short-term service prices were applied compared to those applied in 2019.

In 2020, import and export flows of the interconnectors with Sweden and Poland NordBalt and LitPol Link increased by 11%. The overall market availability of these connections was 95.6% and 92.4%, respectively. In comparison, availability in 2019 was 97.6% and 97.9%, respectively. The main factor in NordBalt's reduced availability in 2020 was the failure on the Swedish side in June, and LitPol Link's planned repairs.

The electricity transmission system operator forecasts the adequacy of the Lithuanian electricity system. The adequacy study of the Lithuanian electricity system for 2020-2030 according to the Mid-term Adequacy Forecast (MAF 2019) of the European Network of Transmission System Operators ENTSO-E was renewed in 2020. Taking into account the results of this forecast, in Lithuania, the implementation of a project aimed at creating and applying a capacity mechanism that would ensure a transparent, technologically neutral and competition-based system that would help the state to promote the capacity of continuously accessible, flexible and rapidly activated electricity generation, storage and load regulation necessary to ensure a reliable electricity supply in the country after 2025, was continued.

In the scope of this project, on 4 June 2020, the amendment to the Law on Electricity was adopted by the Seimas of the Republic of Lithuania, instrumental for the implementation of the long-term capacity mechanism, the description of the procedure for the implementation of the capacity mechanism was approved by the Government of the Republic of Lithuania on 18 November, implementing legislation drafts were prepared, and coordination with the European Commission's Directorate General for Competition was continued. An agreed opinion with the European Commission on the feasibility of the proposed mechanism was not reached at the time of drafting the Annual Report.

3.1.4. Sustainable growth and long-term benefit

The direction of a sustainable growth of the Group companies and a long-term benefit for the shareholders stipulates a financial objective - an indicator of return on equity (ROE). It shows how effectively the capital invested by the shareholders is used in the activities of EPSO-G Group.

The financial objective of EPSO-G Group has been formed given that the Group's activities are directly dependent on the regulatory principles and the implementation of the strategic infrastructure projects ensuring the interests of the state.

It is aimed that EPSO-G's average return on equity would be higher than the target set by the Lithuanian Government in 2019-2021, i.e. 5.7%. in 2020, EPSO-G Group's return on equity was higher than the targeted one.

3.1.5. Efficient management of activities and processes

In order to achieve an operational and financial management that would be efficient and based on uniform principles at the Group level, EPSO-G Group companies have implemented uniform practices and financial management practices. In the implementation of good governance, the Group has applied a Corporate Governance Policy. It is one of the most important documents in the Group that consolidates common good governance practices based on cooperation and clarity and transparency of decision-making processes.

EPSO-G documents outlining the main principles of the integrated management of activity and finances in the Group companies, other documents or summaries thereof are published on EPSO-G website: www.epsog.lt, in the menu item Operating Policies.

In order to further increase the value created by the holding company for the Group companies and the shareholder, with priority functional areas identified, and curators of the functional areas of the Group and companies appointed it is planned to continue and improve the implementation of the functional mentoring model.

It is important to note that from 2019 the focus was on the Group's innovation activities contributing to increasing the efficiency of the Group's operations and managing challenges related to changes in the operating environment. The Innovation and Development Committee has been active in the Group companies - an advisory body to the EPSO-G Board at the Group level, which provides conclusions, opinions, recommendations and suggestions to the Board on promoting innovation, increasing development and the efficiency of the Group's activities. On 10 June 2020, the functional action plan for the innovation ecosystem was approved. Innovative solutions aim to contribute to the implementation of the strategy of the Group, companies, as well as the National Energy Independence Strategy.

The project Raida 2050 aiming to analyse the scenarios of the development of the Lithuanian electricity system and the electricity market in 2020-2050 in accordance with the goals set in the National Energy Independence Strategy was implemented and completed in 2020, and the implementation possibilities were assessed, as well as the options analysis of applying Power to Gas (P2G) and hydrogen technologies in Lithuania was performed.

In order to fulfil the new objectives of increasing energy efficiency in Lithuania arising for the Group out of the Law on Energy Efficiency in efficient and sustainable manner, following the fulfilment of commitments under previously signed agreements, in 2020, the Ministry of Energy together with the largest energy groups EPSO-G and Ignitis Grupė signed new agreements committing the companies to save at least 1.6 TWh of final energy by 2030. EPSO-G's subsidiaries Amber Grid and Litgrid have committed to saving at least 4.19 GWh of final energy by 2030. The saving targets of the companies are set with regard to the specifics of each company, the activities carried out and nature thereof.

3.1.6. Efficient and safe management of technological asset and investments

The objective of EPSO-G Group is to manage technology asset and investments in an efficient and rational manner. The Group companies managing technological assets - Amber Grid and Litgrid - are subject to the Group's Technological Assets Development and Operation Policy, which establishes uniform principles of asset management. The aim is for the management of technological assets to be based on data and risk assessment, good asset management practices and to meet the requirements of the ISO 55000 standard, as a result, in 2020, a strategic plan for achieving the project guidelines was prepared.

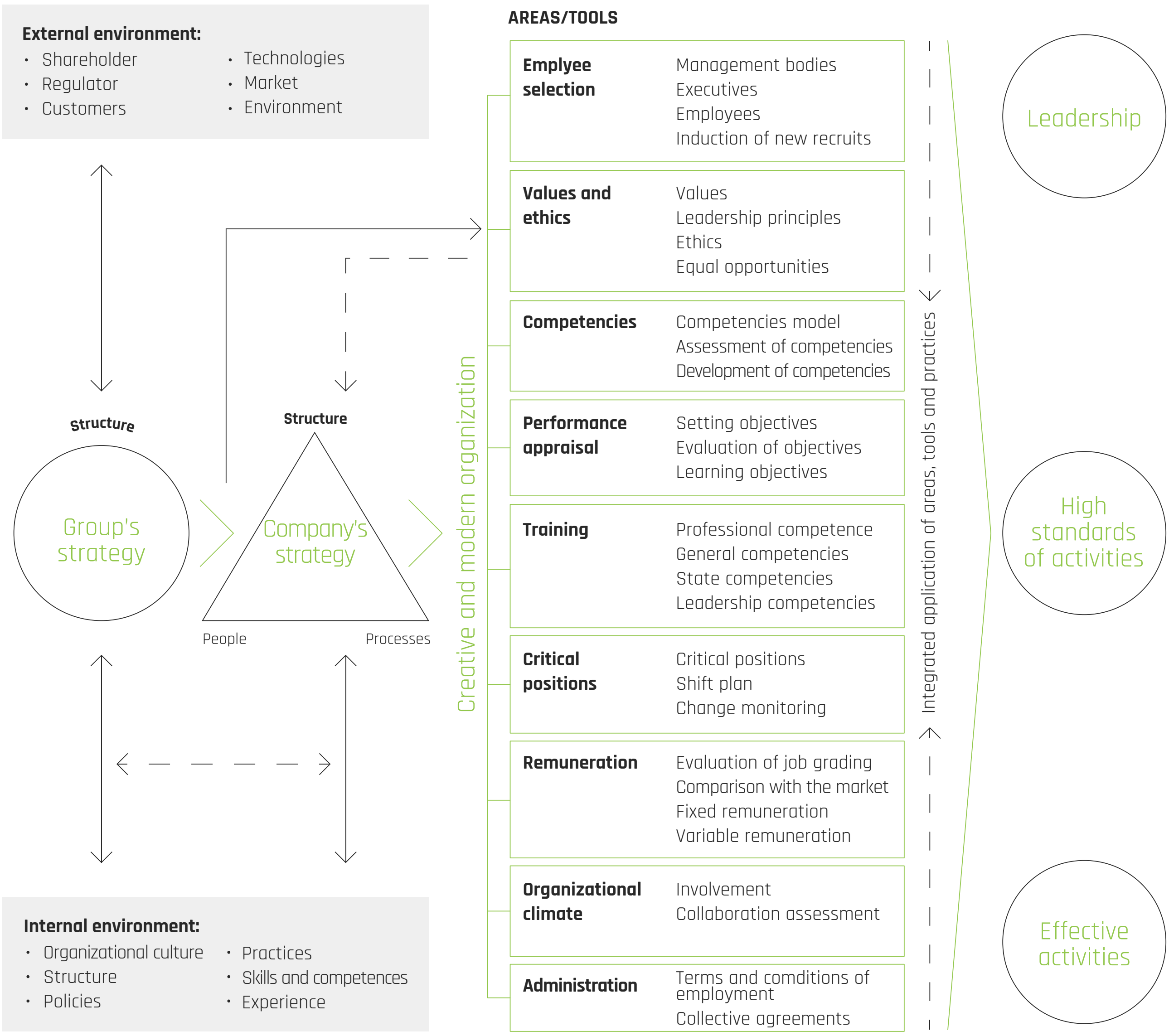
3.1.7. The Group companies quickly responding to the changing environment and the centre of energy competence

Fast, high-quality decision making and responsiveness to the changing environment - these are the factors determining the success of the implementation of the strategic objectives pursued. EPSO-G Group companies employs highly qualified staff, the companies have gained the practical experience of implementing international projects.

In EPSO-G Group, the human resources management strategy during the reporting period focused on maintaining, developing and attracting new competences.

Organization development

Management of human capital in the framework of functional leadership model



In 2020, competence models covering general and managerial competencies were developed in the Group companies, work processes were reorganized by adapting to the organization of remote working, and actions to boost employee engagement were planned and implemented based on the results of the engagement survey. In response to modern trends in employee motivation and taking care of the health of the Group's employees, in 2020, the purchase of voluntary employee health insurance services was completed.

The quarantine, as a result of the Covid-19 virus, imposed in the country had a significant impact on employee well-being and work organization, as the vast majority of the Group's employees mastered remote working (from home) in a short time by using technologies facilitating remote work and enhanced mutual collaboration in organizing team meetings remotely.

To increase the engagement of employees in the implementation of the goals set out in the operational strategy, EPSO-G Group carries out an annual employee engagement survey according to an internationally recognized methodology. During the survey, employees anonymously express their views on the clarity of objectives and direction, work organization, work processes, workload, remuneration, professional development opportunities, trust in managers, collaboration, and other aspects. According to the survey, in 2020, the engagement index of EPSO-G employees increased by eight points to 66 as a result of the engagement measures taken.

3.1.8. Transparent, reliable organisation observing the principles of sustainable development

Compliance with the highest standards of professional ethics, continuous raising of public awareness of the strategic projects being carried out, market trends, services rendered, financial results - these are the indicators showing that the organisation is a responsible, open and reliable.

For this purpose, a transparency and communication strategy of EPSO-G Group companies that emphasizes accountability to the stakeholders has been prepared. The Group's communication strategy provides for the shared responsibilities and the periodicity, content of communication as well as responsible individuals.

Targeting to gain confidence in the ongoing strategic projects and with a special focus on operational transparency and accountability, in 2020, EPSO-G Group was awarded for the best governance of its subsidiaries, and the overall quality of the governance received A+ rating. In the reporting year, for the first time the Governance Coordination Centre (GCC) awarded each of EPSO-G's direct subsidiaries A rate on the basis of uniform criteria.

EPSO-G, the group of energy companies, attaches great importance to society and the environment in which it operates, pollution prevention measures taken not only by rationally using the necessary material resources, but also by developing staff competencies and a responsible approach to work, protecting the environment and encouraging the sharing of experience among the Group companies. It is forecasted that from 2021, EPSO-G will annually assess the environmental impact of the Group companies and prepare plans of mitigation measures for environmental and social impacts by 2030.

„Targeting to gain confidence in the ongoing strategic projects and with a special focus on operational transparency and accountability, in 2020, EPSO-G Group was awarded for the best governance of its subsidiaries, and the overall quality of the governance received A+ rating.“

3.2. Operational and financial goals

Based on the operational directions stated in the Shareholder's Letter of Expectations and approved in the strategy of EPSO-G, the Board set the following operational goals for the holding company for 2020.

Company goals for 2020

ANNUAL GOAL	INDICATOR FORECAST TO BE ACHIEVED	WEIGHT OF THE GOAL	MEASURE-MENT UNITS	DETERMINED FORECAST OF THE INDICATOR
Development of the practice of the Energy Competence Centre	The Group's priority areas of competence (e.g.: efficient development of gas and electricity markets, integration of renewables, sustainable network development, energy system adequacy, nnovations) have been refined and the competence centre action plan has been prepared and the actions envisaged in the 2020 action plan have ben implemented.	20%	%	100%
Management of implementation of strategic projects of the Group companies	1. Timely implementation of interim guidelines for synchronisation with the CEN programme projects (delay do not exceed tolarence limits) - indicator weight is 20% 2. Supported and timely updated synchronisation with the CEN financing model, indicator weight is 20% 3. Timelt implementation of the GIPL project interim guidelines (delay do not exceed tolerance limits), indicator weight is 20% 4. The Group;s Project management competence centre, indicator weight is 40%	30%	%	100%
Development of the Group companies is being implemented 1. Increasing BALTPOOL trade volumes in foreign markets 2. Development of TETAS activities in the field of RES installation and/or opration 3. Development of new GET BALTIC ex-change products and services	1. BALTPOOL revenue growth from abroad reaches at least 90% compared to 2019, indicator weight is 33% 2. TETAS long-term activity plan is the field of RES was prepared and approved, indicator weight is 34% 3. The analysis of products and services of the Euro-pean exchanges for raw materials was performed and decisions were made on the development of indentified new products and/or services on the GET BALTIC exchange, indicator weight is 33%	15%	%	100%
Initiation of the projects and activities directly related to the functional IT Activity plan	Three digitisation projects/measures have been initiated and approved in the Group companies.	10%	%	100%
Increasing the value created by the holding company	1. The policies implemented in the Group companies are planned to be implemented during 2020, indicator weight is 30% 2. The Group's strategy for 2030 has been prepared and long-term sustainability goals and indicators have been set at the group lovel, indicator weight is 70%	15%	%	100%
Return of equity (ROE)	ROE in 2020 ≥ 12,5%	10%	%	100%
	TOTAL:	**100%**		

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.

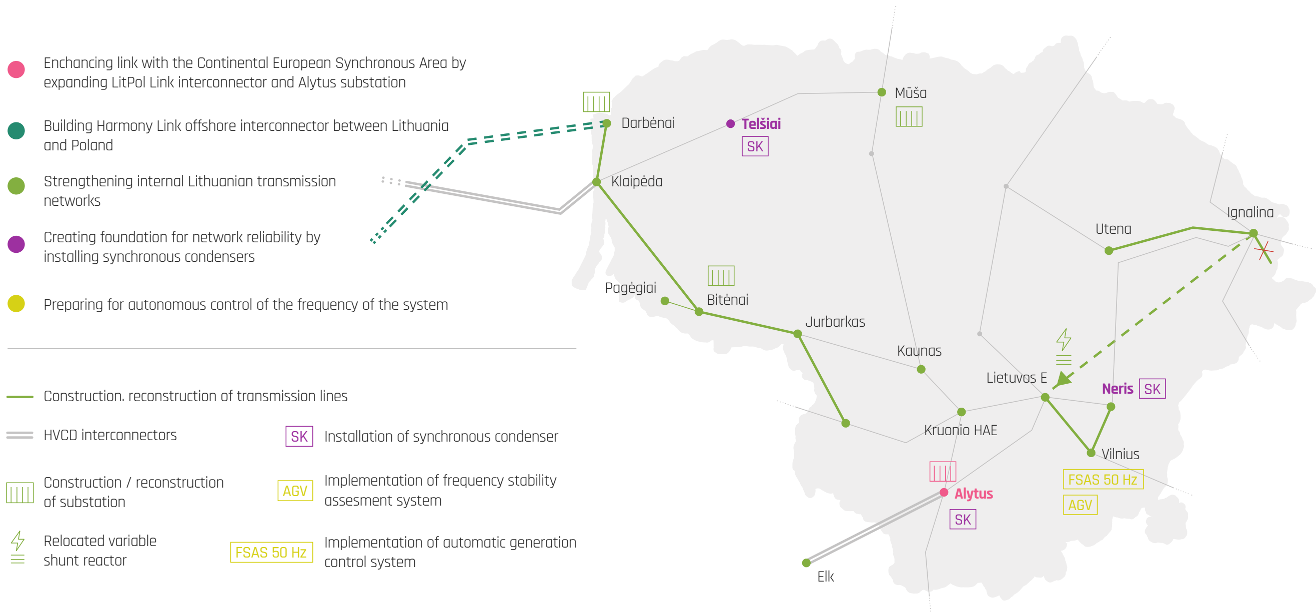
The Board annually evaluates the achievement of the goals set. The result determines the amount of the variable pay com-ponent of remuneration, which does not exceed the proportion established in the remuneration policy.

The goals set for the holding company EPSO-G, according to the Board, were met by 90.4% in 2020.

3.3. Summary of significant infrastructure projects

3.3.1. Preparation of the power grid for a synchronous operation with the continental European network

The main target of the synchronization of the Baltic states through continental European network is to adapt the legal framework of the European Union in the fields of electricity market, electricity system management and development, and to eliminate the politicized and discriminatory system management practices before 2025. The synchronous work of the Baltic States with the CEN is important in political and technical aspects: the management of the system in accordance with non-discriminatory principles agreed with other TSOs, which meet the requirements of the EU third energy package; equal opportunities for competition with third countries in the electricity market; conditions for trading and securing electricity reserves in the single European market; decentralized frequency regulation based on the technological capabilities of power plants, which will ensure greater independence of the Baltic power system.



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 network development planning;
- Common rules for the management of energy systems - network codes that will be applied equally in all European Union countries;
- Availability to electricity from Western European energy systems.

By emphasizing the importance of integration with the continental European network, on 14 April 2020, the Government of the Republic of Lithuania set up a special commission for the network synchronization project ensuring the coordination of works at the highest level. The Commission is chaired by the Prime Minister of Lithuania with a participation of the Ministers of Energy, the Environment, Finance, Foreign Affairs and Agriculture, as well as the executives of Litgrid and EPSO-G.

In 2020, the Seimas of the Republic of Lithuania adopted an amendment to the Law on Integration of the Lithuanian Power System into the European Power Network establishing special security requirements for project of synchronization with the continental European network. They are intended to effectively manage potential risks and to implement infrastructure projects for the integration of the power system with the continental European network in a streamlined way.

The law stipulates the obligation of the transmission system operator Litgrid to ensure the requirements of the stability, security, reliability, protection of confidential information, compliance of contractors with the interests of national security, the requirements of cyber security and equipment security.

Cooperation with transmission system operators of the Baltic states and Poland:

The streamlined implementation of the synchronization with the CEN programme is closely interrelated and depends on international cooperation and action coordination with regional partners, in particular with Latvia, Estonia and Poland.

In 2020, Litgrid took active part in continuing of this cooperation in three directions:

Coordination of the synchronisation programmes:

- On 1 April 2020, the Baltic electricity transmission system operators aiming at the synchronization reached an agreement regarding a regional cooperation model that will help the three Baltic states to work together and implement important synchronization projects with the Western European electricity networks faster, more efficiently and at lower cost. The signed document of the conditions of regional cooperation of synchronization programmes stipulates that the Baltic operators will jointly prepare, implement and test isolated operation plans, train the employees of the electricity transmission system operators of all three countries to work in partnership; prepare a plan for emergency connection of the Baltic electricity transmission systems to the CEN; carry out studies on determining the conditions for ensuring stable operation of electricity transmission systems in the Baltic states.

- On 28 April 2020, Lithuanian, Latvian and Estonian electricity transmission system operators signed a memorandum agreeing that after the countries connect to the Western European electricity networks in 2025, they will jointly control the frequency of the energy system in the Baltic power and frequency regulation unit. Thus, the memorandum embedded the intention of the parties to create a common market for power reserves.

- On 7 October 2020, the Baltic TSOs Litgrid, Augstsprieguma tīkls and Elering prepared the concept for the Baltic load frequency control block development and common balancing capacity markets. This document sets out how, following the synchronization with the continental European network in 2025, the system frequency will be controlled, and the balancing capacity market will be organized.

- On 15 October 2020, the Baltic TSOs prepared the new Baltic balancing market rules, which provide for operation on the single European balancing platform MARI. This platform joining, scheduled for 2023-2024, will increase the reliability of the system, the efficiency of operators and market participants, and create opportunities to integrate more electricity generation from renewable sources. The joining common European market platforms and participating in common system management and market mechanisms are a prerequisite for the synchronization of the Baltic states with the continental European network. The joint Manually Activated Reserves Initiative (MARI) of the European operators includes the standardization of balancing products and the harmonization of activation principles in all European countries. It is these characteristics and processes that are described in the new Baltic balancing market rules. Subject to a go-live scenario, the expected joining date is Q3 2023 to Q3 2024.

Implementation of joint projects:

The technical scenario for the synchronization of the Baltic states forecasts that the synchronization with CEN will take place using the existing connection between Lithuania and Poland (LitPol Link) by laying a new submarine cable between these countries. This scenario was approved on 14 September 2018 by the BEMIP high-level group. The network synchronization process is monitored by the Regional Group Continental Europe of the European Network of Transmission System Operators for Electricity (ENTSO-E), while the Harmony Link project will be implemented by PSE and Litgrid.

The planned capacity of Harmony Link interconnector is 700 MW, the length about 450 km.

In implementing this joint Harmony Link project with PSE:

- On 26 May 2020, Lithuanian and Polish electricity transmission system operators Litgrid and PSE S.A. signed the Implementation Phase Cooperation Agreement in the Harmony Link Interconnector Project. Under this agreement, the electricity transmission system operators of both countries undertake to contribute in equal shares to the installation of the submarine interconnection Harmony Link.

- On 2 June 2020, Litgrid and PSE, for the implementation of the Harmony Link project, called upon the Austrian capital international group ILF Consulting Engineers, which will develop technical specifications for tendering procedures for the most important elements of the project, the offshore cable and converter stations, under a contract worth EUR 1.367 million. The company will also help in the preparation of the remaining project documentation. The contract covers the works of the feasibility study, the obtaining of permits for laying the cable in the Swedish exclusive economic zone, the preparation of procurement documentation for the cable and converter stations, the procurement consulting, the risk assessment study associated with the cable bedding.

- On 9 July 2020, Litgrid issued a procurement notice concerning the provision of consulting services to call upon the expertise of specialists with experience in the installation of high voltage direct current power cables and converter stations to ensure a streamlined implementation of the project. The consultants will assess the prepared documents, such as technical specifications and requirements, provide targeted consultations in case of technical, commercial, regulatory issues in the course of the project implementation. It is estimated that until 2025 up to 2,250 hours will be available during the Litgrid project for the consultation on the project-related issues: planning and management, financing, procurement, technical connection parameters and specifications, dialogue with potential suppliers, interconnection to the transmission network etc.

- On 12 August 2020, the concepts of the development plan for the submarine interconnection Harmony Link and Darbėnai transformer substation together with the report on the Strategic Environmental Impact Assessment (SEIA) was prepared and submitted for a public consideration thus enabling the sustainable development of this infrastructure.

- On 25 November 2020, Litgrid and PSE signed an agreement with the consortium composed of MEWO S.A., Gdynia Maritime University and Garant Diving UAB for the seabed survey in the Baltic Sea along the route of the planned Harmony Link cable project, which will connect Poland and Lithuania. Under the agreement, the consortium will carry out geophysical and geotechnical surveys in the planned cable route between the coastlines of Lithuania and Poland. The resulting report will describe the seabed conditions and provide necessary information for cable laying and protection strategy. The survey will also enable detection of objects such as wreckage, UXO, or other hazardous debris deposited in the seabed.

- Together with the Latvian and Estonian operators Litgrid takes part in the procurement for the package of the synchronisation programme study from the consortium composed of the members of ENTSO-E Regional Group Continental Europe. The joint framework agreement on acquisitions was signed and the purchase of services is expected to be completed in Q1 2021.

Financing of the programme:

In May 2020, Litgrid, together with PSE (Poland), AST (Latvia) and Elering (Estonia), submitted the application for the financing of the implementation of stage II of the Baltic synchronisation project using funds of the Connecting Europe Facility (CEF). This is the first time for the four EU countries to apply.

On 2 October 2020, the coordination committee of the EU funding instrument Connecting Europe Facility allocated the maximum possible amount of support for the key projects of synchronisation of the Baltic countries with the continental European network. Support of EUR 719.7 million provided under the joint application of the Lithuanian, Latvian, Estonian and Polish TSOs is designated to secure effective implementation of the largest infrastructural projects and will enable the Baltic countries to operate their systems under the frequency of Poland and other countries of the continental Europe in 2025. The highest intensity support (75%) was allocated to the most significant and already started synchronisation projects. Support allocated to the construction of the submarine interconnection between Lithuania and Poland Harmony Link amounted to EUR 493 million, support for the installation of synchronous compensators in Lithuania, Latvia and Estonia totalled EUR 166.5 million and the remaining part of the support was designated for the modernisation and development of the networks necessary for the integration of the Harmony Link interconnection.

On 14 December 2020, Litgrid, AST, Elering and PSE signed the financing agreement with the Innovation and Networks Executive Agency (INEA) on the financing of the implementation of stage II of the Baltic synchronisation project. The Connecting Europe Facility (CEF) Coordination Committee has taken the decision to aid the key projects of stage II of the synchronisation at maximum possible 75% intensity.

Investments:

The total investment value of the synchronization with the CEN project for the three Baltic states is up to EUR 1,650 million. This project is included in the European Commission's list of Projects of Common Interest (PCI). The project will be implemented in separate funding phases.

- The total value of the investments in the first financing phase of the three Baltic states amounts to EUR 430.4 million, of which EUR 166.33 million - for the renewal and strengthening of the Lithuanian electricity system. In 2019, for the first investment phase, the EU allocated EUR 124.7 million to Lithuania or 75% of the necessary amount from the Connecting Europe Facility for infrastructure.

- The total value of the investments in the implementation of the second financing phase of the Baltic states and Poland amounts to EUR 956.6 million, out of which EUR 400.6 million is allocated to Lithuania. The value of investments in this phase is the largest due to the planned construction of the submarine interconnection Harmony Link and the planned construction of synchronous compensators in Lithuania, Latvia and Estonia. The amount allocated to Lithuania in the financing agreement signed in December 2020 is EUR 300.45 million. In addition, in 2019, an agreement was signed with the EC on the financing of the preparatory works for stage II of the Baltic synchronization project. The total investments of Poland and Lithuania under this agreement amount to EUR 20.58 million, including Lithuanian investments of EUR 8.12 million. The CEF will finance 50% of investment, which amounts to EUR 10.29 million for both countries, and EUR 4.06 million for Lithuania.

On 27 April 2020, the Lithuanian, Latvian, Estonian and Polish energy regulators signed a joint agreement of the national regulatory authorities of the Baltic countries and Poland regarding cross-border cost-sharing in the implementation of the second stage of the project of common interests Integration of the Electricity System of the Baltic Countries in the European Networks and Synchronisation with Them.

Considering that each country benefits from the project the regulators adopted a joint decision according to which investment costs incurred by each country will be covered by the respective TSO of the Baltic countries.

The agreement of the Lithuanian, Latvian, Estonian and Polish energy regulators is one of the requirements for the TSOs in submitting a joint application to the European Commission in order to finance a part of costs of the investment project.

Progress in the implementation of projects of national importance

For the purpose of the implementation of the synchronization with CEN, the Government of the Republic of Lithuania passed Resolution No 918 of 4 September 2019 whereby it approved the Plan for the Actions and Measures of the Electricity System Synchronisation Project (the "Plan for the Actions and Measures of the Synchronisation Project" or the "PAM") and obliged Litgrid AB, as the Lithuanian TSO, to implement this plan in close cooperation with the operators of the Baltic countries and Poland and under supervision of the Ministry of Energy of the Republic of Lithuania.

Progress towards the implementation of the synchronisation programme during 2020 has been presented to the Government of the Republic of Lithuania twice (in April and October) by discussing the results achieved, projected implementation deadlines and the main issues to be solved.

All actions and measures of the PAM with the implementation term expiring in 2020 have been implemented (14 actions), except for one (expansion of the LitPol Link interconnection),the completion deadline of which was updated by the Government of the Republic of Lithuania and set for Q2 2021. Additionally, one action was completed during 2020, the implementation term of which covers the year 2021.

During 2020, two projects important for the synchronization programme were implemented. At the end of the reporting period, 3 out of 14 projects foreseen in the programme were carried out.

Expansion of LitPol Link interconnection

The expansion of the LitPol Link interconnection is one of the key projects for the synchronisation programme and, in particular, for securing the possibility of emergency connection in a synchronised mode to the Polish electricity networks. A significant progress was achieved in 2020 when implementing the planned construction works:

- documents permitting the construction of the objects stipulated in the project were received;
- installation of electro-technical equipment at a 400 kV converter substation was completed (excluding three autotransformers);
- reconstruction and overhead cabling works of the 110 kV Alytus-Gilaki, Alytus-Prienai, Alytus-Šeštokai overhead lines were completed; the line was put into operation;
- expansion works of the 330 kV Alytus-Keitiklis overhead line were finalised;
- reconstruction works of a 330 kV transformer substation in Alytus were completed.

Due to the COVID-19 pandemic that affected the production of three 600 MVA autotransformers ordered in 2019, the supply of this equipment from the manufacturing facility was postponed to Q2 2021. The ongoing monitoring of the project is maintained with the producer and the contractor to ensure that this major equipment is delivered on time.

Construction of the 110 kV Pagėgiai-Bitėnai power transmission line. Litgrid completed the construction of the 110 kV Pagėgiai-Bitėnai overhead line in June. More than EUR 5 million were invested in the 17.1km-long line in western Lithuania. The new line has increased reliability of electricity transmission for electricity consumers in the Pagėgiai municipality and the entire western part of Lithuania. This was the second of fourteen synchronisation projects approved by the Government and already implemented.

The construction of the Pagėgiai-Bitėnai line is attributed to the first stage of the synchronisation projects during which the internal network is being improved and modernised. During the second and final stage, the construction of the Lithuanian-Polish high-voltage direct current cable Harmony Link and the construction of synchronous compensators are planned. Both phases are scheduled to end in 2025.

The Pagėgiai-Bitėnai line will increase the reliability of electricity transmission to all transformer substations connected to the 110 kV transit line Klaipėda-Pagėgiai-Jurbarkas (Šilutė, Juknaičiai, Usėnai, Pagėgiai, Taurai, Tauragė). The value of the project is EUR 5.069 million (VAT excl.), it is partially financed by EU funds. The length of the route is 17.1 km, of which 10.2 km is overhead line, 6.9 km is cable line.

Construction of the 330 kV Lietuvos E-Vilnius overhead line. The reconstruction of the overhead line with the length of 43 km connecting Elektrėnai and Vilnius was fully completed in 2020, during which the 330 kV Lietuvos Elektrinė-Vilnius electricity transmission line was transformed from a single-circuit to a double-circuit line. This change means that the transformer substation of the Lithuanian power plant in Elektrėnai and the transformer substation of Vilnius in Trakų Vokė are connected not only with the single line but rather with two lines which are erected on the same towers. Both lines were put into operation during November and at the end of the year the last document confirming the completion of construction works was received. The project was completed before the deadline of 30 June 2021 established in the Plan for the Synchronisation Actions and Measures approved by the Government. The reconstruction project of the line Lietuvos Elektrinė-Vilnius was started in summer of 2016 and construction works were started at the beginning of 2019. Investments totalled EUR 19.2 million.

Optimisation of the North-East Lithuanian electricity transmission network and preparation for synchronous work with the energy system of the continental Europe. A significant progress has been made in 2020 towards the implementation of the project on the optimisation of the North-East Lithuanian electricity transmission network and preparation for synchronous work with the energy system of the continental Europe which is expected to be completed in 2021:

- In June the controlled shunt reactor was transported from the transformer substation of the reconstructed Ignalina nuclear power plant to the transformer substation of the Lithuanian power plant. It was installed, tested and launched to operate at full capacity.
- After the reconstruction the 330 kV switchgears of the Ignalina nuclear power plant and Utena were put into operation in December. The autotransformers are planned to be launched, old equipment is to be demolished, 110 kV switchgears are to be reconstructed in 2021.

Implementation of synchronous compensators in the Lithuanian electricity system

Preparatory works for the acquisition of three synchronous compensators were continued in 2020. The consultation project for the preparation of technical specifications of the synchronous compensators carried out by the Italian company CESI was completed in May. Immediately after that, a market consultation was conducted based on the technical specification.

On 2 September 2020, the procurement for design, manufacturing and installation works for the synchronous compensators in the Alytus, Telšiai and Neris substations was announced. It is expected that the entire project will be completed in 2024.

At the same time, the reconstruction works of the substations necessary for the installation of the synchronous compensators were started. On 10 March, the agreements were signed with Tetas UAB that will carry out the reconstruction works of the Alytus and Telšiai substations.

Centralized control of project implementation

In EPSO-G Group, by centralizing the project control, in 2020, the position of the Head of Group Project Portfolio was introduced. By continuing the centralization of the project control, two ePMO (enterprise project management office) Project Manager positions have been introduced in EPSO-G.

This will further improve the uniform project management culture throughout all companies of the Group, provide methodological assistance to the companies' divisions and project managers on project implementation, risk or problem management and other issues related to these functions.

Functions of EPSO-G's ePMO Project Managers:

- Centralized control of project portfolios, programmes and project implementation and verification of compliance with processes in force;
- Collection of data on project implementation indicators, preparation of reports on projects and their portfolios and presentation to the management;
- Development of effective project management and control methods, procedures and tools, implementation of the most advanced project management practices in the Group;
- Consulting the Group's employees.

The status of the projects' implementation as at 31 December 2020

NR.	PROJECT	2017	2018	2019	2020	2021	2022	2023	2024	2025
1.	Expansion of the 330 kV Bitėnai transformer substation		100%							
2.	Construction of the 110 kV Pagėgiai-Bitėnai electricity transmission line		100%							
3.	Construction of the 330 kV Kruonis HAE - Bitėnai electricity transmission line						30%			
4.	Construction of the 30 kV Darbėnai - Bitėnai electricity transmission line						30%			
5.	Reconstruction of the 30 kV Lietuvos elektrinė-Vilnius electricity transmission line			100%						
6.	Expansion of the LitPol Link interconnection			89%						
7.	Optimisation of the North-East Lithuanian electricity transmission network			88%						
8.	Instalation of new synchronous compensators in the Lithuanian electricity system						21%			
9.	Construction of the 30 kV vilnius-Neris electricity transmission line						24%			
10.	Construction of the 30 kV Darbėnai switchgear						14%			
11.	Construction of the 30 kV Mūša switchgear						15%			
12.	Construction of the Harmony Link interconnection						15%			
13.	Instalation of the control system for the frequency stability assesment of the Lithuanian electricity system						12%			
14.	Instalation of the automatic generation control system						11%			

3.3.2. Gas Interconnection Poland-Lithuania

The project is intended for integration of the gas markets of the Baltic states into the common EU gas market, to diversify the gas supply sources and increase gas supply security. Amber Grid implements a part of the gas project in the territory of the Republic of Lithuania, and a part thereof in the territory of the Republic of Poland is implemented by the Polish gas transmission system operator GAZ-SYSTEM S.A.

Gas Interconnection Poland-Lithuania (GIPL) is a natural gas infrastructure connecting the transmission systems of Poland and Lithuania, as well as the Baltic states and Finland, with the European Union (EU) system.

The European Commission has identified the GIPL project as a critical infrastructure project for security of gas supply, making a significant contribution to the EU's energy security. Amber Grid is implementing the GIPL project together with the Polish gas transmission system operator GAZ-SYSTEM S.A.

Pipe diameter
∅ 700 mm

Interconnection capacity

	LITHUANIA	POLAND
	74 GWh per day	58 GWh per day
	27 GWh per year	21 GWh per year

Total pipeline length	LITHUANIA	POLAND
508 km →	165 km	343 km

GIPL project objectives:

- integrate the Baltic and Finnish gas markets into a single gas market of the EU;
- diversify gas supply sources;
- improve security of gas supply.

The total length of the planned pipeline is up to 508 km, of which 165 km inside Lithuania. The capacity created will allow transport to the Baltic countries up to 27 TWh per year; transmitted gas flow to Poland - up to 21 TWh per year, while the Baltic gas and Finnish markets will become a part of a single gas market in the EU.

Benefits of the GIPL project:

- Integration of the Baltic and Finish natural gas markets into a single gas market in the EU;
- Provision of access to alternative gas supply sources and improvement of competitiveness;
- Improvement of security and reliability of gas supply by providing both additional gas transmission capacity and possibility to apply the EU solidarity measures in case of emergency;
- Provision of conditions allowing more flexible and efficient use of the LNG terminals and transmission infrastructure in Poland and Lithuania;
- Improvement of liquidity of gas trade in the Polish and Baltic market areas and strengthening of their role across the region.

Significant events during the reporting period:

- In January 2020, Amber Grid together with the contractors started the GPL construction works: tracing of the route, search for explosives at the construction site, and archaeological investigations were started in the designated areas. In the middle of January, the first pipes necessary for the gas pipeline were delivered to Lithuania.
- In June 2020, complex horizontal direct drilling (HDD) was successfully accomplished underneath the Neris River.
- In June 2020, the Company and the European Investment Bank (EIB) signed a loan agreement for the amount of EUR 65 million, which is intended to finance the construction of the gas interconnection between Lithuania and Poland (GIPL).
- In August 2020, the laying of pipeline underneath the Nemunas River was accomplished.
- In October 2020, the part of the GIPL pipeline was connected to the currently operating gas transmission network.
- In December 2020, a 72km-long section of the newly laid pipeline was filled with gas.
- In December 2020, the steel pipes necessary for the entire Lithuanian part of the GIPL interconnection were delivered to Lithuania.
- 61% of all GIPL project work was completed during 2020.

Investments:

The GIPL project is funded from own and borrowed funds of Amber Grid and GAZ-SYSTEM S.A., using the EU financial assistance under the European Commission Trans-European Networks for Energy (TEN-E) Programme and the EU Connecting Europe Facility (CEF). In addition to the EU financial assistance, the construction operations of the GIPL project will be funded by Lithuania, Latvia and Estonia under the Cross-Border Cost Allocation, whereby they will cover part of the GIPL infrastructure costs in the territory of Poland. It is estimated that EUR 500 million investments in the GIPL project on the Lithuanian side will be lower by EUR 22 million due to high competition in the procurement tender compared to the initially planned EUR 136 million.

More information on the GIPL project, its progress and news can be found on the project website: (www.ambergrid.lt/lt/projektai/dujotiekiu-jungtis-tarp-lenkijos-ir-lietuvos-gipl).

3.3.3. Enhancement of Latvia-Lithuania interconnection (ELLI)

The purpose of the project is to enhance the capacity of Latvia-Lithuania interconnection, ensure safe and reliable gas supply and achieve a more effective use of the infrastructure and a better integration of the Baltic gas markets. This will provide better conditions for the use of the Latvian Inčukalns underground gas storage facility. The project promoters are Amber Grid and the Latvian transmission system operator AS Conexus Baltic Grid.

Feasibility study and cost-benefit analysis of the Lithuanian-Latvian gas interconnection capacity enhancement assessing the regional market gas demand and flow modelling showed that after the construction of the gas interconnections between Finland and Estonia (Balticconnector) and between Poland and Lithuania (GIPL), and between Lithuania and Latvia, greater capacity will be needed to ensure the regional gas market demand and security of gas supply - up to 130.47 GWh per day in the direction of Latvia and up to 119.5 GWh per day in the direction of Lithuania.

As a result of implementation of the project, the enhanced gas transmission capacity between Lithuania and Latvia will also be beneficial due to the already existing gas interconnection between Poland and Lithuania (GIPL).

To increase the interconnection capacity in the territory of Lithuania, it will be necessary to boost the capacity of Kiemėnai gas metering station and to restructure the gas pipeline at Panevėžys compressor station, and in the territory of Latvia - to reconstruct a part of the main gas pipelines in the southern, central and western parts of the country to increase the maximum design pressure in the pipelines up to 50 bar and to install a new compressor station near the Inčukalns underground gas storage. The completion of the project is scheduled for the end of the year 2023.

Investments:

The planned investment amount of the project is EUR 10.2 million, of which EUR 4.7 million - in the territory of Lithuania.

Significant events during the reporting period:

On 13 July 2020, Amber Grid signed an agreement on the ELLI designing work to be carried out during 2021. The construction work under the project is expected to start in the beginning of 2020 and continue till the end of 2023.

3.4. Transmission network development

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

3.4.1. Electricity transmission network development plan

According to the Law on Electricity of the Republic of Lithuania, the electricity transmission system operator (TSO) is responsible for a stable and reliable operation of the electricity system, performance of the national balancing function and provision of system services in the territory of the Republic of Lithuania, operation, maintenance, management and development of the transmission network of the electricity system and the interconnectors with the electricity systems of other countries by reducing capacity restrictions in the transmission networks and taking into consideration the needs of the electricity system and users of the electricity networks.

The Plan for the Development of 400-110 kV Networks of the Lithuanian Electricity System for 2020-2029 was updated by Litgrid in 2020. The plan presents forecasts of electric power and energy consumption needs, capacities of power plants (generation facilities), assessment of the electricity system adequacy, forecast of electric power and energy balances of the electricity market and system, as well as information on the electricity transmission network, its development and restoration, innovations and planned investments.

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

- Investments required for the development of the electricity transmission network may total to around EUR 1.3 billion for 2020-2029. Slightly more than a half of the planned investments will be designated for the implementation of strategic projects of national significance. The remaining half (around 45%) of the planned investments is intended to be allocated for an effective development and systemic renewal of the network, physical and information security, development of the information systems as well as research and innovations.

- During the preparation for connection to Europe the construction of the submarine electricity link with Poland Harmony Link will be completed, the optimisation of the North-East Lithuanian transmission network will be finalised, three autotransformers in the transformer substation in Alytus will be installed. Electricity transmission lines with the length of around 520 km will be built and reconstructed, two new 110 kV switchgear will be installed. In addition to the network's development to ensure connection to Europe, Litgrid plans to construct 72 km of new lines in order to secure reliability of the electricity network, it also plans to reconstruct around 87 transformer substations.

- Irrespective of short-term decline in electricity consumption caused by the COVID-19 pandemic, it is projected that electricity demand will increase by 2% annually on average over the upcoming ten years and will reach 14.7 TWh in 2029 (12.16 Twh in 2020). Electricity consumption will be mainly affected by general economic tendencies, increasing efficiency of electricity consumption, higher number of electric cars and thermal pumps and larger quantity of electricity consumed.

- The number of electric cars may total to around 106 thousand in 2029 in the country and they will consume around 179 Gwh of electricity per year. There were 1,357 electric cars in Lithuania at the end of 2019. Litgrid estimates that no difficulties will arise with regard to the transmission system even if the number of electric cars would be twice as large as it is projected in the country - the transmission system will be prepared for this.

- Particular attention is paid to the assessment of the network's ability to adapt for the integration of renewable energy sources and introduction of energy storage technologies. First, a trial energy storage system with the power capacity of 1 MW and batteries with the storage capacity of 1 MWh will be installed in the transformer substation in Vilnius in 2021. It will allow testing possibilities for the use of the battery storage systems under actual conditions of the Lithuanian electricity system. Results and knowledge obtained will help Litgrid develop competences and install energy storage means in the future and define additional services that could be provided by the batteries.

- For the development of renewable energy resources, it is planned that the objective set in the NEIS will be achieved in 2030 - locally generated electricity will meet around 70% of the electricity demand.

Litgrid's Ten-Year Electricity Transmission Network Development Plan is available at: https://www.litgrid.eu/index.php/tinklo-pletra/lietuvos-elektros-perdavimo-tinklu-10-metu-pletros-planas-/3850

3.4.2. Gas Transmission Network Development Plan

On 1 October 2020, the National Energy Regulatory Council approved the Ten-Year Gas Transmission Network Development Plan for 2020-2029 presented by Amber Grid. Following the amendments in the Law on Natural Gas in 2019, the Ten-Year Amber Grid Gas Transmission Network Development Plan is updated every two years.

The Ten-Year Amber Grid Gas Transmission Network Development Plan has been prepared taking into account the provisions of the state strategic documents, the needs of gas market participants, ensuring security of supply and efficient operation of the transmission system, the Company's strategy, the Company's environmental policy and legal requirements.

The updated Ten-Year Amber Grid Plan for 2020-2029 forecasts investments in the development of the gas transmission system aimed at achieving the strategic goals of the European Union and Lithuania in the gas sector: ensuring security and reliability of gas supply, promoting competitiveness, and integrating the Baltic gas markets into the common European gas market and to develop a common Baltic regional gas market.

In addition, the Network Development Plan sets out the main directions for the development of the transmission system, including a focus on innovation, network digitization and the development of green energy.

The Ten-Year Gas Transmission Network Development Plan for 2020-2029 provides for the implementation of the following strategic gas infrastructure projects:

- By the end of 2021, together with the Polish gas transmission system operator, it is planned to build a gas pipeline connection between Poland and Lithuania. The objectives of the project are to integrate the Baltic and the Finnish gas markets into the common EU market for gas, diversify gas supply sources and increase the security of gas supply;
- In cooperation with the Latvian gas transmission system operator, it is planned to implement a project to increase the capacity of the gas pipeline connection between Lithuania and Latvia. The aim of the project is to ensure the security and reliability of natural gas supply, more efficient use of infrastructure and better integration of the Baltic gas markets and the functioning of the common market. The project is scheduled to be completed at the end of 2023.

In addition to strategic infrastructure projects, the Network Development Plan also foresees investments in the development, renovation and modernization of the transmission system, which will enable to improve the security and reliability of natural gas supply, sufficiency of the existing transmission system capacities, and digitalization of the system elements. A significant share of these investments is financed using the funds provided by the European Structural Funds

The investments into gas transmission network over the next five years are expected to reach about EUR 229 million, half of which will be dedicated for the implementation of the GIPL project.

According to Amber Grid, the developed infrastructure ensures flows meeting the needs of gas system users, it is sufficiently permeable to transmit them and is resistant to adverse conditions. Specialists estimate that gas consumption in Lithuania, which has been declining for some time, will stabilize in the upcoming years and reach 21 TWh per year.

With strong competition in the LNG market, it is forecasted that further higher volumes of gas will reach Lithuania and the Baltic states via the Klaipėda LNG terminal compared to the gas flow supplied from Belarus. In 2020, about 65% of gas will be injected via the Klaipėda LNG terminal, the remaining part of 31% across the border point with Belarus and 4% via the Latvian point. Last year, due to extremely favourable LNG prices, the historical record amount of natural gas was transmitted to Latvia.

In line with the directions of sustainable development set out in the European Commission's strategy The European Green Deal, the growing demand for green gas in Europe is expected. By contributing to the promotion of the green energy development in Lithuania, already in 2021, interconnections of biomethane producers' systems to the common gas transmission network are planned. In addition, the possible introduction of hydrogen transportation technologies through natural gas pipelines has been under assessment. Hydrogen or synthetic methane produced by Power to Gas (P2G) can be fed into gas transmission infrastructure and blended with conventional natural gas.

Amber Grid's Ten-Year Gas Transmission Network Development Plan is available at: https://www.ambergrid.lt/uploads/structure/docs/217_387a0845d9adcaec767a5758e26bd76f.pdf,

„<...> the Network Development Plan sets out the main directions for the development of the transmission system, including a focus on innovation, network digitization and the development of green energy.“

04

Performance review

04

Performance review

4.1. Significant events during the reporting period

January

- The natural gas transmission tariffs approved by the National Energy Regulatory Council (the NERC) became effective from **1 January 2020**. Detailed information on the changes in service prices that have taken effect are provided in Section 2.1 of this Annual Report Operating and regulatory environment.

- As from **1 January 2020**, GET Baltic started its operations in Finland as a single regional trading platform for the gas markets of the Baltic countries and Finland. Trade in short-term and long-term natural gas products was launched on the virtual trade point of Finland by applying the implicit capacity allocation model.

- Amber Grid started the construction of gas interconnection with Poland (GIPL) on **2 January 2020**, when the construction contract signed at the end of 2019 came into effect.

- On **27 January 2020,** Amber Grid notified about its intention to become a solar energy generating consumer, and to generate almost half of electricity for its own needs from renewable energy sources. There are plans to install solar power facilities with the total capacity of around 1,400 kW by autumn 2021. It will account for about 40% of the Company's total need for electricity.

- On **28 January 2020**, aiming to ensure transparent and reasonable development of the electricity sector meeting the needs of market participants, the National Energy Regulatory Council (the NERC) coordinated the 400-110 kV Network Development Plan of the Lithuanian electricity system for 2019-2028 prepared by Litgrid.

February

- On **7 February 2020**, the Board of EPSO-G updated the Group's Dividend Policy. These changes are related to changes in the corporate governance structure, i.e. the liquidation of the Supervisory Board, as well as changes in the legislation governing the payment of dividends. Other key policy provisions remained unchanged. Information on the above is provided in Section Sharehol-ders and dividends of this Annual Report.

- On **28 February 2020**, Vilnius District Court passed a ruling in a legal action brought by MT Group UAB against Amber Grid regar-ding the decisions passed by the Commission for Procurement of Gas Interconnection between Poland and Lithuania (GIPL). The results of the tender for procurement of construction works were left unchanged by the Court.

- On **17 February 2020**, Litgrid signed a contract with the Italian consulting and engineering company CESI for the provision of pro-curement documents of synchronous compensators. Their installation is planned under the requirements for interconnection with the continental European network issued ENTSO-E (the European Network of Transmission System Operators for Electricity). The value of the contract with the company developing the technical specification is EUR 273 thousand, out of which EUR 205 thousand are funded by the EU Connecting Europe Facility.

March

- On **4 March 2020**, the new Litgrid electricity system management and data security center was officially opened in Vilnius, which will ensure a stable and secure operation of the national energy system and management of energy transmission flows, as well as a higher level of physical and cyber security.

- On **10 March 2020**, Litgrid announced that on 9 March 2020 it received the opinion of the Audit Committee of the parent company EPSO-G on the prospective purchase and sale of the IT system for Litgrid and Baltpool's capacity mechanism auctions.

April

- On **1 April 2020**, the Baltic electricity transmission system operators, the Lithuanian Litgrid, the Estonian Elering and the Latvian AST, agreed on a regional co-operation model that would help the three Baltic states to work together and to jointly implement important synchronization projects with Western European electricity networks faster, more efficiently and at lower cost.

- On **1 April 2020**, the Government of the Republic of Lithuania at its meeting adopted a resolution on the refinancing of EPSO-G's liabilities to Ignitis Grupė UAB, agreeing that it was favourable for EPSO-G to refinance all debt prior to the maturity date by using the options provided by credit institutions thus allocating the repayment of the remaining debt of EPSO-G according to the real possibilities of the Company to fulfil the obligations in the long term and instructed the Ministry of Energy, inter alia, to ensure the long-term financial sustainability of EPSO-G and its Group companies, which is essential for the implementation of projects of special national importance and projects acknowledged as economic projects of national importance.

- On **6 April 2020**, Litgrid signed a contract with the contractor Tetas, that would make Alytus and Telšiai substations ready for the installation of synchronous compensators. The investments in these works amount to EUR 2.96 million. The investments into the reconstruction of Telšiai transformer substation amount to EUR 1.456 million (VAT excl.), and to Alytus - EUR 1.496 million (VAT excl.). These works are partly financed by European Union funds. The construction works are to be completed in September 2022.

- On **7 April 2020**, the Company's Board elected Mr. Nemunas Biknius as the CEO of Amber Grid. Until that date (since 28 October 2019), Mr. Biknius (Director for Strategy and Development) used to hold the position of an acting CEO.

- On **15 April 2020**, with Lithuania aiming to reduce the energy sector's dependence on fossil fuels and to promote production from renewable energy sources, Litgrid signed the contract with the Norwegian division of the international consulting services company DNV GL on the preparation of long-term scenarios for the development of the country's electricity. The contract with the value of EUR 120 thousand was signed with DNV GL, which won a public tender announced in December 2019.

- On **16 April 2020**, Litgrid completed the reconstruction of Parovėja switchgear and it has been put into operation at full capacity. During the implementation of the project Reconstruction of 110 kV switchgear of 110-35-10 kV Parovėja Transformer Substation, the contractor that was awarded the contract under the public procurement procedure performed design works and upgraded the switchgear equipment. The reconstruction ensures the power transmission reliability in the region and reduces the operating costs. The works under the public procurement contract signed in 2017 were performed by Energetikos Tinklų Institutas AB. The project value amounted to approximately EUR 1.313 million (VAT excl.) and was partly financed by the EU.

- On **17 April 2020**, the EPSO-G Board approved the Compliance Management Policy applicable at the Group level, the objective of which when managing non-compliance risks, reducing their impact or likelihood of occurrence, is to protect the Group companies from financial or reputational damage that may result from behaviour that does not meet internal and external requirements and encourage the Group's employees to work in accordance with the set requirements and to justify their application on the Group's values.

- On **20 April 2020**, at the Annual General Meetings, the shareholders elected the Boards of Litgrid, Amber Grid and Baltpool for a new four-year term.

  - Two independent members have been elected to the five-member Litgrid Board: Mr. Domas Sidaravičius, CFO of GALIO GROUP UAB, Mr. Artūras Vilimas, the electrical engineering and applied electronics specialist, and three representatives of the holding parent company EPSO-G: Mrs. Jūratė Marcinkonienė, Acting Director for Strategy and Development, Mr. Algirdas Juozaponis, CFO, and Mr. Rimvydas Štilinis, Director for Infrastructure, who was elected as the Chairman of the Board during the first session of the new office term.

  - Two independent members have been elected to the five-member Amber Grid Board: Mr. Ignas Degutis, CFO of RB Rail SA (Rail Baltic), and Mr. Sigitas Žutautas, Director of Būsto Paskolų Draudimas UAB; and three representatives from the Board of the parent company EPSO-G: Mrs. Renata Damanskytė-Rekašienė, Director for Legal and Corporate Governance, Mr. Rimvydas Štilinis, Director for Infrastructure, and Mr. Algirdas Juozaponis, CFO, who was elected as the Chairman of the Board during the first session of the new office term.

Two independent members have been elected to the five-member Baltpool Board: Mr. Gediminas Mikaliūnas, Head of Automation and Transformation of IT Operations at Barclays bank PLC, the US, and Mr. Vytautas Vorobjovas, B2B Marketing Executive of IT360 UAB. Mr. Rytis Valūnas, CAO and General Counsel of Klaipėdos nafta AB and two representatives of the parent company EPSO-G: Mrs. Ieva Kuodė, Head of Development, and Mr. Tomas Urmanavičius, Finance Control Director, have been elected to the Board as well.

On **20 April 2020**, the General Meeting of Shareholders approved to modernize the 330 kilovolt (kV) electricity transmission network in south-eastern Lithuania, from the power plant in Elektrėnai to Alytus. EUR 14.85 million (VAT excl.) will be invested in the network upgrade. During the reconstruction, 207 overhead line supports and cables will be replaced, and a lightning protection and fiber optic cable will be installed. The works will be performed in three stages, and their completion is scheduled for September 2023. The reconstruction works will be carried out by a group of economic operators that have won the tender: Kauno Tiltai AB and Litenergoservis UAB. These works will be partly financed by European Union funds.

On **22 April 2020**, the European Commission, Ministries of Energy, regulators and transmission system operators from Lithuania, Latvia, Estonia and Finland approved the Regional Gas Market Development Action Plan for the Baltic region. The Regional Gas Market Development Action Plan contains market integration measures for 2020-2022 aimed at developing a four-country wide gas transportation pricing mechanism, eliminating the cross-border tariffs, developing the related inter-TSO compensation mechanism, regional gas transmission system capacity allocation mechanism, data exchange principles, as well as common information systems intended to service the regional gas market model.

On **28 April 2020**, the Lithuanian, Latvian and Estonian electricity transmission system operators: Litgrid, Augstsprieguma Tīkls AS and Elering AS, signed a memorandum and agreed that in 2025, when the countries interconnect with the Western European electricity networks, they will jointly control the energy system frequency through the Baltic Power and Frequency Control Unit. The memorandum also formalized the parties' intention to create a common market for power reserves.

On **30 April 2020**, at the Annual General Meeting, the sole shareholder of the holding company EPSO-G, the Ministry of Energy, approved the audited company's financial statements and consolidated financial statements for the year ended 2019, reviewed the annual report and approved the distribution of profits.

May

On **19 May 2020**, the gas transmission system operators from Lithuania and Latvia - Amber Grid and GAZ-SYSTEM - signed an agreement with an international consulting and engineering company AFRY (former Poyry) to conduct an independent expert study that will provide the potential solutions for commercially optimal utilisation of the GIPL interconnection to be operated by both companies. The contract in the amount of EUR 121 thousand was signed after AFRY won the tender. The consulting services will be financed in equal parts by the operators of both countries.

On **22 May 2020**, Amber Grid signed an agreement with the Lithuanian Business Support Agency, based on which the EU support will be provided for the reconstruction of 18 km-long sections of the main pipeline Vilnius-Kaunas. The value of the reconstruction project amounts to EUR 17.1 million, a half of the amount, EUR 8.6 million, will be financed from the EU Structural Funds.

On **26 May 2020**, Lithuanian and Polish electricity transmission network operators Litgrid and PSE S.A. signed the Implementation Phase Cooperation Agreement in the Harmony Link Interconnector Project. Under this agreement, the electricity transmission system operators of both countries undertake to contribute in equal parts to the installation of the submarine interconnection Harmony Link.

On **26 May 2020**, the transmission system operators in Lithuania, Latvia, Estonia and Poland submitted a joint application for funding the project of synchronization of the Baltic states electricity networks with the European electricity networks in the amount of EUR 1.2 billion. This will be the first time an application has been submitted by all four countries.

On **28 May 2020**, the NERC approved the natural gas transmission prices established by the Board of Amber Grid effective from 1 January 2021. Details of the changes in service prices that have taken effect are provided in Section 2.1 of this Annual Report Operating and regulatory environment.

June

On **2 June 2020**, Litgrid and PSE, for the implementation of the Harmony Link project, called upon the Austrian capital international group ILF Consulting Engineers, which will develop technical specifications for tendering procedures for the most important elements of the project, the offshore cable and converter stations, under a contract worth EUR 1.367 million. The company will also help in the preparation of the remaining project documentation. The contract covers the works of the feasibility study, the obtaining of permits for laying the cable in the Swedish exclusive economic zone, the preparation of procurement documentation for the cable and converter stations, the procurement consulting, the risk assessment study associated with the cable bedding.

- On **9 June 2020**, Litgrid launched a feasibility study of acoustic attenuation measures for the equipment of LitPol Link converter station and the transformer substation in Alytus district. The study is developed by DGE Baltic Soil and Environment UAB. This study will help answer questions on additional measures that will most effectively solve the issue of noise emitted by the strategic Lithuanian facility operating in Alytus, the LitPol Link interconnection converter station and the transformer substation.

- On **19 June 2020**, the Lithuanian, Latvian and Estonian electricity transmission system operators Litgrid, Augstsprieguma tīkls and Elering signed the cooperation agreement with TEPCO Power Grid, a company that is part of the Japanese energy group of companies. The agreement is aimed at developing the economically justified model and identifying the technical measures contributing to the implementation of the target set in the National Energy Independence Strategy stating that by 2050, 100% of electricity consumed in Lithuania needs to be produced from renewable energy sources.

- On **29 June 2020**, an arrangement was signed between EPSO-G and Amber Grid regarding an amendment to cash pool agreement, based on which the maximum borrowing and lending limit amounting to EUR 35 million was increased up to EUR 40 million.

- The Extraordinary General Meeting of Shareholders of Amber Grid held on **29 June 2020** approved the decision made by Amber Grid's Board on 4 June 2020 regarding a loan agreement to be signed with the European Investment Bank (EIB), based on which a loan of EUR 65 million is to be granted to finance the construction of the Lithuanian part of the gas interconnection between Lithuania and Poland (GIPL) for the maximum term of 18 years.

- On **30 June 2020**, Amber Grid and the European Investment Bank (EIB) signed a loan agreement for the amount of EUR 65 million, which is intended to finance the construction of the Lithuanian part of the gas interconnection between Lithuania and Poland.

- On **30 June 2020**, during the Extraordinary General Meeting, the shareholders of Litgrid approved the sale of one-fifth of the Company's shares in Data Logistics Center (DLC) to the infrastructure investment fund managed by Quaero Capital of Switzerland. Under the share purchase agreement signed in June, Litgrid intends to sell 20.36% shares, and the remaining 79.64% shares are sold by Ignitis Grupė. The total value of the transaction is EUR 10.1 million EUR. DLC shares are sold in order for Ignitis Grupė and Litgrid to concentrate on the core business of the companies. Ownership of the DLC shares was transferred following the end of the reporting period after the Commission for Coordination of Protection of Objects of Importance to Ensuring National Security gave a positive opinion on the compliance of the transaction with the national security.

- On **30 June 2020**, Amber Grid submitted the Ten-Year Gas Transmission Network Development Plan for consideration by the NERC. During 2020-2029, there are plans to implement investment projects of the transmission system development that are aimed at diversifying gas supply sources across Lithuania and the entire region, and at ensuring safe and reliable gas transmission system.

- On **30 June 2020**, Litgrid updated and submitted the Ten-Year 400-110 kW Electricity Transmission Network Development Plan for 2020-2029 for consideration by the NERC.

July

- On **2 July 2020**, Litgrid completed the construction of the 110 kV Pagėgiai-Bitėnai overhead line in June. More than EUR 5 million were invested in the 17.1km-long line in western Lithuania. The new line has increased the reliability of electricity transmission for electricity consumers in the Pagėgiai municipality and the entire western part of Lithuania. This was the second of fourteen synchronisation projects approved by the Government and already implemented.

- On **2 July 2020**, the complex horizontal directional drilling underneath the Neris River was successfully completed as a part of the GIPL project. For the purpose of mitigating the environmental impact, the section of the gas pipeline 20m below the river bottom was constructed and connected to the existing pipeline.

- On **3 July 2020**, Litgrid initiated the tender procedure for the designing and construction of 330kV electricity transmission lines Klaipėda-Grobinė and Jurbarkas-Bitėnai. The lines need to be reconstructed in order to form new 330kV double-circuit lines Darbėnai-Bitėnai and Kruonis HAE-Bitėnai.

- On **9 July 2020**, Litgrid initiated the procurement procedure for the consulting services, as Lithuania and Poland were getting ready for the construction of the submarine power cable Harmony Link in the Baltic Sea. It is expected to involve experts to rely on their experience in laying high voltage direct current power cables and converter stations necessary to ensure a streamlined implementation of the project.

August

- On **2 August 2020**, Litgrid completed a partial testing of the isolated work in Lithuania - the test was run in the part of the Lithuanian power network that was disconnected from the UPS/IPS system and that covered all the largest Lithuanian power plants. Litgrid dispatchers controlled the frequency independently. The testing involved the largest domestic electricity generators and NordBal interconnection. The testing also involved the interconnection with Poland (LitPol Link) to check how its technological functionality could help control the frequency in the event of frequency fluctuations.

- On **7 August 2020**, Litgrid started construction of solar power plants at the reconstructed transformer sub-stations. Electricity generated at the solar power plants will be used by the transformer sub-stations themselves. By 2023, it is planned to build solar power plants at 21 reconstructed transformer sub-stations.

- On **11 August 2020**, Litgrid in co-operation with the electricity distribution operator ESO completed transformer sub-station reconstruction and network modernisation works in Juodkrantė for the total value of EUR 717 thousand. As a result of modernisation of the electricity transmission and distribution system in the Curonian Spit, the transformer sub-station in Juodkrantė was reconstructed in full, all old equipment was replaced with new one, and a new second auto-transformer of 16 MVA capacity was installed, and the former scheme was replaced with a ring scheme. Those improvements are expected to increase the capacity of the electricity transmission network and ensure uninterrupted supply of electricity at neither of the branches in case of a breakdown.

- On **12 August 2020**, the concept document for development plan of submarine interconnection Harmony Link and the switchgear in Darbėnai, and the Strategic Environmental Assessment Report were drafted and submitted for public consideration, thereby seeking to ensure conditions necessary for sustainable development of this infrastructure.

- On **17 August 2020**, Mr. Rimvydas Štilinis, the Director of Infrastructure of EPSO-G submitted his request for resignation from the Board of Litgrid with effect from 31 August 2020.

- On **18 August 2020**, as a part of the implementation of the GIPL project, the first 750m-long gas pipeline underneath the Nemunas River, the widest river of Lithuania, in Alytus district was laid.

- During the extraordinary Board meeting held on **18 August 2020**, a decision was made to elect the Board member Mr. Algirdas Juozaponis (the CFO of EPSO-G) as the Chairman of the Board. He replaced Mr. Rimvydas Šilinis, who resigned from the position of the Board member of Litgrid and Amber Grid with effect from 31 August 2020.

- On **18 August 2020**, the Lithuanian and Polish transmission system operators Litgrid and PSE signed a contract, based on which the capacity providers in Lithuania are now able to participate in the capacity mechanism auctions in Poland.

- On **25 August 2020**, Litgrid signed a contract with Elektromontuotojas UAB, a contractor engaged to reconstruct the transformer sub-station Plastmasė in Vilnius, which submitted the most cost-effective proposal during the public procurement procedure initiated in spring. During the implementation of the project Reconstruction of a 110-6 kV switchgear at the transformer sub-station Plastmasė, the contractor that awarded the contract will have to prepare a reconstruction project, replace the old equipment with new one, and replace the former scheme of the transformer sub-station. It is expected that the reconstruction of the switchgear will increase reliability of the electricity transmission in the eastern part of Lithuania and will reduce the maintenance costs in the future. The project value is EUR 1.199 million (VAT excl.), whereof EUR 665.9 thousand is financed from the EU funds. The reconstruction of the switchgear is expected to be finalised in 2023.

September

- On **3 September 2020**, Litgrid initiated the tender procedure for the procurement of synchronous compensators. These devices ensure inertia of the network and are one of key components required to ensure successful operation of the Baltic power systems after the synchronisation in 2025. The procurement covers the designing, production, installation services, warranty repairs and service, and spare parts necessary to ensure accessibility and reliability of the synchronous compensators. It is expected to sign a contract with the selected provider in Q2 2021.

- On **3 September 2020**, Litgrid, together with its partners in Sweden, run the testing of the submarine interconnection NordBalt. It involved testing the ability to restart the system after a total blackout with the help of power interconnection with Sweden.

- On **7 September 2020**, the information on the gas transmission system operated by Amber Grid relevant to designers, land surveyors and investors, as well as residents, was published on the map the regional geoinformational environment map REGIA of the Centre of Registers.

On **8 September 2020**, Litgrid started the preparatory work in relation to the offshore infrastructure for wind power generation. Over the next three years, it is expected to perform studies and surveys, and to plan the installations that are required to integrate the future wind power capacity generated in the Baltic Sea into the Lithuanian electricity system. The legal acts stipulating that, similarly as in other EU Member States, the transmission system operator will be responsible for preparing the infrastructure required to integrate the offshore wind power generation into the Lithuanian electricity system, were submitted by the Lithuanian Government for consideration by the Seimas. There are plans to perform a feasibility study for integration of the offshore wind power and to decide on the planning of territories in 2021; to perform a study of electricity transmission line route in 2022; and to perform a seabed survey and prepare technical specifications for procurement of construction works and territory planning documents in 2023.

On **8 September 2020**, Litgrid completed a strategic environmental impact assessment and conceptual phase of engineering infrastructure development plans for two projects: the electricity transmission line Kruonis HA-Bitėnai and the switchgear in Mūša. Those are two out of 14 strategic national projects that are vital for synchronisation of the Lithuanian electricity system with the electricity system of the continental Europe.

On **9 September 2020**, Litgrid signed a contract with the Lithuanian-Estonian electricity demand response platform FuseBox. As a result of testing of the balancing services in the Lithuanian transmission system, a new market participant will be able to join the Baltic balancing service market and to trade balancing energy with the transmission operators.

On **14 September 2020**, in order to strengthen reliable supply of electricity in the eastern part of Lithuania, Litgrid started reconstruction of the switchgear of a 110 kV transformer sub-station in Ąžuolynė, Vilnius district. The reconstruction will involve replacements at the transformer sub-station, which will enable Energijos Skirstymo Operatorius AB (ESO) to connect an additional power transformer. This in turn will create conditions for increasing the installed power for large-scale consumers. Investments into this project amount to EUR 999,987.44 (VAT excl.). The reconstruction works under the public procurement contract have been awarded to the contractor Tetas UAB. The project is expected to be completed in 2021.

At the General Meeting of Shareholders of Litgrid held on **18 September 2020**, the decision was made to select PricewaterhouseCoopers UAB as the audit firm to conduct audit of the set of consolidated and company's financial statements of Amber Grid for 2020-2021 prepared according to International Financial Reporting Standards, as adopted by the EU, presented together with the annual report. In addition, the decision was made to set an audit fee for the maximum amount of EUR 197,472 (excl. VAT) for the aforementioned audit services (not in excess of EUR 98,736 (excl. VAT) per audit of each year's financial statements).

Based on the decision of the Company's General Meeting of Shareholders held on **18 September 2020**, the audit firm was selected, and the audit fee payment terms were agreed for the period 2020-2021. The decision was made to select PricewaterhouseCoopers UAB as the audit firm to conduct audit of the set of consolidated and company's financial statements of Amber Grid for 2020-2021 prepared according to International Financial Reporting Standards, as adopted by the EU, presented together with the annual report. In addition, the decision was made to set an audit fee for the maximum amount of EUR 161,568 (excl. VAT) for the aforementioned audit services (not in excess of EUR 80,784 (excl. VAT) per audit of each year's financial statements).

On **22 September 2020**, Litgrid signed an agreement with the European network operators on participation in a project One Network of Europe (OneNet), which is financed from the European Union funds and which will involve testing of the flexible network solutions contributing to the implementation of a joint network vision. The project will last for 3 years, and it will be financed under the European Commission's Research and Innovation Programme Horizon 2020. The total project budget is EUR 27.9 million, and amount financed by Litgrid is EUR 106.8 thousand.

On **22 September 2020**, Amber Grid signed an agreement with the Lithuanian Business Support Agency regarding the three-year modernisation of the gas distribution stations in Grigiškės, Vievis and Kėdainiai. The project for the total value of over EUR 6 million will be implemented by 2023, half of which will be financed from the EU support funds – slightly more than EUR 3 million.

October

On **1 October 2020**, the NERC approved the Ten-Year Gas Transmission Network Development Plan for 2020-2029 that was presented by the gas transmission system operator Amber Grid. The plan is available on Amber Grid's official website at: https://www.ambergrid.lt/lt/perdavimo-sistema/perdavimo-sistemos-pletra/perdavimo-sistemos-pletros-planas.

On **1 October 2020**, the NERC set a price cap of 0.721 ct/kWh for Litgrid for electricity transmission services via a high voltage network for the year 2021, i.e. 11.4% lower compared to 0.814 ct/kWh set for the year 2020. The new tariff will be effective from 1 January 2021. A lower tariff was set due to Litgrid's decision to refund EUR 10 million arising from actual return on investment higher than that set by the regulator in 2018-2019, one year earlier than required under the regulation.

On **2 October 2020**, the coordination committee of the EU funding instrument Connecting Europe Facility allocated the maximum possible amount of support for the key projects of synchronisation of the Baltic countries with the continental European network. Details are provided in Section 3.4 Summary of significant infrastructure projects of this Annual Report.

On **7 October 2020**, the Baltic TSOs Litgrid, Augstsprieguma tīkls and Elering prepared the concept for the Baltic load frequency control block development and common balancing capacity markets. This document sets out how, following the synchronization with the continental European network in 2025, the system frequency will be controlled, and the balancing capacity market will be organized.

On **9 October 2020**, Amber Grid tested the quality of the constructed pipeline section of the GIPL project. Hydraulic tests were conducted to check whether the pipeline can sustain the maximum designed pressure. The working pressure of the GIPL pipeline will be 54 bar. The durability of 38km-long section of the gas pipeline crossing in the districts of Širvintos, Vilnius and Elektrėnai was tested. Following the hydraulic tests, a smart pipeline inspection device was launched to check the pipeline geometry and the quality of the pipeline mounting works.

On **12 October 2020**, the Board of Litgrid adopted a resolution to remove Mr. Davis Virbickas from office as the Company's CEO with effect from 16 October, which will be the last day of office as the Company's CEO. Mr. Vidmantas Grušas, the Director of Transmission Network Department, was appointed as an acting CEO of the Company for as long as a new CEO is elected to hold the position permanently.

On **15 October 2020**, the Baltic electricity transmission system operators drafted new Baltic balancing energy market rules, which provide for operations in a common European balancing platform MARI. The platform joining is expected to occur in 2023-2024, thereby increasing the system's reliability, efficiency of operators and market participants, and providing possibilities to integrate a larger share of electricity generated from renewable energy sources. Joining of common European market platforms and participation in common system control and market mechanisms is a prerequisite for the Baltic states to implement synchronisation with the continental European network.

On **16 October 2020**, having analysed the data provided by Litgrid on the acquisition costs and quantity of services that are vital for a stable work of system, the NERC set a 0.762 ct/kWh price for power system services, i.e. 2.9% lower compared to 0.785 ct/kWh price effective in 2020. The price for power system services was lower due to lower projected costs of tertiary active power reserve and demand for reactive power and voltage control services in the year 2021.

On **21 October 2020**, at the Extraordinary Meeting of Shareholders, the shareholders of Litgrid approved a EUR 17 million (VAT excl.) value contract with the Swedish company NKT HV Cables, which would provide repair services, on as-needed basis, of the marine interconnection NordBalt. Based on the contract, an annual fee to the contractor will amount to EUR 300,000 (VAT excl.), and a one-off contribution will amount to EUR 250,000 (VAT excl.). Payment for the works ordered will be made in accordance with the terms stipulated in section Prices for Services of the contract.

On **22 October 2020**, the Ministry of Energy together with the largest groups of energy companies Ignitis Grupė and EPSO-G signed arrangements, based on which the companies committed themselves to save at least 1.6 TWh in final energy consumption by 2030. Based on the arrangements concluded by the Ministry of Energy, Amber Grid and Litgrid, the subsidiaries of EPSO-G, committed themselves to save at least 4.19 GWh in final energy consumption by 2030.

On **22 October 2020**, with regard to the recommendation of the Remuneration and Nomination Committee, under the decision of the sole shareholder of the holding company EPSO-G, the Ministry of Energy of the Republic of Lithuania, of 22 October, the EPSO-G Audit Committee started its second term of office. It will serve until the end of the current term of office of the EPSO-G Board.

On **26 October 2020**, it was announced that Amber Grid signed an agreement with Eternia Solar on the installation of solar parks in the territory of the gas transmission operator. By the end of 2021, it is planned to install the solar panels for EUR 980 thousand with the total capacity of 1,400 kW in Vilnius, Jauniūnai gas compressor station and Panevėžys.

On **29 October 2020**, the NERC gave its approval to the electricity transmission prices for 2021 approved by resolution of the Board of Litgrid. Details of the changes in service prices that have taken effect are provided in Section 2.1 of this Annual Report Operating and regulatory environment.

On **29 October 2020**, Plungė District Municipality granted a construction permit for implementation of Litgrid's project for reconstruction of the switchgear at the transformer sub-station Oda in the territory of Plungė District Municipality. The project for the reconstruction of 110 kV switchgear at the transformer sub-station Oda will involve modernisation of the switchgear's machinery, the operation of which started back in 1970. The reconstruction of the switchgear will ensure reliability and will help reduce the maintenance costs in the future. The designing and reconstruction work under a public procurement contract are carried out by the contractor Tetas UAB. The project is expected to be completed in 2021. The project value is around EUR 900 thousand.

November

On **3 November 2020**, Litgrid, while implementing the Law on Necessary Measures to Protect Against Unsafe Threats of Nuclear Power Plants in Third Countries, has set zero capacity for commercial electricity flow from Belarus. The operator informed the participants of the Nord Pool power exchange on these changes.

- It was announced on **4 November 2020** that the gas transmission system operators Amber Grid and GAZ-SYSTEM SA initiated a market survey to assess the progress achieved in the development of new transmission capacity in the gas interconnection between Poland and Lithuania (GIPL). Considering the value that the GIPL might bring to the gas markets in the region, both gas transmission system operators see the necessity to analyse the possibilities that might improve the GIPL's commercial viability and maximise the economic impact. The survey was aimed at gaining a better understanding of the key drivers that help ensure optimal access to the GIPL interconnection entry/exit points in both directions and create an added value for the consumers.

- On **25 November 2020**, Litgrid announced the completion of the land-use planning phase in two synchronization projects: the lines Darbėnai-Bitėnai and Kruonis HAE-Bitėnai. For both of them, engineering infrastructure development plans and environmental impact assessment reports of the planned economic activity have been prepared.

- It was decided on **18 November 2020** that in 2021 the head office of Amer Grid will be moved to Business Garden Vilnius office complex of office premises developed on the outskirts of Vilnius. Based on the contract, office premises with the total area of around 1,100 sq.m. and for total number of up to 76 employees will be leased out starting from autumn 2021. The movement of the head office of Amber Gird to the new premises was planned due to the approaching expiry of the current lease contract for office premises located at Savanorių avenue in Vilnius.

- On **26 November 2020**, Lithuanian and Polish TSOs Litgrid and PSE signed an agreement with the consortium composed of MEWO S.A., Gdynia Maritime University and Garant Diving UAB for the seabed survey in the Baltic Sea along the route of the planned Harmony Link cable project, which will connect Poland and Lithuania.

- On **30 November 2020**, EPSO-G and the subsidiary Amber Grid have joined the Lithuanian Hydrogen Platform established by the Ministry of Energy together with 19 Lithuanian organizations. Seeing its role in creating the conditions for the decarbonisation of the Lithuanian energy sector and adapting the transmission system to the transportation of green gas, Amber Grid actively participates in hydrogen research and development activities in Lithuania and abroad.

December

- On **2 December 2020**, Litgrid completed the reconstruction of the 330 kV Lietuvos Elektrinė-Vilnius electricity transmission line. This is the third implemented strategic project necessary for the synchronization of the Lithuanian electricity system with the continental European network. The reconstructed line will significantly reinforce the electricity network of Vilnius region, ensure reliable supply to residents and businesses. During the reconstruction, 330 kV power transmission overhead line Lietuvos Elektrinė-Vilnius was transformed from a single-circuit to a double-circuit line. This change means that the transformer substation of the Lithuanian power plant in Elektrėnai and the transformer substation of Vilnius in Trakų Vokė are connected not only with the single line but rather with two lines which are erected on the same towers.

- On **3 December 2020**, the NERC approved the new standard contractual terms of balancing services and imbalance purchase-sale contracts prepared by Litgrid enabling the operation of the balancing capacity market and demand aggregation services from 2021.

- On **10 December 2020**, the Baltic electricity transmission system operators have signed an agreement with the IT company Navitasoft on the development of a common data transparency platform. For Lithuanian, Latvian and Estonian operators Litgrid, AST and Elering the common platform will help to better meet the needs of the regional balancing energy market. The operators with the project contractor Navitasoft plan to create and launch the platform within 5 months.

- On **14 December 2020**, the Baltic and Polish TSOs Litgrid, AST, Elering and PSE signed the financing agreement with the Innovation and Networks Executive Agency (INEA) on the financing of the implementation of stage II of the Baltic synchronisation project. Detailed information on these projects and the progress of their implementation is provided in Section 3.4 Summary of significant infrastructure projects.

- On **17 December 2020**, the study RAIDA 2050 of the scenarios for the development of the Lithuanian electricity system was publicly announced and commissioned by Litgrid.

- On **17 December 2020**, the Polish GSA platform operator and Amber Grid signed an agreement, based on which the capacity at the interconnection point in Santaka will be allocated via the GSA platform. The capacity will be made available upon implementation of the GIPL project and construction of a physical Poland-Lithuania gas interconnection point. The commissioning of the new cross-border gas interconnection between Lithuania and Poland (GIPL) is planned to occur in 2022.

- On **23 December 2020**, AIB, an association uniting European bodies issuing guarantees of origin, gave Litgrid the right to administer exported guarantees of origin. AIB has over 20 member countries performing transactions of guarantees of origin through the AIB Hub system regulated by the EECS (European Energy Certificate System).

- On **29 December 2020**, 60% of the construction of the international gas transmission connection to Poland, GIPL, was completed at the end of December. The achieved goal was embedded by the 72km-long section of the new gas pipeline filled with gas in the last days of this year. Natural gas was injected into the pipeline section from the starting point of the GIPL connection in Širvintos district to Alytus, where the pipeline start-up adjustment works are being carried out.

- As from **30 December 2020**, to accelerate the use of hydrogen in the energy sector Amber Grid became a member of the Lithuanian Hydrogen Energy Association. The association uniting the country's scientists and business organizations promotes the development of hydrogen technologies in the country and seeks transparent and efficient regulation of hydrogen energy.

4.2. Performance indicators

In 2020, the benefits of a target-oriented development of the energy transmission infrastructure and regional integration became particularly evident, i.e. the positive dynamics of the EPSO-G performance was largely driven by a significant growth of the volume of gas transmission services towards the direction of Latvia as a result of favourable prices of gas and launch of the interconnection between Estonia and Finland, as well as by a higher gas consumption in the domestic energy sector. This has offset lower revenue at the beginning of the year due to warmer weather conditions and a slightly lower volume of electricity transmission services due to a slower economic growth of the country.

The quantity of electricity transmitted via high voltage transmission networks to households and businesses was equal to 10,088 GWh in 2020, which is nearly 2% less compared to 2019. Such decline was caused by warmer than usual weather conditions in the first quarter of the year and a slower economic growth of the country due to the impact of COVID-19.

25,144 GWh of natural gas was transmitted to the gas consumers in Lithuania in 2020. Compared to gas transmitted in 2019, gas transmission quantity increased by nearly 7%. The largest positive impact was driven by a higher demand in the electricity generation sector.

7,960 GWh of natural gas was transmitted to the Republic of Latvia through the gas metering station in Kiemėnai in 2020 (2019: 5,990 GWh). 24,902 GWh of natural gas was transported to Kaliningrad Region of the Russian Federation during the reporting period (2019: 26,002 Gwh).

The electricity transmission network operated reliably – electricity not supplied to consumers amounted to 5.25 MWh or 6.2 times less in 2020 compared to 2019 due to interruptions in the high voltage electricity network for the reasons falling within the responsibility of the operator.

Key performance indicators of EPSO-G Group:

	2020	2019	CHANGE		2018
			+/-	%	
ELECTRICITY					
QUANTITY OF ELECTRICITY TRANSMITTED, GWh	10,088	10,277	-189	-1.8%	10,491
ENS (Electricity Not Supplied due to interruptions), MWh **	5.25	32.33			0.95
AIT (Average Interruption Time), min. *	0.18	1.13			0.04
AVAILABILITY OF NORDBALT, %	96%	98%			97%
AVAILABILITY OF LITPOL LINK, %	92%	98%			98%
NATURAL GAS					
QUANTITY OF GAS TRANSPORTED TO THE DOMESTIC EXIT POINT, GWh	25,144	23,530	1,614	6.9%	22,320
QUANTITY OF GAS TRANSPORTED TO ADJACENT TRANSMISSION SYSTEMS, GWh**	32,861	31,991	870	2.7%	30,140
TURNOVER OF THE NATURAL GAS EXCHANGE, GWh	7,201	2,858	4,343	151.9%	1,084
BIOFUEL					
QUANTITY OF BIOFUEL TRADED AT THE ENERGY EXCHANGE, thousand tonnes of oil equivalent	470	432	38	8.8%	430

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

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

In 2020, the total traded volume of natural gas exchange GET Baltic in Lithuania, Latvia, Estonia and Finland reached 7,201 Gwh. Compared to 2019, the total traded volume increased more than 2.5 times. Higher traded volumes mainly resulted from a successful launch of the natural gas exchange activities in Finland since the beginning of the year.

In 2020, 470 thousand tonnes of oil equivalent of biofuel or nearly 9% more compared to 2019 was acquired at the energy exchange Baltpool by the district heating companies, independent heat producers and industrial companies.

4.3. Financial indicators

FINANCIAL INDICATORS, EUR '000	2020	2019	CHANGE		2018
			+/-	%	
REVENUE	270,520	250,985	19,535	7.8%	245,833
OPERATING EXPENSES	230,058	235,210	-5,152	-2.2%	318,171
EBITDA[1]	74,549	47,790	26,759	56.0%	55,306
NET PROFIT (LOSS)	40,085	11,403	28,682	251.5%	-47,720
NORMALISED NET PROFIT (LOSS)[2]	40,085	11,403	28,682	251.5%	14,365
ASSETS	787,532	719,546	67,986	9.4%	684,663
NON-CURRENT ASSETS	635,287	565,052	70,235	12.4%	540,535
CURRENT ASSETS	152,245	154,494	-2,249	-1.4%	144,128
EQUITY	233,064	193,961	39,103	20.2%	183,873
LIABILITIES	554,468	525,585	28,883	5.5%	500,790
NET DEBT[3]	366,880	316,654	50,226	15.9%	353,649
DIVIDENDS*	not allocated	773	-	-	750

* Dividends for the reporting year are paid in the next year.

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

[2] Normalised net profit (loss) = net profit (loss) – result of revaluation of assets of Litgrid and Amber Grid – change in deferred income tax on revaluation of assets of Litgrid and Amber Grid – change in the price premium of Litgrid.

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

FINANCIAL RATIOS	2020	2019	CHANGE +/-	CHANGE %	2018
EBITDA MARGIN[4]	27.6%	18.9%			22.5%
RETURN ON EQUITY (ROE)[5]	18.8%	6.0%			-22.5%
NORMALISED RETURN ON EQUITY (ROE)[6]	18.8%	6.0%			6.8%
TOTAL ASSETS TURNOVER RATIO[7]	34.4%	34.9%			35.9%
NET DEBT TO EQUITY RATIO	157.4%	158.6%			186.5%
EQUITY TO ASSETS RATIO	29.5%	27.0%			26.9%
CURRENT RATIO[8]	0.8	0.8			0.8

[4] EBITDA margin = EBITDA / Revenue

[5] Return on equity = net profit/(equity at the beginning of the period + equity at the end of the period)/2

[6] Normalised return on equity = normalised net profit (loss)/(equity at the beginning of the period + equity at the end of the period)/2

[7] Total assets turnover = revenue/assets

[8] Current ratio = total current assets/total current liabilities

4.3.1. Revenue

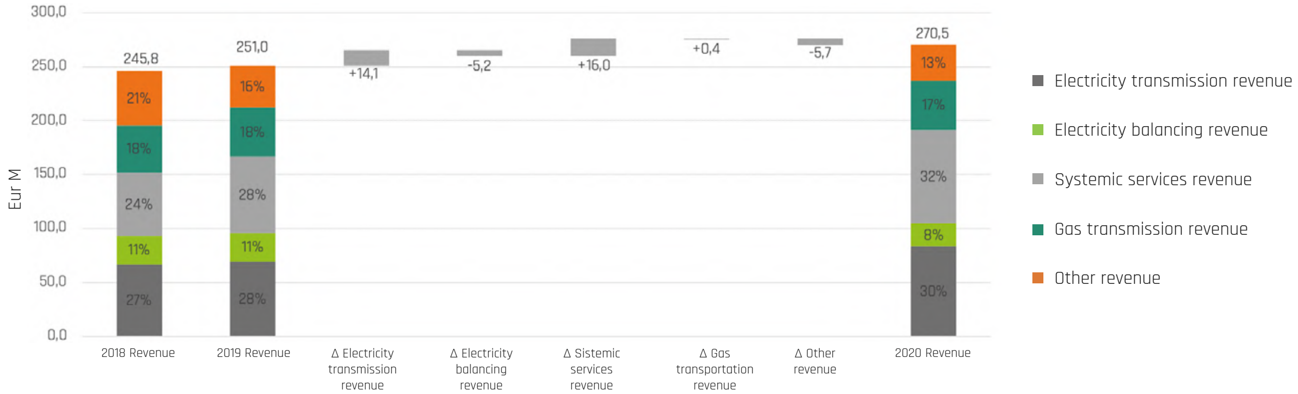
The consolidated revenue of EPSO-G Group increased by EUR 19.5 million or 7.8% in 2020 compared to 2019, i.e. from EUR 251.0 million to EUR 270.5 million.

Revenue from electricity transmission increased by 20% compared to 2019 and amounted to EUR 83.4 million representing 30% of the Group's total revenue. Revenue growth was caused by a higher average actual electricity transmission price.

Revenue from system services increased by 23% and amounted to EUR 86.7 million, whereas revenue from balancing electricity declined by 20% and amounted to EUR 21.2 million. The total revenue from electricity transmission and related services amounted to EUR 206.4 million or 76% of EPSO-G Group's total revenue.

Revenue generated by EPSO-G Group in 2020 from natural gas transportation and related services amounted to EUR 49.0 million. This represented 19% of EPSO-G Group's consolidated revenue. Revenue from natural gas transmission and other related services declined by around 5%, although the tariffs for the gas transmission services were even 16% lower since the beginning of the year.

The Group's other income decreased by EUR 1.3 million compared to 2019 and amounted to EUR 11.0 million.

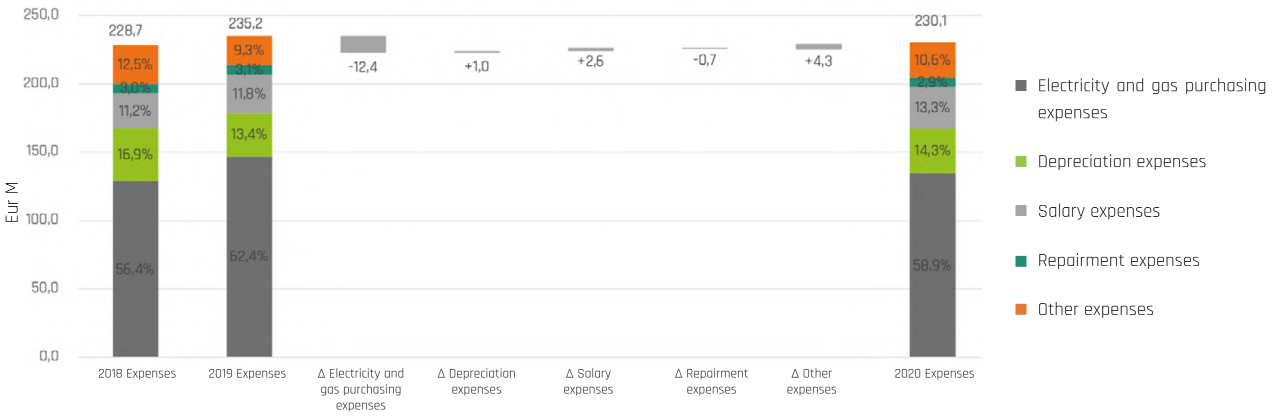


4.3.2. Operating expenses

The Group's operating expenses dropped by EUR 5.2 million compared to 2019 and totalled EUR 230.1 million in 2020.

The largest portion of operating expenses consisted of purchases of energy resources and related services amounting to EUR 134.7 million (purchase costs of electricity and related services amounted to EUR 128.4 million, acquisition costs of natural gas amounted to EUR 6.3 million) or 58.9% of the total expenses. Wages and salaries and related expenses amounted to EUR 30.4 million, repair and maintenance expenses reached EUR 6.9 million, telecommunications and ITT expenses amounted to EUR 3.5 million, and the remaining amount of expenses was equal to EUR 25.6 million.

Depreciation and amortisation expenses of non-current assets comprised a significant portion of expenses, i.e. EUR 32.7 million (14.3% of the total expenses) and slightly increased compared to 2019 due to increase in non-current assets.



4.3.3. Results of operations

In 2020, the Group's earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to EUR 74.5 million and increased by 56.1% compared to 2019, while the EBITDA margin was 27.6% in 2020 (2019: 18.9%).

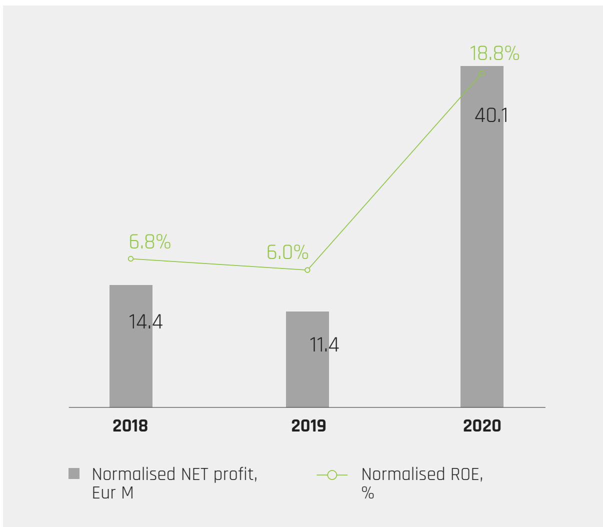
The main reasons for the increase in the Group's EBITDA for 2020 compared to 2019 are as follows:

- Due to significantly higher quantities of gas transportation services, the amount of revenue generated by Amber Grid in 2020 was almost the same as in 2019, although the tariffs for the services were even 16% lower.
- Revenue for electricity transmission, system and related services was EUR 23.1 million higher.
- The total costs incurred on acquisition of electricity, natural gas and related services were EUR 12.5 million lower.
- Due to the impact of COVID-19 certain planned operating expenses were not incurred.

Net profit of EPSO-G Group for 2020 amounted to EUR 40.1 million, which is 2.5 times more compared to 2019 when net profit amounted to EUR 11.4 million.

Return on equity of EPSO-G Group for 2020 was 18.8%, while the target of the average return on equity set by the Government of the Republic of Lithuania for EPSO-G Group for the period of 2019-2020 was 5.7%.

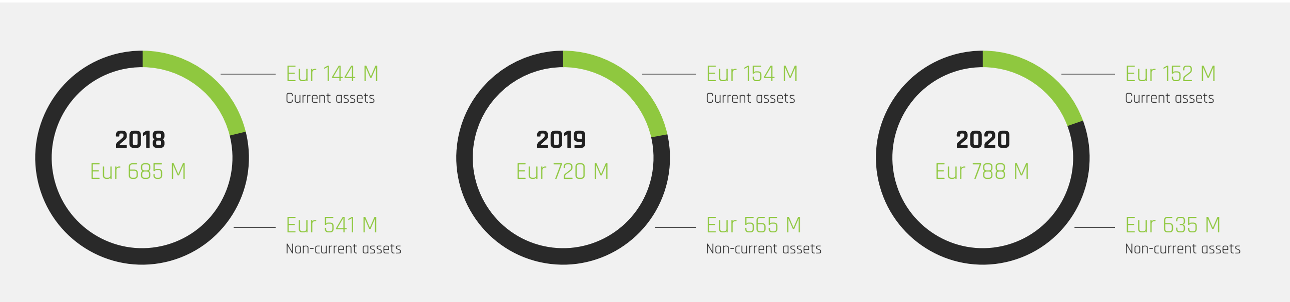
It should be noted that electricity and gas transmission activities are regulated, and therefore, the surplus earnings are refunded to the domestic consumers through repricing of the effective tariffs for the services in the upcoming regulatory periods.

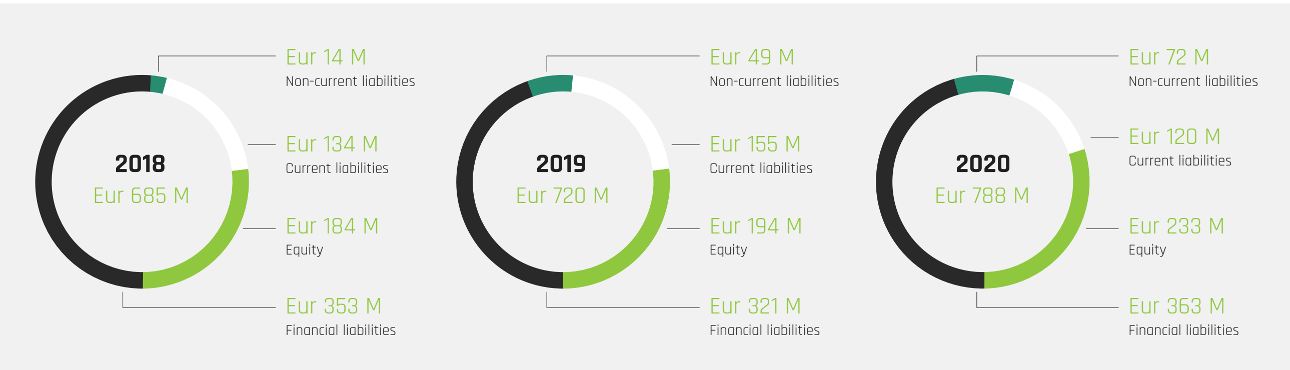


4.3.4. Statement of financial position

As at 31 December 2020, the Group's assets totalled EUR 787.5 million, the Group's non-current assets amounted EUR 635.3 million and accounted for 80.7% of the Group's total assets. Non-current assets increased by 12.4% due to implementation of the strategic investment projects of national significance. The Group's current assets amounted to EUR 152.2 million at the end of 2020 and remained nearly unchanged compared to 2019.

The Group's equity increased by 20.2% in 2020 and totalled EUR 233.1 million at the end of the reporting period. Equity represented 30% of the Groups total assets at the end of the reporting period.





At the end of 2020, the Group's financial liabilities to financial institutions and other creditors amounted to EUR 362.8 million (including liability of EUR 148.6 million to Ignitis Grupė AB for the acquisition of shares of Litgrid). The Group's borrowings increased by around 16% compared to the end of 2019, mainly as a result of the financing received for the implementation of the GIPL project by Amber Grid. Cash and cash equivalents at the end of the period amounted to EUR 5.1 million and net debt to equity ratio was 159.6%.

At the end of 2020, other liabilities (excluding borrowings) decreased by EUR 35 million, and other non-current liabilities increased mainly due to congestion revenue accumulated by Litgrid.

4.3.5. Investments

In 2020, Litgrid's investments (works performed, and assets acquired irrespective of the settlement terms) amounted to EUR 54.6 million and Amber Grid's investments totalled EUR 89.5 million. The total amount of the TSO's investments increased 1.2 times compared to 2019 and amounted to EUR 144.1 million. This growth was mainly driven by the implementation of the GIPL project by Amber Grid with investments reaching EUR 77 million.

4.4. Research and development activity

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

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

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

During the implementation of innovation activities in 2020, 18 new projects of various scopes were initiated in the Group companies, 9 projects were completed. By involving employees in solving topical challenges, creative thinking workshops were organized for the Group's employees.

4.4.1. RAIDA 2050 and P2G analysis

The goal of the National Energy Independence Strategy is for Lithuania to become an energy-sustainable and independent state by 2050. In order to implement and enable this scenario, it is important for the holding company EPSO-G and the companies of the Group to understand possible scenarios for the development of the energy sector and what measures should be taken to reduce the energy sector's dependence on fossil fuels, to promote market integration, digitalisation, to take account of urbanization and rapid development of renewable energy production.

In response, EPSO-G Group carried out the study Scenarios for the Development of the Lithuanian Electricity System for 2020-2050 (hereinafter - the Study RAIDA 2050), in which, taking into account the strategic goals set by NEIS, planned tasks and results, the development scenarios of the Lithuanian electricity sector (hereinafter - LES) were formed until 2050, the assessment of the adequacy of the electricity system (generating capacities, electricity market, electricity transmission network) was performed and technical, economic and legal measures for the efficient operation of the electricity system were presented.

One of the present technologies with the greatest potential to enable the accumulation or transmission to other sectors of energy generated by high-capacity RES is the production of hydrogen (by electrolysis) or synthetic methane (produced by combining hydrogen with carbon dioxide) gas (hereinafter - Power to Gas, P2G). Hydrogen or methane produced by P2G equipment can be fed into existing natural gas infrastructure blended with conventional natural gas.

In order to assess the relevance and applicability of hydrogen gas and P2G technologies in Lithuania, Amber Grid initiated a project to analyse these issues. As electricity generation and consumption forecasts are required to assess the relevance of the technology, it was decided to combine the performance of the Study RAIDA 2050 and the objectives of the Amber Grid P2G project into a joint innovation project for EPSO-G Group companies.

The study RAIDA 2050 completed and made public in December 2020 was prepared by a Norwegian consulting company DNV GL operating in the international market: https://www.litgrid.eu/uploads/files/dir564/dir28/dir1/15_0.php

The project corresponds to EPSO-G's strategy Efficient and innovative activities and is included in the National Energy Independence Strategy's implementation plan.

„During the implementation of innovation activities in 2020, 18 new projects of various scopes were initiated in the Group companies, 9 projects were completed.“

4.4.1. Joint study of the Baltic TSOs and Japanese operator TEPCO Power Grid

The Lithuanian, Latvian and Estonian electricity transmission system operators Litgrid, Augstsprieguma tīkls and Elering signed the cooperation agreement with TEPCO Power Grid, a company that is part of the Japanese energy group of companies, which will provide recommendations on how the Baltic states could most effectively integrate renewable energy sources (RES) into the electricity transmission system.

The study is aimed at developing the economically justified model and identifying the technical measures contributing to the implementation of the target set in the National Energy Independence Strategy stating that by 2050, 100% of electricity consumed in Lithuania needs to be produced from renewable energy sources.

Under the agreement, TEPCO Power Grid will conduct the study until 31 March 2021 and will apply the electricity transmission system model of the Baltic countries, when 100% of electricity is produced using renewable energy sources, analyse possibilities of integration of renewable energy sources by conducting frequency calculations and propose technical solutions allowing 100% integration of renewable energy sources in the Baltic electricity system.

The obtained results of the study will be used by the Baltic countries for the development of infrastructure of necessary technical measures and planning of investments. The possibility of a further cooperation with TEPCO Power Grid in the implementation of the obtained results of the study is not excluded.

4.4.2. Pilot project Installation of Battery Energy Storage System in Lithuanian Electricity System

In 2020, Litgrid proceeded with the experimental pilot project Installation of Battery Energy Storage System in Lithuanian Electricity System.

Its purpose is to properly prepare for the project of synchronization of the Baltic states with the continental European network (CEN), to test the possibilities of battery storage systems in real conditions of operation of the Lithuanian electricity system, to identify areas of installation and use of high-capacity battery storage systems in Lithuania, identify requirements for batteries that would provide different types of services.

During the project, 1 MW lithium-ion battery energy storage system (BESS) will be connected to the 10 kV switchgear of Vilnius transformer substation, which will contribute to the reliable operation of the Baltic electricity systems after the synchronization with CEN. The scheduled completion date of the project is December 2021.

4.4.3. Pilot project Drones for Fault Detection in Power Lines

In 2020, Litgrid proceeded with the project Drones for Fault Detection in Power Lines.

In case of a single-phase or multi-phase short circuit to the ground (e.g. a fallen tree) occurs in 110/330/400 kV overhead lines (OL), after a lightning discharge or a bird striking an overhead line, an overhead line, depending on the size and duration of the damage, is switched off for a short period (in the case of a successful auto-restart) or is completely switched off by protective relay devices (RAA) until the fault location and fault are detected. An overhead line engineer gets to the point of potential malfunctioning following the readings of RAA devices. However, often a calculated distance to the exact location of the incident has an error of up to 5 km. The use of the drone will help to pinpoint the exact location of the fault at least twice as fast. If such a technical solution answers the purpose, the use of drones could be extended to other EPSO-G Group companies.

4.4.4. Pilot project Intelligent NordBalt Cable Fault Location

In 2020, Litgrid carried out the project Intelligent NordBalt Cable Fault Location, the scheduled completion date of which is early 2021. This is important, as the reliable operation of the connection with Sweden opens up the possibility of importing cheaper electricity from Scandinavia.

To ensure the reliability of the NorBalt link and to increase the accessibility of the cable, we will employ and test automated cable fault detection equipment that is currently not available in the link. The transient recorder HiRES Locator will help to locate a breakdown in real time. It locates the fault location of a cable up to 200 km by installing the equipment at only one end of the high-voltage direct current (HVDC) connector. The purpose of this experimental pilot project will be to test the operation of such equipment on the twice-longer (400 km) NordBalt connection cable.

4.4.5. REGATRACE

Amber Grid administers the National Register for Guarantee of Origin for gas produced from renewable energy sources (RES), i.e. it performs the functions of issue, transfer and cancel of guarantees of origin, supervises and controls the use of guarantees of origin and as well as provides the recognition of guarantees of origin in Lithuania issued in other countries. This system is beneficial for energy consumers seeking to use environmentally friendly fuel produced in Lithuania or other European Union state. In cooperation with the designated bodies of other countries and organizations of RES sector, the Company, as from 1 June 2019, has been participating in the project REGATRACE (Renewable GAs TRAde Center in Europe), funded by the European Union's Research and Innovation Programme Horizon 2020, to develop a European scheme for the operation of the registry for guarantees of origin for biomethane and other renewable gases and to promote the development of green gas production and market.

4.4.6. SecureGas

Amber Grid has been implementing SecureGas research and development project together with its international partners. The project aims at safeguarding security and resilience of the EU gas grid against cyber-attacks and physical threats. The project is financed under the EU Research and Innovation Programme Horizon 2020.

The purpose of the project is "to develop methodologies, measures and guidelines for ensuring security and resilience of the existing and future gas transmission infrastructure facilities against cyber-attacks and physical threats", by taking into account the requirements set forth in the European Energy Security Strategy, the European Programme for Critical Infrastructure Protection, and the EU Regulation 2017/1938 concerning measures to safeguard security of gas supply.

4.4.7. Balancing services from the hands of an electricity aggregator

The legal regulation in effect until 2020 did not provide incentives and conditions for consumers to participate in the management of electricity demand. In addition, there were no measures foreseen for consumer saved electricity to enter the electricity, balancing and reserve power markets. This meant that until now, only the electricity producers and aggregators jointly supplying electricity to consumers could participate in the balancing market.

The project initiated in 2020 aims to create conditions in the energy sector that will provide more opportunities to enable electricity consumers to participate in balancing in an efficient, flexible and expeditious manner. The aggregators could be used for this purpose - they would concentrate large customers into a single system, which, in the event of a demand for electricity, would be able to reduce consumption and „vacate" the power needed at that time to contribute to the management of the system's balance.

4.4.8. Study of determination of optimal technical parameters of energy storage system

In 2020, a study was launched aiming to select the optimal technical parameters for the battery energy storage system in Lithuania, which was carried out by researchers from Kaunas University of Technology. The study provides an overview of battery energy storage systems used in the global electricity systems, and gives comparison of different technologies.

With regard to the adequacy of the Lithuanian electricity system's capacity, the operation of the electricity market and the synchronization of the Baltic electricity system with the continental Europe and the resulting change in the management of the electricity system, the optimal parameters of battery energy accumulators were determined. A cost-benefit analysis of the size of the identified battery energy storage system (200 MW) was also performed when the facilities provide different services.

4.5. Competence and membership in organizations

In 2020, the holding company EPSO-G and the transmission system operators participated in the activities of the national 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), the Central Europe Energy Partners Association (CEEP), TSOs and the Association of Other Electricity Companies Best Grid.

- Mr. Rolandas Zukas, the Chief Executive Officer of the holding company EPSO-G, is a member of the Board of Lithuania's National Energy Association.
- Mr. Rolandas Zukas, the Chief Executive Officer of EPSO-G, is a member of the management board of the CEEP Association.

Memberships of EPSO-G Group companies:

ORGANISATION	REPRESENTING COMPANY	LINK	ORGANISATION DESCRIPTION
Central Europe Energy Partners (CEEP)	EPSO-G	www.ceep.be	The association bringing together the companies of energy and energy-intensive sectors of the Central Europe
Lithuania's National Energy Association (Lith. LNEA)	EPSO-G Amber Grid Litgrid	www.nlea.lt	The association bringing together Lithuanian companies operating in the electricity and natural gas sectors, as well as scientific establishments
ENTSO-E	Litgrid	www.entsoe.eu	The organisation bringing together European electricity transmission system operators.
ENTSO-G	Amber Grid	www.entsog.eu	The organisation bringing together European natural gas transmission system operators.
International Gas Union (IGU)	Amber Grid	www.igu.org	A non-profit organization seeking to promote international trade in gas, the application of advanced technologies, and the establishment of transparent market practices
European Renewable Gas Registry	Amber Grid	www.ergar.org	An organization with the objective to develop trade in guarantees of origin for gas produced from renewable energy sources among countries
Polish-Lithuanian Chamber of Commerce	Amber Grid	www.plcc.lt	The association seeking to improve economic cooperation between Lithuania and Poland
Lithuanian Project Management Association	EPSO-G	www.ipma.lt	The association bringing together project management professionals
Lithuanian Hydrogen Platform	Amber Grid EPSO-G	www.enmin.lrv.lt/lt/veiklos-sritys-3/vandenilio-technologijos-1	It is a format of cooperation bringing together representatives of the country's scientific institutions, business and the public sector for the common goal - to seek for the development of hydrogen technologies in the country
European Green Hydrogen Alliance	Amber Grid	www.ech2a.eu	An alliance for the development of hydrogen technology in Europe
Intelligent Energy Lab	EPSO-G	www.iel.lt	Intelligent Energy Lab is an open platform operating in Vilnius with companies, universities, institutes and associations cooperating on innovation

4.6. Transactions with related parties

In 2020, EPSO-G followed the Policy of Transactions with Related Parties. It establishes the supervision and disclosure procedures of the transactions carried out by EPSO-G Group companies with related parties that allow assessing properly the conflicts of interests related to such transactions and minimizing possible negative consequences of such transactions to the companies, minority shareholders and unrelated persons. This document is published on EPSO-G website, in the menu item Operating Policies.

Information on the transactions with related parties is disclosed in annual financial statements in Note 35.

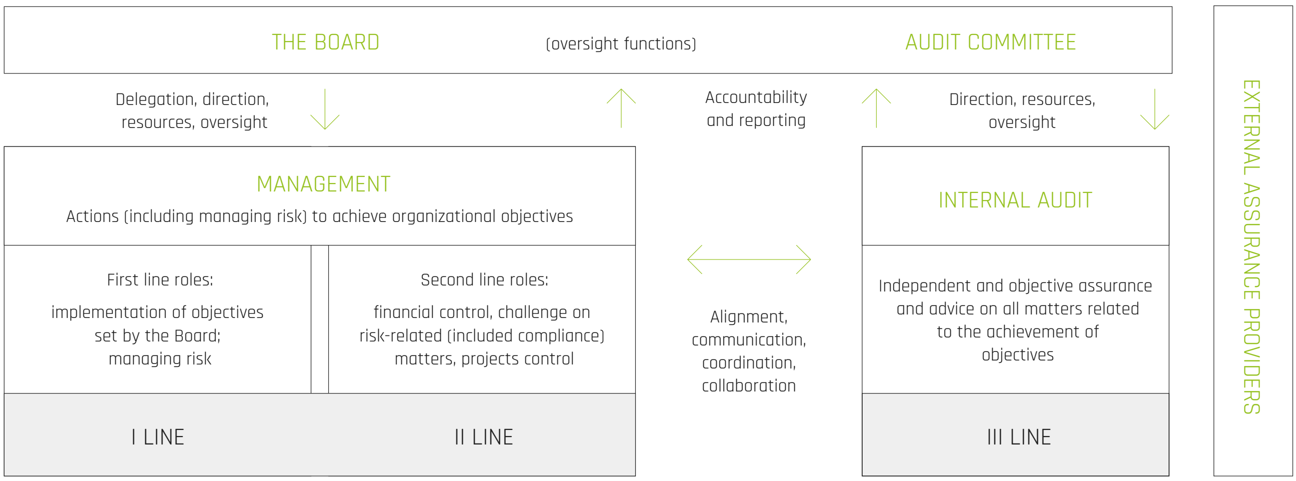
05

Compliance and risk management, and audit

05

Compliance and risk management, and audit

In 2020, EPSO-G has further consistently held the view that in the course of the implementation of the operating strategy proper risk management is a prerequisite for increasing the efficiency of subsidiaries, quality of management, safe environment for the employees, and in creating the trust of the stakeholders in the Group companies.



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

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

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

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

5.1. Risk management system

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

In 2020, EPSO-G Group followed the Group's Risk Management Policy and Risk Management Methodology. They imbedded a uniform risk management system that is based on common principles and meeting good practice according to COSO ERM (Committee of Sponsoring Organisations of the Treadway Commission Enterprise Risk Management) methodology and standards applicable in the international practice.

All the companies of the Group have joined the Risk Management Policy of EPSO-G and, by using the Risk Management Methodology of the Group, have identified the risks relevant to them as well as made plans for managing these risks.

In January 2020, the process of the monitoring of risk management was reviewed and its amendments approved in order to establish criteria ("benchmarks") for assessing whether a particular risk should be included in the EPSO-G group-level risk list. The EPSO-G Board approved the following main criteria for including a risk in the EPSO-G group-level risk list:

- The risk is directly identified in the strategy of the Group companies,
- The risk has a material impact on the achievement of strategic goals;
- Risks assessed as top (extreme) and very high level.

The companies of the Group identified operational risks of 2020, performed their assessment, set risk monitoring indicators and provided risk management measures approved by the Boards of the companies of the Group.

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

Each quarter of 2020, the Audit Committee of EPSO-G had assessed the changes in the key risk indicators of each company of the Group, the effectiveness of risk management and presented its conclusions and recommendations to the Boards of the companies.

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

- **Risk of non-compliance with legal requirements and regulatory risk.** The prices of electricity and natural gas transmission and related services are regulated, the price caps are set by the NERC. The performance results of EPSO-G Group companies and the funds granted by the companies for the necessary operating costs, investment to maintain the reliability of the transmission network as well as the opportunities to finance strategic projects using own or borrowed funds directly depend on these decisions. When managing the risk of non-compliance with legal requirements, in March 2020, the EPSO-G Board approved the Compliance Management Policy, monitored the drafting and / or amendment of legislation by the NERC and other bodies governing regulated activities, and provided EPSO-G Group's position on draft legislation.
- **Business transparency risk.** EEPSO-G Group implements the projects of the regional and national significance. These are major investment projects. Their success depends on the awareness, trust and support of the shareholders, partners, controlling and regulating institutions and the people of Lithuania. Accordingly, much attention is paid by EPSO-G in its activities to the supervision of procurement (including public procurement) procedures and the prevention of corruption.

  As from 1 January 2020, the Law on the Adjustment of Public and Private Interests entered into force, under the provisions of which executives of all EPSO-G Group companies and members of collegial bodies are obliged to declare their interests publicly. The requirements of the law have been implemented to a greater extent than required by law, in accordance with the Policy of Management of Interests of Members of Collegial Bodies, Executives and Employees of EPSO-G Group.

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

After conducting an analysis in the first half of 2020, SIS published good examples of creating an anti-corruption environment among state-owned enterprises. One of the four examples to follow is EPSO-G's Corruption Prevention Policy.

- **Risk of lack of relevant qualification employees, employee turnover and motivation.** EPSO-G Group companies are facing the emerging labour market challenges, the competition for highly qualified professionals, who can contribute to the implementation of projects of strategic importance to the Lithuanian state.

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

- **Risk of non-compliance with occupational safety requirements.** Litgrid, Amber Grid and TETAS held by EPSO-G places great emphasis on occupational safety.

  By managing this risk during the reporting period, Litgrid entered into agreements on the verification of workplace compliance and the development of the methodology and mapping of the voltage values of the lines in the induced voltage zones. Amber Grid has performed an occupational risk assessment of all employees, and continuous structured internal controls have been performed at all levels in accordance with the approved description of the internal control procedures in the areas of occupational safety and health and the environment. Assessment of employee compliance with occupational safety and health requirements has also been performed using control questionnaires, employee training and information of potential risks, timely health examination, development of occupational safety and health culture has been carried out as well. TETAS has prepared, approved and implemented the plan for the improvement of employee occupational safety and health, and IT solutions for performing collective and PPE and workplace inspections.

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

  When managing this risk during the reporting period, Litgrid carried out the installation of a critical infrastructure data network monitoring system and the procurement and installation of other equipment required to ensure cyber security. Equipment vulnerability assessments were also carried out, and employee training on information security and resilience to social engineering methods were organized as well. In Amber Grid, computer equipment was upgraded, technological management system upgrades were performed, procurement and implementation of required data collection, accumulation and analysis management systems were carried out, and continuous employee training was performed.

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

  Therefore, Litgrid and Amber Grid have been introducing and improving specialized information systems, modern business management systems, updating on a continuous basis accident and technological disruption and emergency management, business continuity plans, and posing high requirements for the contractors.

  During the reporting period, Litgrid implemented measures to manage the risk of possible cross-system congestion following the start of operation of the Astravets Nuclear Power Plant. Measures were also implemented to manage the disconnection risks of NordBalt and LitPol Link interconnectors - in accordance with the contract with the interconnectors' developer, construction defects were eliminated, preparations were made for the assurance / restoration of the operation of the interconnectors after the warranty period expires and in case of third party exposure, other actions were taken to ensure high-quality operation and availability of interconnectors.

  In order to manage the risk of trunk pipeline defects that were not corrected, Amber Grid carried out pipeline diagnostics during the reporting period, which is planned to be continued in 2021 by eliminating identified critical defects in the trunk pipeline.

5.1.2. The group-level risk list also included risks identified by the Group's operations or an individual company's strategy that have a material impact on the achievement of the strategic objectives and specified results / indicators

- **The risk of projects controlled by EPSO-G.** By managing this group-level risk, EPSO-G monitors key risk indicators and implements risk management measures within the tolerance threshold set for the risks of delays in the implementation of controlled strategic projects, non-compliance with the budget and the dissemination of incorrect and negative information in the risks. To manage these risks, in the first half of 2020, EPSO-G's structure was revised to reinforce its project management role with additional resources, and periodic discussions were held with the Group companies on the status of projects and critical risks. Considering the deviation of individual stages of Litgrid's projects from the approved milestones recorded during the reporting period, from July 2020, project management controls have been strengthened in accordance with the action plan developed.
- **The risk of non-implementation of Amber Grid's GIPL project within the set deadlines.** By managing this risk, Amber Grid monitors the progress of construction work in accordance with the work schedule (milestones) agreed with the contractors and has planned measures to manage this risk. In 2020, the construction works of the pipeline were carried out according to the approved work schedule, horizontal directional drilling under the Neris and Nemunas was performed, all the planned objectives for 2020 were achieved.
- **Risks that may affect synchronization projects.** By managing this group-level risk, Litgrid has identified and has been applying management measures related to spatial planning, integration of renewable energy sources, technical conditions for connection to CEN, human resources and other risks. In Q3 2020, the Company additionally identified the risks of delays in synchronization projects and applies intensive project production and supply control and other risk management measures to manage the implementation of synchronization projects within the set deadlines.
- **Risk of non-compliance of Baltpool, TETAS, GET Baltic with sales plans.** By managing this group-level risk, Baltpool, TETAS and GET Baltic apply management tools such as diversification of customers, activities, markets, sales analysis and other measures to ensure the achievement of the objectives of the sales plans in the Lithuanian and foreign markets.

5.1.3. COVID-19 risk management and coordination within the Group

In 2020, in all Group companies new business continuity and prevention measures were reviewed and planned: employees responsible for monitoring the situation and providing information were appointed, the possibility of employees returning from risk countries to work remotely, be on leave or have incapacity for work was insured, in addition, units, employees and their substitutes administering critical functions and key systems in the companies were identified, means of organizing remote work were used, information to employees on preventive measures was disseminated.

Additional organizational measures were applied at Litgrid and Amber Grid in the system control centers, technical and replacement measures were planned in the system control centers in case of the virus spread. In addition, these companies reviewed their Emergency Management Plans, prepared the following additional documentation and implemented measures: lists of critical functions, lists of measures necessary to ensure uninterrupted implementation of these action, as well as resources and responsible individuals and other documents and means.

5.2. Information on the Compliance Management Process

In 2020, the EPSO-G Board approved the Compliance Management Policy and the compliance management methodology implementing it. The purpose of these documents is to establish and ensure a uniform compliance management system in the Group that would:

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

As the Compliance Management Process is based on the application of the risk-based approach, the major focus and additional resources will be on the priority areas selected by the Group's Boards where the highest probability of non-compliance and / or non-compliance risks arises or may arise, and as a result, exclusively these areas will be subject to the Compliance Management Process.

In 2021, it is planned to perform a current situation gap analysis of the selected priority areas, to correct the essential shortcomings (if any), and in the future to ensure continuous monitoring and improvement of priority areas, organization of training for employees and dissemination of good practices among the Group companies.

5.3. Information on the internal audit

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

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

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

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

The activities of the centralized Internal Audit Unit in 2020 covered the following areas that were selected based on the performed assessment of risks and by identifying the priority companies / processes to be inspected:

- Assessment of control of acquisitions (public procurements);
- Assessment of project management quality;
- Assessment of controls of operator activities of energy resources exchange;
- Assessment of staff management.

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.

5.4. Information on the external audit

In 2020, EPSO-G carried out an open tendering procedure of joint public procurement of audit services for financial statements for the period of 2020-2021 for the Group companies. With regard to the results of the public procurement of external audit services, the offer of PricewaterhouseCoopers UAB 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 UAB as an audit firm to perform the audit of financial statements for the period 2020-2021 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 UAB as the audit firm to perform the audit of financial statements for the period of 2020-2021 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 companies of EPSO-G Group companies and their remuneration for audit services:

Company	Firm that performed the audit of the financial statements 2020	Remuneration for the audit firm for the audit of the financial statements 2020, EUR (VAT excluded)*	Firm that performed the audit of the financial statements 2019	Remuneration for the audit firm for the audit of the financial statements 2019, EUR (VAT excluded)
EPSO-G	PricewaterhouseCoopers UAB	20,570	DELOITTE LIETUVA UAB	14,170
LITGRID		61,710		39,240
AMBER GRID		50,490		35,970
BALTPOOL		14,960		8,393
TETAS		26,180		7,630
GET BALTIC		13,090		4,360

* In 2020, remuneration for audit services increased significantly due to the growth in audit volumes after the new International Financial Reporting Standards have come into force and the scope of a revision of regulated activity reports.

In 2020, PricewaterhouseCoopers UAB provided uninsured non-audit services, tax consultations, to EPSO-G Group companies for EUR 7,400. The services were procured in accordance with the provisions of EPSO-G Group's policy on acquisition of non-audit services from an audit firm or any network to which the audit firm belongs.

06

Shareholders and dividends

06

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.

No changes occurred in the structure of the shareholders of EPSO-G in 2020. The share capital of the Company did not change.

On 31 December 2020, the share capital of EPSO-G amounted to EUR 22,482,695 and divided into 77,526,533 ordinary registered uncertificated shares of a nominal value of EUR 0.29 each. All shares are fully paid.

SHAREHOLDER OF THE COMPANY	**NUMBER OF SHARES**	**THE NOMINAL VALUE PER SHARE,** EUR	**SHARE CAPITAL,** EUR	**SHAREHOLDING,** %
The Republic of Lithuania represented by the Minister of Energy of the Republic of Lithuania	77,526,533	EUR 0.29	22,482,695	100

Restrictions on the transfer of securities other than those stipulated in the legal acts are not applied for the shares of EPSO-G.

Neither EPSO-G nor the companies of the Group have issued the Convertible Securities.

EPSO-G has not acquired own shares. EPSO-G has neither acquired nor transferred own shares during the reporting period. The subsidiaries of the Company have not acquired the shares of the Company either.

The shareholder of EPSO-G does not have special rights of control other than those stipulated by the legal acts of the Republic of Lithuania.

The shares of EPSO-G's patronised Litgrid and Amber Grid traded on the Nasdaq Vilnius Stock Exchange:

COMPANY	**ISIN CODE**	**SECURITIES ABBREVIATION**	**TRADING LIST**	**SECURITIES MANAGER**
LITGRID AB	LT0000128415	LGD1L	BALTIC SECONDARY LIST	SEB bankas AB
Amber Grid AB	LT0000128696	AMG1L	BALTIC SECONDARY LIST	SEB bankas AB

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

6.2. Dividends

On the basis of the decision of the Government of the Republic of Lithuania, until 2022, EPSO-G must pay the dividends amounting to 0.5% of the distributed profit directly to the state budget.

Such the decision has been made after having considered the necessity to allocate sufficient funds for the purpose of meeting the financial obligation of EUR 210 million to the state-owned enterprise Ignitis Grupė (former Lietuvos Energija) for the shares of the subsidiary Litgrid. In Q3 2020, EPSO-G reduced its financial liability for the shares of the subsidiary Litgrid to the state-owned enterprise Ignitis Grupė by EUR 8 million to EUR 148.6 million.

Based on the resolution of the Government of the Republic of Lithuania, in 2020, EPSO-G paid dividends amounting to EUR 773 thousand directly to the state budget for the year 2019 (2018: EUR 750 thousand) at the same time ensuring the sustainable financial position of the Group in preparation for important synchronization and integration of regional energy markets and meeting financial obligations to the state-owned enterprise Ignitis Grupė for Litgrid shares.

6.3. Dividend policy

On 7 February 2020, the EPSO-G Board renewed the Dividend Policy of the Group. The adjustments are related to the changes in the corporate governance structure, i.e. the elimination of the Supervisory Board, as well as changes in the legislation governing the payment of dividends. Other key policy provisions have not changed.

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

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

The Dividend Policy is published on EPSO-G website in the menu item Operating Policies: https://www.epsog.lt/lt/apie-mus/veiklos-politikos/dividendai.

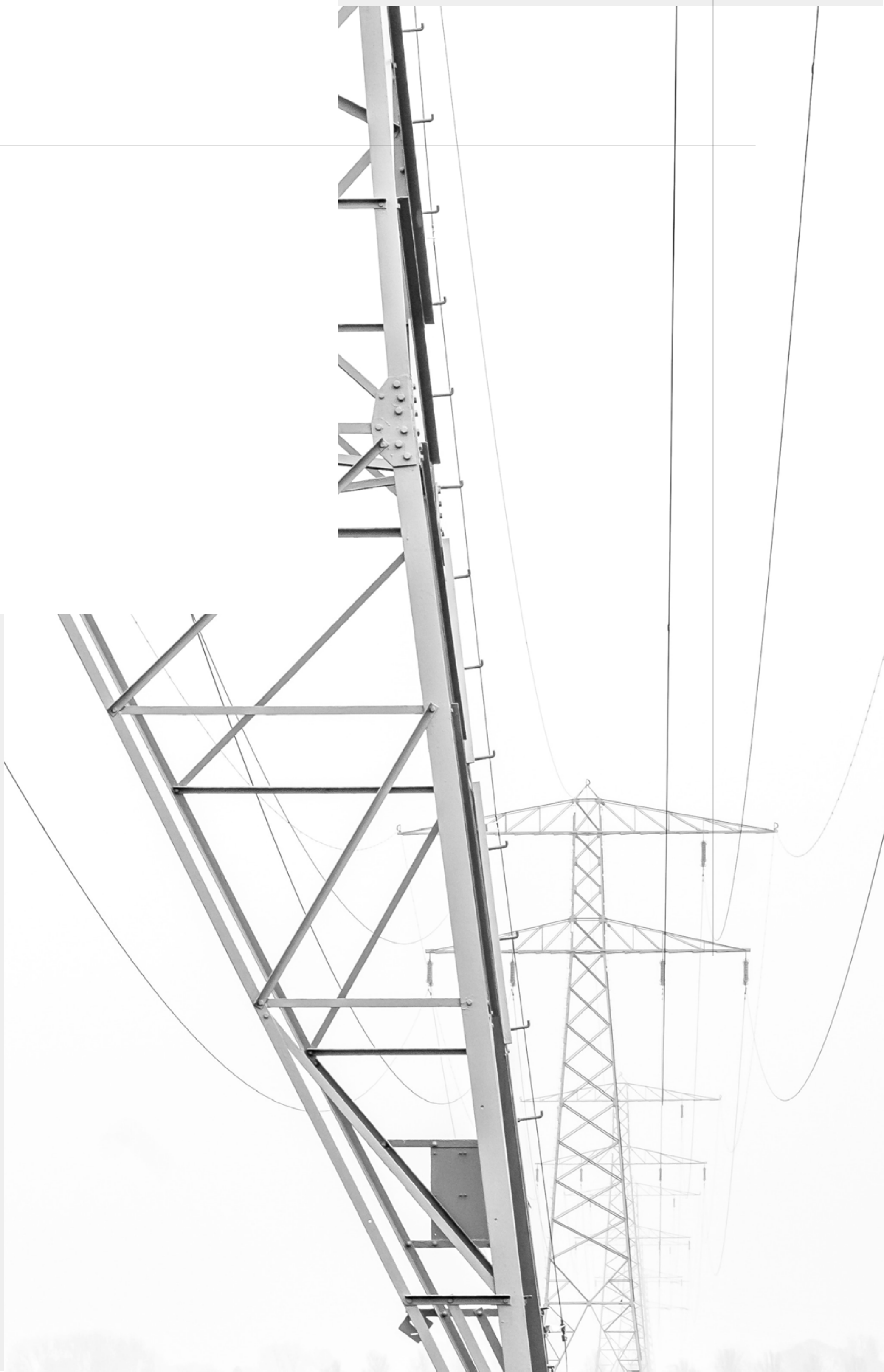
6.4. Ratings

The international credit rating agencies have not given credit ratings to EPSO-G Group companies.

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

07

Governance report

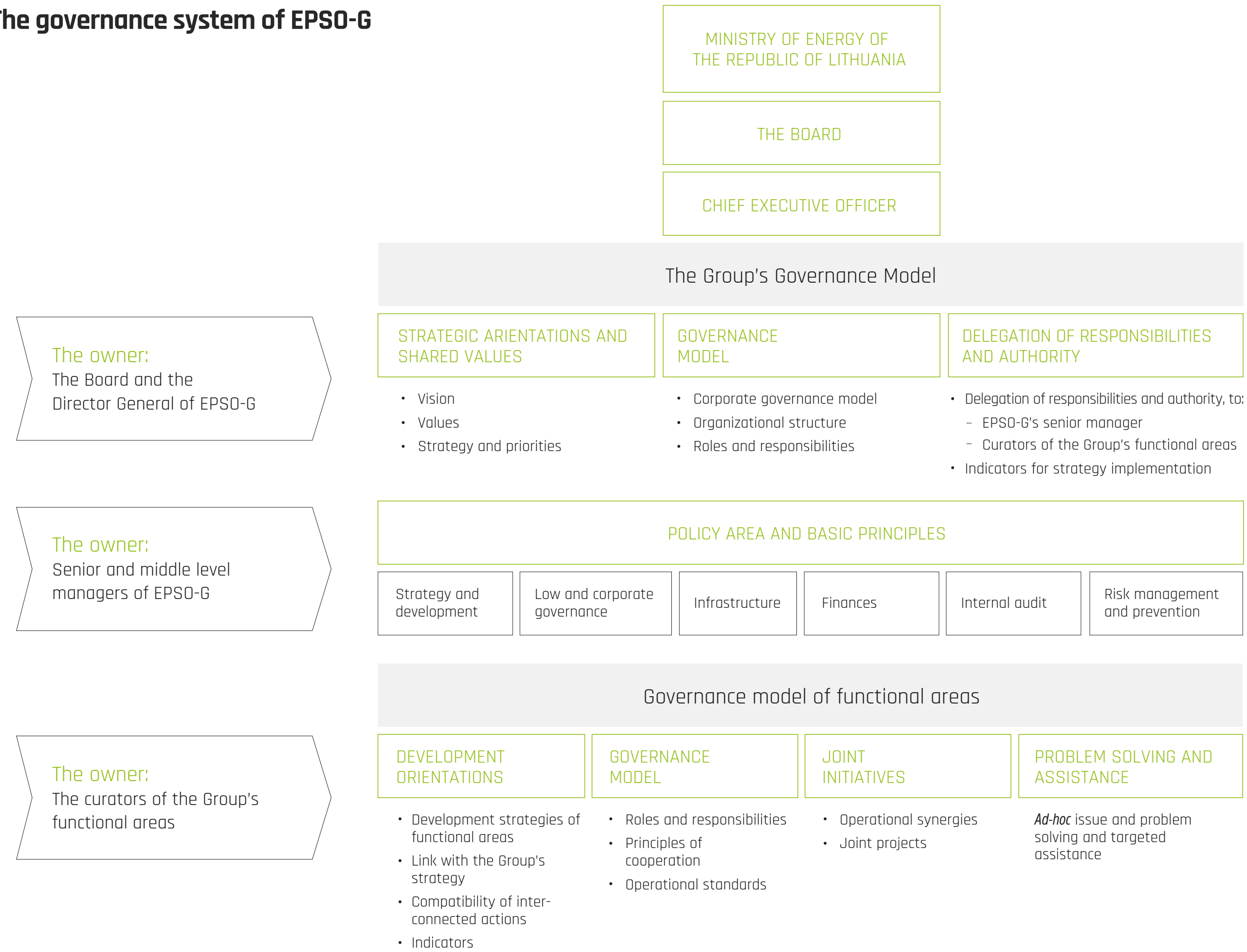


07

Governance report

In 2020, corporate governance of the holding company EPSO-G was carried out in accordance with the Corporate Governance Guidelines of EPSO-G Group companies adopted by the decision of the sole shareholder of 24 April 2018. They establish the common corporate governance principles, which are applicable to the entire EPSO-G Group companies, the management organizing model, the structure of management, the systems of accountability and performance supervision and control.

The governance system of EPSO-G



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

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

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

In an effort to purposefully build trust in ongoing strategic projects and extremely focus on transparency and accountability, EPSO-G Group companies was rated for the most progressive governance of the subsidiaries, and the joint governance quality has been rated A+. This was evidenced by the Good Governance Index of State-Owned Enterprises (SOE) 2019/2020 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 highest rating A+, by identifying areas for improvement in future sustainability practices.

The highest possible rating A+ was also awarded for the work of collegial bodies, the process of selection of their members, competence, and engagement and compliance of the functions of the collegial bodies with the principles of good governance.

EPSO-G's strategic planning and implementation received the highest rating A+. Financial sustainability was rated A resulting from the Group's level of indebtedness due to the financial obligation to pay Ignitis Grupė for Litgrid's shares.

In preparation of the action plan for 2021, the holding company EPSO-G will proceed with further implementation of measures and improvement of the governance quality in line with GCC recommendations.

7.1. The Articles of Association of EPSO-G

In 2020, the Articles of Association did not change - as of 31 December 2020, the updated version of the Articles of Association of the holding company EPSO-G registered on 1 August 2018 with the Register of Legal Entities was in force; it consolidated the enhanced responsibility of the Board by assigning a supervisory function to it. The current corporate governance model ensures the effectiveness of EPSO-G Group's organizational and management structure and compliance with the highest standards of governance.

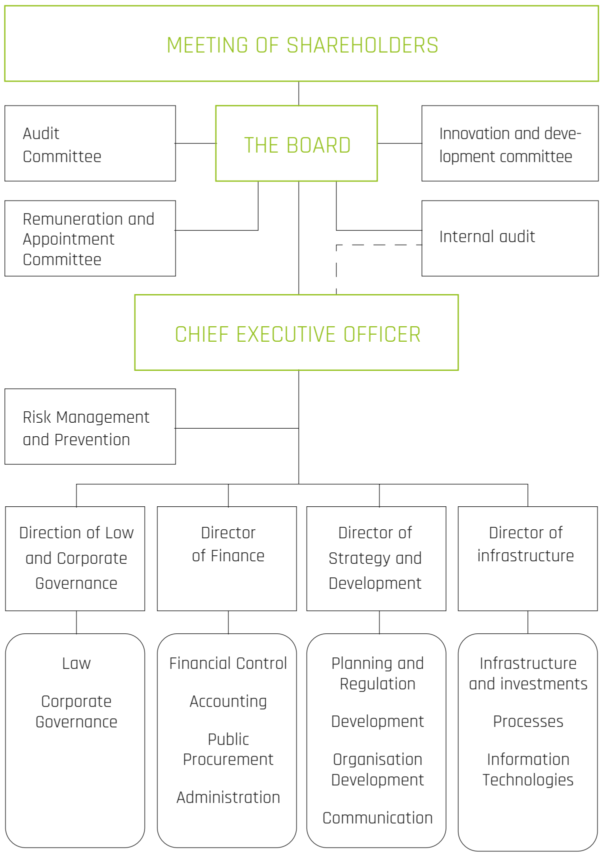
The Articles of Association of EPSO-G are available at: www.epsog.lt, in the menu item Corporate Governance.

The Articles of Association of EPSO-G can be amended by the decision of the General Meeting of Shareholders adopted by at least 2/3 of all votes attached to the shares of the shareholders participating in the General Meeting of Shareholders save for statutory exceptions.

7.2. Supervisory and management structure of EPSO-G

The management, supervisory and organisational structure of EPSO-G ensures an optimal organization of activities, accountability, process efficiency and responsibility:

Supervisory and management structure of EPSO-G



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

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

7.3. General Meeting of Shareholders of EPSO-G

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

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

In 2020, EPSO-G's sole shareholder took the following decisions:

DATE	KEY DECISIONS
6 February 2020	Approved the new wording of the Articles of Association of TETAS UAB.
30 April 2020	Approved the set of EPSO-G's consolidated and company's financial statements 2019. Approved the decision on profit distribution. Approved the new wording of the Regulations of the Audit Committee of EPSO-G UAB.
10 September 2020	The audit firm PricewaterhouseCoopers UAB was selected to perform the audit of the set of EPSO-G's consolidated and company's financial statements 2020-2021, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and the consolidated annual report.
22 October 2020	Took the decision to elect the members of the Audit Committee of EPSO-G UAB: (i) Mr. Gediminas Šiušas - to the position of an independent member of the Company's Audit Committee; (ii) Mr. Robertas Vyšniauskas - to the position of an independent member of the Company's Audit Committee from the members of the Board who are considered independent; and (iii) Mr. Gediminas Karalius - to the position of a member of the Company's Audit Committee from the members of the Board nominated by the sole shareholder.

7.4. The Board of EPSO-G

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

The continuous term of office of a member of the Board shall not exceed 2 (two) consecutive terms, i.e. no more than 8 (eight) consecutive years. Members of the Board are elected in accordance with The Selection Description of a List of Candidates to the Board of the State or Municipal Enterprise and the Candidates to the Board of the State or Municipal Enterprise for the Selection of a Collegial Supervisory or Management Body Elected by the General Meeting of Shareholders, approved by the Resolution No 631 of the Government of the Republic of Lithuania of 17 June 2015.

On 29 March 2019, the members of the EPSO-G Board elected Mr. Gediminas Almantas as a Chairman of the Board.

The Board of EPSO-G:

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

During the reporting period, 22 (twenty-two) meetings of the Board were held, in 3 (three) of which decisions were adopted by a written vote. Ten decisions were taken by written vote. During the reporting year, seven strategic sessions and one cooperation session were arranged.

The composition of the Board of EPSO-G as of 31 December 2020:

Gediminas Almantas
Independent member, Chairman

Robertas Vyšniauskas
Independent member

Tomas Tumėnas
Independent member

Gediminas Karalius
Member

Dainius Bražiūnas
Member

„During the reporting period, 22 meetings of the Board were held, in 3 of which decisions were adopted by a written vote.“

The composition of the Board of EPSO-G as of 31 December 2020:

FULL NAME	POSITION HELD	TERM OF OFFICE	OTHER POSITIONS	EDUCATION
Gediminas Almantas	Independent member, Chairman	From 20 March 2019	Member of the Board of SE Oro Navigacija, Chairman of the Audit Committee	Master's degrees in Law from Vilnius University and the University of Bern, Switzerland; Industrial PhD fellow, Business Negotiation Ethics at Copenhagen Business School.
Dainius Bražiūnas	Member	From 20 March 2019	Ministry of Energy of the Republic of Lithuania, Head of the Energy Security Group; the member of the Board of Klaipėdos nafta AB	Vilnius Gediminas Technical University, Bachelor of Energy Sciences.
Gediminas Karalius	Member	From 20 March 2019	Ministry of Energy of the Republic of Lithuania; Senior Advisor of Energy Security Group;	Mykolas Romeris University, Master of EU Law; ISM University of Management and Economics, Master of Science in Management and Business Administration.
Tomas Tumėnas	Independent member	From 11 November 2019	CFO of Limedika UAB and the member of the Boards of the National Pharmacy Group and Linas Agro Group AB	Vilnius University, Master of Science in Financial Management; Aalborg University, Economics of International Business; Manchester Business School, Master of Science in Financial Management.
Robertas Vyšniauskas	Independent member	From 20 March 2019	CEO and the member of the Board of Valstybės investicinis kapitalas UAB; the member of the Board of Vilniaus vystymo kompanija UAB	Mykolas Romeris University, Master of EU Law.

„During the reporting year, seven strategic sessions and one cooperation session were arranged.“

Attendance and key decisions of the Board meetings in 2020:

● Present ○ Absent

MEETING DATE	GEDIMINAS ALMANTAS	DAINIUS BRAŽIŪNAS	GEDIMINAS KARALIUS	TOMAS TUMĖNAS	ROBERTAS VYŠNIAUSKAS
January 9	●	●	●	●	●
February 7	●	●	●	●	●
February 28	●	●	●	●	●
March 19	●	●	●	●	●
March 26	●	●	●	●	●
March 27	●	●	●	●	●
April 17	●	●	●	●	●
May 22	●	○	●	●	●
May 29	●	●	●	●	●
June 4	●	●	●	●	●
June 16	●	●	●	●	●
June 26	●	●	○	●	●
July 28	●	●	●	●	●
August 28	●	●	●	●	●
September 25	●	●	●	●	●
October 21	●	●	●	●	●
November 4	●	●	●	●	●
November 20	●	●	●	●	●
November 25	●	●	●	●	●
November 30	●	●	●	●	●
December 10	●	●	●	●	●
December 21	●	●	●	●	●

Key decisions of the Board 2020:

2020-01	**09** The report on the implementation of operational objectives for 2019 approved by the CEO of EPSO-G; the descriptions of the requirements for the selection of independent Board members for the Boards of EPSO-G Group companies Amber Grid, LITGRID and BALTPOOL approved; EPSO-G Group's business strategy for 2017-2025 approved.			
2020-02	**07** The new wording of EPSO-G Group's Dividend Policy approved; the objectives of the CEO of EPSO-G for 2020 approved; a new version of EPSO-G's risk management methodology approved.		**28** An updated list of posts and organizational structure of EPSO-G approved; the report on the achievement of objectives of 2019 by the EPSO-G Internal Audit Head approved.	
2020-03	**19** Decisions to supplement the agenda of Amber Grid, LITGRID ordinary general shareholders made.	**26** Candidates for Amber Grid, LITGRID and BALTPOOL Board members nominated.	**27** Current debt obligations discussed; the regulations and activity plan of Innovation and Development Committee of EPSO-G for 2020 approved; EPSO-G Group's Compliance Management Policy approved.	
2020-04	**17** An updated list of posts and organizational structure of EPSO-G approved; the report on the implementation of EPSO-G Group's business strategy for 2017-2025 approved; the voting at Ordinary Shareholders' Meetings of the subsidiaries resolved; the Company's and consolidated annual report and the Company's and consolidated annual financial statements, profit distribution project approved, and the Ordinary General Meeting of Shareholders initiated.			
2020-05	**22** Voting at the Ordinary General Meeting of Shareholders of LITGRID resolved.		**29** The essential terms of the overdraft agreement approved; the new composition of EPSO-G's Innovation and Development Committee approved; the group-level risk list of EPSO-G for 2020 approved.	
2020-06	**04** Current debt obligations discussed.	**16** Decisions on initiating the selection of TETAS Board members made and the description of the requirements for the selection of an independent Board member approved.	**26** Voting at Extraordinary General Meetings of the subsidiaries resolved; the regulations of the Remuneration and Nomination Committee of EPSO-G approved; the member of the Board of TETAS elected to the position of a member of the Board in the field of information technology competence.	
2020-07	**28** The selection of an independent member of the Audit Committee initiated.			
2020-08	**28** The member of the Board of TETAS to the position of a member of the Board in the field of strategic management elected; essential terms for EPSO-G and TETAS lending and borrowing using the Group's pool account service agreed upon.			
2020-09	**25** A new version of EPSO-G Group's Transparency and Communication Policy approved; an Extraordinary General Meeting of Shareholders was initiated to elect the members of the Audit Committee.			
2020-10	**21** Voting at the Extraordinary General Meeting of Shareholders of LITGRID resolved.			
2020-11	**04** A new version of Integrated Planning and Monitoring Policy of the Group approved.	**20** EPSO-G Group's strategy project for 2030 approved.	**25** The participation in the activities of the Lithuanian Hydrogen Platform resolved.	**30** A new version of EPSO-G's Compliance Management Policy and Compliance Management Methodology approved; the activity plans of the Audit and Remuneration and Nomination Committees approved.
2020-12	**10** EPSO-G's operating budget for 2021 approved.	**21** The list of posts and organizational structure of EPSO-G, and senior and middle management post levels updated and approved; the list of EPSO-G's priority areas that will be subject to the compliance management process approved; the activity plans of the EPSO-G Board and the Innovation and Development Committee approved.		

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

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

In 2020, Mr. Gediminas Almantas, Mr. Dainius Bražiūnas and the Chair Mrs. Jolita Lauciuvienė served on the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee of EPSO-G:

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

16 (sixteen) meetings of the Remuneration and Nomination Committees were held in 2020.

The composition of the Remuneration and Nomination Committee of EPSO-G as of 31 December 2020

Jolita Lauciuvienė
Independent member, Chair

Gediminas Almantas
Independent member

Dainius Bražiūnas
Member

FULL NAME	POSITION HELD	TERM OF OFFICE	OTHER POSITIONS	EDUCATION
Jolita Lauciuvienė	Independent member, Chair	From 20 May 2019	Personalo vertė verslui UAB, Director	Vilnius University, Master of Economics; Lithuanian University of Educational Sciences, Bachelor of Psychological Sciences.
Dainius Bražiūnas	Member	From 29 March 2019	Ministry of Energy of the Republic of Lithuania, Head of the Energy Security Group; the member of the Board of Klaipėdos nafta AB	Vilnius Gediminas Technical University, Bachelor of Energy Sciences.
Gediminas Almantas	Independent member	From 29 March 2019	Member of the Board of SE Oro Navigacija; Chairman of the Audit Committee	Master's degrees in Law from Vilnius University and the University of Bern, Switzerland; Industrial PhD fellow, Business Negotiation Ethics at Copenhagen Business School.

Attendance and key decisions of the Remuneration and Nomination Committee in 2020:

● Present ○ Absent

MEETING DATE	JOLITA LAUCIUVIENĖ	GEDIMINAS ALMANTAS	DAINIUS BRAŽIŪNAS
January 21	●	●	●
February 12	●	●	●
March 9	●	●	●
March 16	●	●	●
April 1	●	●	●
June 10	●	●	●
June 22	●	●	○
July 24	●	●	○
August 14	●	●	●
September 9	●	●	●
September 22	●	●	●
October 7	●	●	●
October 26	●	●	●
December 2	●	●	●
December 14	●	●	●
December 16	●	●	●

„16 meetings of the Remuneration and Nomination Committees were held in 2020.“

Key decisions of the Remuneration and Nomination Committee 2020:

2020-01	**21** The description of the selection requirements for the CEO of Amber Grid approved.	
2020-02	**12** RNC report for 2019 approved.	
2020-03	**09** Selection for the position of the CEO of Amber Grid performed; the draft remuneration policy for the CEO and members of the Board of LITGRID and Amber Grid approved.	**16** Recommendations on the composition of the Boards of LITGRID, Amber Grid and BALTPOOL given; EPSO-G common areas for business improvement in 2020 approved.
2020-04	**01** Recommendations on the composition of the Board of GET Baltic given; an amended standard form of employment contract for Amber Grid employees approved.	
2020-06	**10** The new version of the regulations of EPSO-G's Remuneration and Nomination Committee and the approval of the periodic information to EPSO-G's Remuneration and Nomination Committee approved; the updated activity plan of EPSO-G's Remuneration and Nomination Committee for 2020 approved.	**22** Selection to the position of a member of the Board of TETAS information technology competence field performed.
2020-07	**24** Ongoing selection for the position of a member of the Board of TETAS in strategic management field.	
2020-08	**14** Recommendation to the LITGRID's Board on suitable candidate (s) for the post of acting CEO of LITGRID provided.	
2020-09	**09** The new version of EPSO-G Group's Transparency and Communication Policy approved; recommendations on policies attributed to the Remuneration and Nomination Committee and on the substitution plans of the Group companies given.	
2020-10	**07** Recommendations on remuneration ranges given; the activity plan of the Remuneration and Nomination Committee for 2021 discussed.	**26** Selection to the CEO of LITGRID performed.
2020-12	**02** Recommendations on the organizational structure and post levels of senior management given; the new version of the guidelines for the annual self-assessment of the collegial bodies of EPSO-G Group companies approved.	**14-18** Selection to the CEO of LITGRID performed.

„In 2020, Mr. Gediminas Almantas, Mr. Dainius Bražiūnas and the Chair Mrs. Jolita Lauciuvienė served on the Remuneration and Nomination Committee“

7.6. Audit Committee of EPSO-G (AC)

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

During the reporting period (i.e. 19 September 2020) a four-year term of office of the Audit Committee ended. Following the selection, with reference to the recommendation of the Remuneration and Nomination Committee, as from 22 October 2020 the sole shareholder formed the Audit Committee of the same composition. During the reporting period, the Audit Committee had two independent members, Mr. Gediminas Šiušas and Mr. Robertas Vyšniauskas, as well as Mr. Gediminas Karalius, a member of the EPSO-G Board nominated by the Ministry of Energy.

The Audit Committee periodically (at least once every two years) reviews the Regulations of the Audit Committee and may initiate their updating. During the reporting period, the Audit Committee initiated amendments to the Regulations approved by the Meeting on 30 April 2020.

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 companies;
- Is responsible for the monitoring of effectiveness of the internal control of the Group companies, 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.

20 meetings of the Audit Committees took place during the reporting period.

The composition of the Audit Committee of EPSO-G and its changes as of 31 December 2020:

Gediminas Šiušas
Independent member, Chairman

Gediminas Karalius
Member

Robertas Vyšniauskas
Independent member

„20 meetings of the Audit Committees took place during the reporting period.“

EPSO-G audito komiteto sudėtis 2020 m. gruodžio 31 d. ir jo pokyčiai per ataskaitinį laikotarpį:

FULL NAME	POSITION HELD	TERM OF OFFICE	OTHER POSITIONS	EDUCATION
Gediminas Šiušas	Independent member, Chairman	From 12 September 2016 to 12 September 2020 and from 22 October 2020	Western Union Processing Lithuania UAB	Stockholm School of Economics in Riga, Bachelor of Economics and Business Administration; Vilnius University, Bachelor of Management and Business Administration; Vilnius University, Master of Economics.
Gediminas Karalius	Member	From 21 September 2018 to 12 September 2020 and from 20 March 2019	Ministry of Energy of the Republic of Lithuania; Senior Advisor of Energy Security Group	Mykolas Romeris University, Master of EU Law; ISM University of Management and Economics, Master of Science in Management and Business Administration.
Robertas Vyšniauskas	Independent member	From 15 April 2019 to 12 September 2020 and from 22 October 2020	CEO and the member of the Board of Valstybės investicinis kapitalas UAB; the member of the Board of Vilniaus vystymo kompanija UAB	Mykolas Romeris University, Master of EU Law.

Attendance of the Audit Committee in 2020:

● Present ○ Absent

MEETING DATE	GEDIMINAS ŠIUŠAS	GEDIMINAS KARALIUS	ROBERTAS VYŠNIAUSKAS
January 27	●	●	●
February 24	●	●	●
March 6	●	●	●
March 10	●	○	●
March 23	●	●	●
March 30	●	●	●
April 6	●	●	●
April 16	●	●	●
April 20	●	●	●
May 4	●	●	●
May 18	●	●	●
May 25	●	●	●
June 22	●	●	●
July 27	●	●	●
August 24	●	●	●
October 26	●	●	●
October 29	●	●	●
November 9	●	●	●
November 23	●	●	●
December 7	●	●	●

Key decisions of the Audit Committee 2020:

2020-01	**27** The risk management plans of EPSO-G and BALTPOOL for 2020 approved; the new wording of the Group's internal audit plan for 2018 - 2020 approved.			
2020-02	**24** The risk management plans of Amber Grid, TETAS ir GET Baltic for 2020 approved; the report on the achievement of objectives for 2019 and for 2020 by the Internal Audit Head approved.			
2020-03	**06** The AC opinion on LITGRID's transaction with the related party Baltpool approved.	**10** Opinion on separate and consolidated financial statements of BALTPOOL and GET Baltic for 2019 approved.	**23** Opinion on separate and consolidated financial statements of LITGRID and Amber Grid for 2019 approved.	**30** Opinion on financial statements of TETAS for 2019 approved.
2020-04	**06** LITGRID's risk management plan for 2020 approved.	**16** Opinion on separate and consolidated financial statements of EPSO-G for 2019 approved.	**20** An external auditor was allowed to participate in a public procurement performed by one of the Group companies (for non-audit services).	
2020-05	**04** 4 opinions of the AC on LITGRID's transactions with related parties approved; the technical specification for the procurement of financial statement audit services and the minimum qualification requirements for suppliers approved.		**18** An external auditor was allowed to participate in a public procurement performed by one of the Group companies (for non-audit services).	**25** Opinions on LITGRID's transaction with a related party approved; the group-level risk list approved.
2020-06	**22** 2 opinions of the AC on transactions with related parties approved.			
2020-07	**27** After assessing the results of the risk management indicators of Q2 2020 the Audit Committee made recommendations to one of the Group companies regarding the addition of the risk list the plan of management measures.			
2020-08	**24** The report on the conclusions of the selection procedures of the Group's external auditor was approved and for the Boards of the Group companies it was recommended to propose to the General Meetings of Shareholders to elect an audit firm PricewaterhouseCoopers UAB to audit the financial statements for 2020-2021.			
2020-10	**26** The Audit Committee of the new term elected Mr. Gediminas Šiušas the Chairman; when implementing the previous recommendations of the Audit Committee, the proposals submitted by one of the Group companies to supplement the risk list and the plan of management measures were approved.		**29** Allowed PricewaterhouseCoopers UAB to provide tax consulting services to the Group companies (specified in the request).	
2020-11	**09** After assessing the results of the risk management indicators of Q3 2020 the Audit Committee made recommendations to one of the Group companies; the Audit Committee with the representatives of PricewaterhouseCoopers UAB discussed the plans of audits for 2020.		**23** Amendments to the Group's Compliance Management Policy and the draft Group's Compliance Management Methodology approved; the risk lists and plans of management measures of Amber Grid and GET Baltic for 2021 approved.	
2020-12	**07** The priority areas presented by EPSO-G, LITGRID and Amber Grid subject to the compliance management process approved; the risk lists and plans of management measures of LITGRID, EPSO-G, TETAS and Baltpool 2021 approved; 2 opinions of the AC on LITGRID's intention to enter into transactions with a related party approved.			

7.7. Innovation and Development Committee (IDC)

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

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

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

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

The composition of Innovation and Development Committee and its changes as of 31 December 2020:

FULL NAME	POSITION HELD	TERM OF OFFICE	OTHER POSITIONS	EDUCATION
Sigitas Žutautas	Independent member, Chairperson*	From 29 November 2019	Independent member of the Board of Amber Grid Ab, the Director of Būsto paskolų draudimas UAB	Vilnius University, Bachelor of Economics and Banking, Master of Accounting and Auditing. Baltic Institute of Corporate Governance, studies of a professional board member.
Tomas Tumėnas	Independent member	From 29 November 2019	Independent member of the Board of EPSO-G; CFO of Limedika UAB; the member of the Board of Linas Agro Group AB	Vilnius University, Master of Science in Financial Management; Aalborg University, Economics of International Business; Manchester Business School, Master of Science in Financial Management.
Šarūnas Nedzinskas	Independent member	From 29 November 2019 to 20 April 2020	Independent member of the Board of LITGRID AB	ISM University of Management and Economics, Doctor of Social Sciences, Strategic Management; Vilnius University, Master of Economics.
Tomas Urmanavičius	Member	From 29 November 2019 to 31 May 2020	Finance Control Director of EPSO-G UAB and the member of the Board of BALTPOOL UAB	Vilnius University, Bachelor of Economics; Vrije University of Amsterdam, Master of Financial Management.
Artūras Vilimas	Independent member	From 1 June 2020	Independent member of the Board of LITGRID AB	Kaunas University of Technology (KTU), Engineering Degree
Gediminas Mikaliūnas	Independent member	From 1 June 2020	Independent member of the Board of BALTPOOL UAB, Head of Automation and Transformation of IT Operations at Barclays IT	Baltic Management Institute, Executive MBA programme; Vilnius University, Master of Information Technology

* The Chairman of the Innovation and Development Committee as from 6 January 2020, re-elected on 17 June 2020.

Attendance of the Innovation and Development Committee in 2020:

● Present ○ Absent

MEETING DATE	SIGITAS ŽUTAUTAS	TOMAS TUMĖNAS	ŠARŪNAS NEDZINSKAS	TOMAS URMANAVIČIUS	ARTŪRAS VILIMAS	GEDIMINAS MIKALIŪNAS
January 6	●	●	●	●	-	-
February 5	●	○	●	●	-	-
March 12	●	○	●	●	-	-
June 17	●	●	-	-	●	●
September 9	●	●	-	-	●	○
October 29	●	●	-	-	●	●
December 15	●	●	-	-	●	●

Key decisions of the Innovation and Development Committee 2020:

2020-01	**06** The first IDC meeting, during which Mr. Sigitas Žutautas was elected the Chairman, the current situation in the functional area of the Group's innovations discussed.
2020-02	**05** Joint meeting attended by the Group's innovation curators. The current situation in the field of innovation in the Group companies was discussed.
2020-03	**12** The issue of solar power plants in LITGRID transmission network objects was discussed. The Committee's activity plan and regulations were approved. The status report of the innovation project portfolio was revised.
2020-06	**17** The first formal meeting of the newly approved IDC. Mr. Sigitas Žutautas was re-elected Chairman of the Committee. During the meeting, the status of LEAN implementation in the Group companies was discussed, as well as the regulatory environment for energy innovation was reviewed.
2020-09	**09** AThe project Installation of Energy Storage Facilities (200 MW) was discussed and the opinion of the IDC on the grounding and need of the project and related risks was formed; the system of innovation promotion in the Group companies was discussed.
2020-10	**29** The course of the project Installation of Energy Storage Facilities (200 MW) was discussed; the current situation of asset management efficiency of transmission system operators was discussed; the status report of the innovation project portfolio was revised.
2020-12	**15** The development of the Group companies was reviewed and new opportunities for implementing the new EPSO-G strategy were discussed.

7.8. Chief Executive Officer

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

The current Chief Executive Officer of EPSO-G, Mr. Rolandas Zukas, has held the post since 17 February 2015. In accordance with the Article 371 of the Law of the Republic of Lithuania on Companies, the first five-year term of office of the CEO commenced on 1 January 2018.

The Chief Executive Officer of EPSO-G:

- Organizes and controls the implementation of the Group's activities strategy;
- Controls the activities of the subsidiaries, makes suggestions and conclusions to the EPSO-G Board regarding the organization of the Group's activities and development thereof;
- Organizes and ensures the monitoring of the implementation of the strategy, long-term (strategic), short-term (tactical) objectives of the subsidiaries, the activities assessment, makes suggestions to the EPSO-G Board regarding the activities improvement;
- Ensures that the Group's corporate governance documents are submitted to the Group companies, and the reports of the implementation of the Group's corporate governance documents are submitted in a timely manner to the Board of EPSO-G.

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

Mr. Gediminas Almantas (Chairman of the Board) - Mr. Almantas has been the Chairman of the EPSO-G Board since 30 March 2019. Mr. Almantas is a professional with an extensive experience in business strategy and corporate governance. He is an independent member of the Board of SE Oro Navigacija, the Chairman of the Audit Committee, and the Chairman of the Lithuanian Red Cross Society and the Board of the Open Lithuania Foundation. In 2014-2018, he was the CEO of the Lithuanian Airports, and was engaged in the fields of aviation and law. Mr. Almantas has been on the EPSO-G Board since 2016.

Mr. Almantas holds a Master's degree in Law from Vilnius University and the University of Bern, and Industrial PhD fellow of Business Negotiation Ethics at Copenhagen Business School.

Mr. Rolandas Zukas (Chief Executive Officer) - Mr. Rolandas Zukas has been holding the office of the Chief Executive Officer of EPSO-G since 17 February 2015. He worked before as the Department Director of the LNGT terminal of Klaipėdos nafta AB, was the member of the Board and the CEO of Energijos Tiekimas UAB. Mr. Zukas is the member of the Board of the Lithuania's National Energy Association (Lith. NLEA).

Mr. Zukas holds a university degree in the fields of Transport Engineering Economics (Vilnius University, the Bachelor's degree) and Management (ISM, the Master's degree).

Mr. Žydrūnas Augutis (Chief financier) - with more than 20 years of experience in financial accounting and taxation, Mr. Augutis has been the Chief Financial Officer of EPSO-G since 29 April 2019. Prior to joining EPSO-G, he held the position of the Chief Financial Officer of the subsidiary Litgrid, managed 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 from Vilnius University.

Mrs. Rasa Juodelytė (Head of Internal Audit) has been the Head of EPSO-G centralized Internal Audit Department since 2 January 2017. Prior to joining this position, for four years she was responsible for the Internal Audit Department's activities at the subsidiary Litgrid; she held the same position while working for the international company of wholesale and retail trade of petroleum products. Mrs. Juodelytė is a member of the Audit and Risk Committee of Ignalina Nuclear Power Plant.

Mrs. Juodelytė holds a Master's degree in Accounting and Audit from Vilnius University.

The CVs of the members of the Board of the Company and its Committees as well as the Chief Executive Officer are published on the website of EPSO-G: www.epsog.lt.

7.10. Operating policies

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

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

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

By implementing the goals set out in the Shareholder's Letter of Expectations, the holding company EPSO-G has established the main principles and, in some cases, the specific rules in these fields at the Group level:

Remuneration, personnel management	Supervision of the Group's activities	Activities, development of the Group	Finance, asset	Transparency, accountability
Remuneration guidelines	Integrated planning and monitoring policy of the Group	Strategy of the Group	Dividend payment policy	Corruption prevetion policy
Guidelines of the annual self-assessment of the collegiate bodies' activities	Guidelines of the implementation of the centralised internal audit in the Group	Corporate governance policy	Accounting policy	Policy for support granting
Employee remuneration policy		Project management policy	Treasury and financial risk management policy	Policy of non-audit services purchased from an audit company
Employee performance assessment policy		Risk management policy	Technological assets development and operation policy	Transparency and communication policy
Competence policy		Social responsibility policy	Transport policy	Sensitive information protection policy
		Code of conduct	ITT management politics	Policy of managing interests of members of collegial bodies and emplyees
		Procurement Policy		Personal data protection policy
		Transactions with related countries policy		
		Compliance Management politics		

EXPLANATORY NOTES

The policy changes mode and a new version of Group policy adopted in 2020

The new Group policy approved in 2020

During the reporting period, one new Compliance Management Policy of the Group was added and three policies were updated:

- Integrated Planning and Monitoring Policy;
- Dividend Payment Policy;
- Transparency and Communication Policy.

The policies or summaries thereof are published on EPSO-G website www.epsog.lt in the menu item Operating Policies.

Functional area governance model

The holding company EPSO-G employs a functional leadership model that, based on international practice, creates the greatest value for the Group companies.

Using the functional leadership model, the holding company EPSO-G:

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

Effectiveness of the governance model

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 the further action plan for the development of the organization is adjusted accordingly.

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

With respect to the guidelines prepared by the Remuneration and Appointment Committee, at the beginning of 2021, the governing bodies of the holding company EPSO-G and its subsidiaries carried out the self-assessment of their activities of 2020.

The summarized assessments of the members of each collegial body were discussed during the meeting of each collegial body. The fields of activity to be improved were identified and the directions for improvement of the operational processes were established by drawing up a coherent plan of actions and tasks for the year 2021.

The evaluation of its performance carried out by collegial bodies was coordinated and summarised by the Remuneration and Appointment Committee of EPSO-G.

The Remuneration and Appointment Committee identified the following key areas for improvement for 2021:

- more focus on solving strategic issues in order to optimize the work organization of collegial bodies;
- increased cooperation with the EPSO-G's Board and Committees to respond more effectively to the expectations and needs of a particular collegial body;

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 (available at: www.nasdaqbaltic.com). The Code applies to the extent that the Articles of Association of the Company do not provide otherwise. The Company discloses its compliance with the provisions of the Corporate Governance Code in Annex II to this Annual Report.

7.13. Information on Compliance with Transparency Guidelines

EPSO-G Group companies follows the Resolution No 1052 On the Approval of the Description of the Guidelines for Ensuring Transparency of Activities of State-Owned Enterprises of the Government of the Republic of Lithuania of 14 July 2010 (the "Transparency Guidelines").

The Transparency Guidelines are binding on the holding company EPSO-G, as it is a state-owned enterprise, classified as a large enterprise in accordance with the Law on Corporate Financial Reporting of the Republic of Lithuania.

In order to comply with the Transparency Guidelines within EPSO-G Group companies, the Group applies the Transparency and Communication Policy that addresses in detail the requirements of the Transparency Guidelines and determines their scope of application for the companies of the Group.

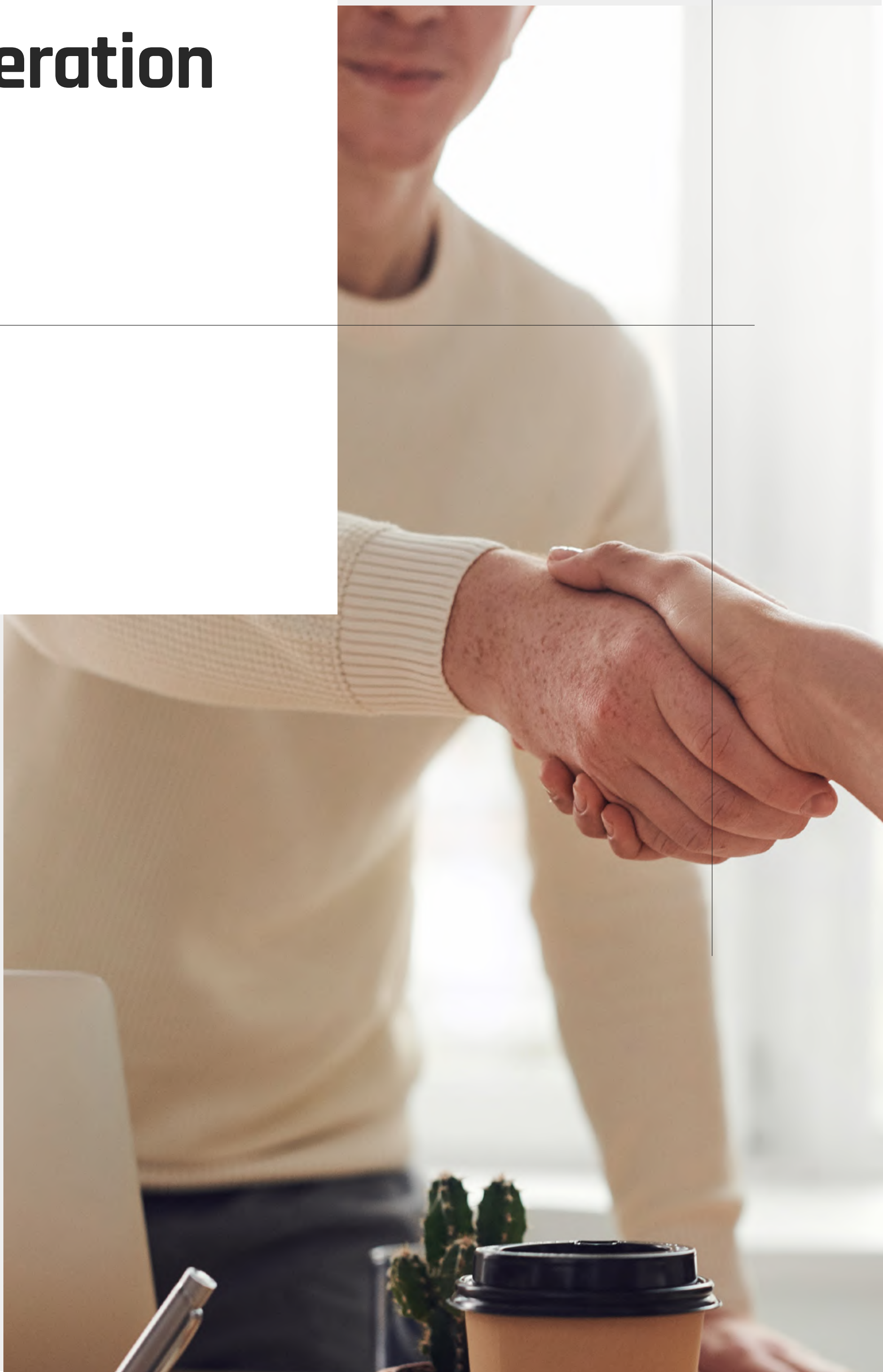
The implementation of the Transparency Guidelines is essentially ensured through the information disclosed in the Annual Report and the disclosure of information on the websites in order to provide information to stakeholders in an accessible and understandable form.

Structured information on compliance with the Transparency Guidelines is provided in Annex I to this Annual Report.

„The implementation of the Transparency Guidelines is essentially ensured through the information disclosed in the Annual Report and the disclosure of information on the websites in order to provide information to stakeholders in an accessible and understandable form.“

08

Report on the implementation of the remuneration policy



08

Report on the implementation of the remuneration policy

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

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 pay much attention to the development of managerial competencies.

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

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

8.1. Formation and monitoring of the Remuneration and Nomination Policy

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

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

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

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

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

8.2. Remuneration Policy

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

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

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

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

- The identical principles of the Remuneration Policy are applied for both the 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 the executives and employees of EPSO-G consists of two components: fixed and variable.
- The fixed component depends on the level of responsibility of the position. It is determined according to a methodology recognized and widely used in international practice.
- The variable pay component is paid when individual goals set during the annual performance assessment are attained, and the company reports to the Board for the achievement of annual goals.
- Annual goals for executives and employees are set in accordance with the Employee Performance Assessment Policy of EPSO-G Group companies.
- The variable pay component of remuneration is not paid if performance results do not meet the expectations according to the established evaluation criteria and the financial results are assessed as unsatisfactory.
- The variable pay component of remuneration is not a bonus. It cannot exceed 20-30 percent of the fixed component of remuneration.
- The amount of variable pay component of remuneration is estimated in the company's budget and recorded in the financial result, which is audited and made public.
- The variable pay component of remuneration of the company's CEO depends on the implementation of the goals set out in the company's strategy, which are announced publicly on the company's website.
- The variable pay component of remuneration is not paid to members of the collegial bodies.
- Severance pays are paid to employees in accordance with the procedure laid down in the Labour Code of the Republic of Lithuania and in employment contracts.

- Severance pays do not exceed amounts other than that established by the legal acts of the Republic of Lithuania, other than exceptional cases, when for objective reasons higher amounts are agreed upon. The relevant board of the Group company must be informed about the payment of such amounts and the grounds for their payment at its subsequent meeting.
- The amount of work, remuneration, as well as severance pay of the top management of companies is determined by the board of the company.
- It is provided that performance of particular importance not foreseen for in the employee's annual targets may, in exceptional cases, be subject to an incentive payment not exceeding the amount specified in the policy. The relevant board of the Group company must be informed on the above at its next meeting.
- Prior agreements on severance pays, except for company directors whose terms of employment are determined by the Board, are not concluded.
- The Remuneration Policy does not provide for any remuneration by granting a CEO, a member of the collegial body or an employee the right to the shares, stock options or the right to receive remuneration based on changes in share prices other financial instruments.
- The companies of EPSO-G Group reward their employees in emotional non-financial form in order to promote their engagement and loyalty. Indirect reward includes events for the employees, recognition and appreciation for very good performance.

In order to ensure the effectiveness of the Remuneration Policy, the fixed and variable pay components of remuneration are made public by groups of posts. This creates assumptions for the companies of EPSO-G Group 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. In the preparation of the Remuneration Policy of EPSO-G, the services of external consultants were not used.

8.3. Employee performance assessment

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

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

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

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

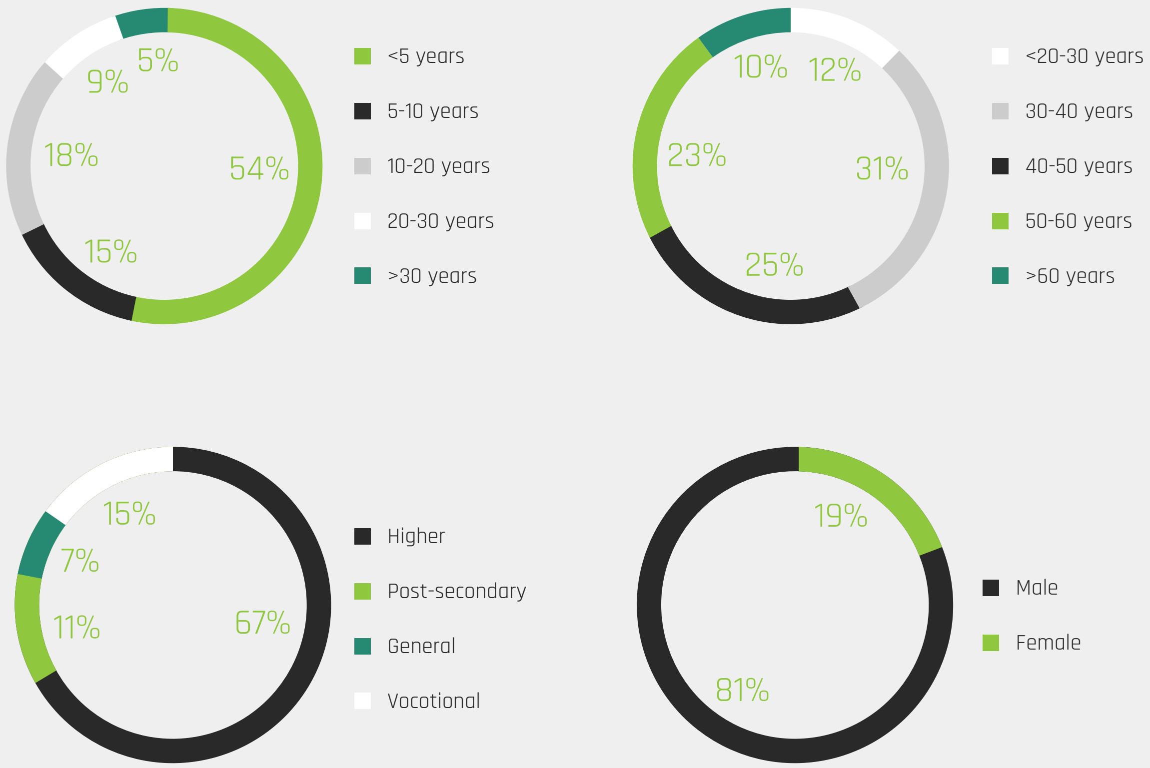
8.4. Employees

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

	AS AT 31 DECEMBER 2020	AS AT 31 DECEMBER 2018
EPSO-G Group companies	1,081	993
EPSO-G	32	25
Amber Grid	319	316
Litgrid	308	290
Tetas	395	338
Baltpool	18	17
Get Baltic	9	7

Distribution of employees by position groups as of 31 December 2020 (people)

Distribution of employees by service record, age group, educational background, gender as of 31 December 2020 (%)



8.5. Information on remuneration

As at 31 December 2020, EPSO-G Group had 1,081 employees (as at 31 December 2019: 993 employees).

Wage Guarantee Fund of EPSO-G Group for 2020 was EUR 29,885 thousand (2019: EUR 26,577 thousand).

Information on average monthly pay

AVERAGE MONTHLY PAY BY CATEGORY OF EMPLOYEES	GROUP			
	Number of employees (at the end of the period)		Average monthly pay (including the variable pay component)	
	2020	**2019**	**2020**	**2019**
CEO	6	6	9,094	9,328
Senior management	20	16	7,650	7,279
Middle-level management	103	93	4,326	4,162
Specialists	623	585	2,385	2,212
Workers	329	293	1,257	1,175
Total	**1,081**	**993**	**2,339**	**2,184**
Wage Fund, EUR '000			**29,885**	**26,577**

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

AVERAGE MONTHLY PAY BY CATEGORY OF EMPLOYEES	COMPANY					
	Number of employees (at the end of the period)		**2020**		**2019**	
	2020	**2019**	Average monthly pay, EUR	Variable pay component for results achieved in 2019, EUR	Average monthly pay, EUR	Variable pay component for results achieved in 2018, EUR
General Manager	1	1	8,040	2,179	7,956	2,084
Senior management	4	4	6,838	1,971	6,111	1,445
Middle-level management	12	9	4,594	924	4,323	1,003
Specialists	15	8	2,769	400	2,972	564
Total	**32**	**25**	**4,280**	**904**	**4,286**	**980**
Wage Guarantee Fund, EUR '000				**1,609**		**1,403**

8.6. Information on renumeration of collegial members

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

In 2019, the sole shareholder of the holding company, the Ministry of Energy, approved the updated EPSO-G's Remuneration Guidelines. They came into force as from 1 December 2019 and were applied in 2020.

In 2020, the following amounts of remuneration were set for independent members of the Board (before taxes):

- EUR 2,150 (two thousand one hundred and fifty euros), taking into account the additional administrative functions of the chairman of the collegial body, for the Chairman of the Board also holding the position of at least one member of the Board's Committee formed in the Group; and for the Chairman of the Committee also serving as an independent Board member in the Group;
- EUR 1,800 (one thousand eight hundred euros), considering the additional administrative functions of the chairman of the collegial body, for the Chairman of the Board, who does not hold any of the positions of a member of the Board's Committee formed in the Group;
- EUR 1,750 (one thousand seven hundred and fifty euros) for independent members of the Board also holding the position of at least one member of the Board's Committee formed in the Group;
- EUR 1,400 (one thousand four hundred euros) for independent members of the Board, who do not hold any of the positions of a member of the Board's Committee formed in the Group;
- EUR 850 (eight hundred and fifty euros) for independent members of the Board's Committee who are not independent members of the Boards. These members acting as the Chairman of the Board's Committee are remunerated EUR 1,100 (one thousand one hundred euros);

Given that the above amounts have been calculated in accordance with the applicable tax legislation, i.e. including taxes payable in the event of a change in the tax regime, until new decisions on remuneration are made, the remuneration paid to members of collegial bodies after tax shall not change compared to the estimated amount based on the above amounts.

It was established that in case an independent member of the Board is elected a member of the Board's Committee formed in the Group and / or the Chairman of the Board, or an independent member of the Board is revoked / resigns from the position of a member of the Board formed in the Group and / or the chairman of the Board, the remuneration of such independent member of the Board shall be changed based on the above-mentioned amounts of remuneration of the independent members of the Board of the Company. Accordingly, the General Manager of the Company shall be authorized and obliged to sign on behalf of the Company the amendments to agreements with independent members of the Board of the Company, establishing such changes in the remuneration of the respective independent members of the Board.

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

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

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

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

The contracts do not provide for any severance pays and notice periods.

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

	AS OF 31 DECEMBER 2020	AS OF 31 DECEMBER 2019
Number of meetings of collegial supervisory and management bodies	65	56
Number of members of collegial bodies remunerated (persons)*	5	9
Payouts related to members of management bodies (thousand EUR)	92	58

* As of 31 December 2019, the remuneration was paid to 5 members of collegial bodies.

Information on individual payouts for collegial members of supervisory and management bodies:

FULL NAME OF THE MEMBER	AS OF 31 DECEMBER 2020	AS OF 31 DECEMBER 2019
Gediminas Almantas*	25,800	18,285
Robertas Vyšniauskas*	20,542	12,400
Tomas Tumėnas*	21,000	1,400
Gediminas Šiušas**	11,760	9,430
Jolita Lauciuvienė**	13,200	5,706

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

** remuneration for activities as a member of EPSO-G Group's Board Committee.

8.7. Legal disputes and uncertainties

Information on legal disputes and uncertainties is disclosed in Note 38 to the financial statements of this Annual Report.

8.8. Information on specific obligations

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

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

As from 1 April 2019, PSO price differentiation system was introduced, which will be applied until 31 December 2028. Entities using large amounts of electricity, having concluded contracts with Baltpool, which performs the functions of the PSO funds administrator, and meeting the requirements established by legal acts, will be able to recover 85% of the PSO price paid during the previous calendar year intended to promote electricity production from renewable energy sources. Electricity consumers will be able to use the recovered PSO funds for the implementation of energy efficiency measures.

A total of 45 entities operating in power-intensive industries were connected to the PSO differentiation system until 31 December 2020: 39 of them have been participating in the PSO differentiation scheme since 2019 and 16 - since 2020.

In 2020, Baltpool reimbursed a total of EUR 11,511,415.45 (VAT excl.) of the part of the PSO price paid in 2019 to the thirty (30) electricity consumers that have been participating in the PSO differentiation scheme from 2019.

Until 1 July 2021, all forty-five (45) entities operating in the power-intensive industry that have concluded agreements with Baltpool on the reimbursement of a part of the PSO price will be eligible to submit applications for reimbursement of a part of the PSO price for 2020 to the PSO administrator. After examining these applications in the prescribed manner, Baltpool will decide on the reimbursement of the part of the PSO price paid in 2020.

In 2020, Baltpool has automated the administration of PSO funds accounting, thus making the processes of publicly available PSO funds administration reports more streamlined. The system helps to automatically process information from reports sent by customers, thus saving time and reducing the risk of error.

Detailed information and PSO reports are publicly available on Baltpool's website: https://www.baltpool.eu/lt/viap-gautos-is-moketos-likutis/

Significant events after the end of the reporting period

January

- On **11 January 2021**, the Extraordinary General Meeting of Litgrid's Shareholders established that the total annual budget for 2021 for the remuneration of the members of the Board of the Company and additional expenses for the Company to ensure the activities of the Board amounted to EUR 41,580. The agreement No 1 on design of Reconstruction of 330 kV voltage overhead power line Lithuania Power Plant - Alytus (LN 330) of 30 April 2020 and the amendment of contract works procurement contract No 20VP-SUT47 was approved.
- On **12 January 2021**, Litgrid completed an important stage in the project Optimisation of the North-East Lithuanian electricity transmission network and preparation for synchronous work with the energy system of continental Europe. After the reconstruction, 330 kV switchgears of Utena and Ignalina NPP transformer substations were put into action. 330 kV autotransformer in Utena was also switched on. An analogous system was switched on at Ignalina NPP substation, thus completing all project works in the 330 kV network. Further, the project will include the demolition of old facilities and the reconstruction of 110 kV switchgears. The project is scheduled to be completed by the end of 2021. end. The value of the entire project Optimisation of the North-East Lithuanian electricity transmission network is EUR 23.92 million. The project has strategic and economic benefits: the optimizing of the operation of the transmission system will not only increase the reliability of electricity supply in the region, but also reduce network maintenance costs.
- On **12 January 2021**, it was announced that Amber Grid will digitize the management of the gas compressor station in Jauniūnai, the district of Širvintos, and will install a new element ensuring the security of the gas transmission system in the gas pipeline in the district of Marijampolė. This is provided for in the agreement signed with the Lithuanian Business Support Agency (LVPA), according to which gas system renewal projects will receive the European Union support. The projects worth nearly EUR 2 million will be implemented by the spring of 2023. The EU structural funds will finance half of the amount, i.e. about EUR 1 million.
- On **21 January 2021**, the sole shareholder of EPSO-G, the Ministry of Energy, approved the decision of the Company's Board to establish a subsidiary of a special purpose , Energy Cells UAB. According to the approved concept of the project ensuring national security interests, the function of the newly established company is to install energy storage facilities in Lithuania with a total power and capacity of at least 200 megawatts. Energy Cells UAB was registered in the Register of Legal Entities on 26 January 2020.
- On **25 January 2021**, with plans to install 200 megawatt (MW) energy storage capacitors in Lithuania, EPSO-G announced a tender for the design, production, installation and maintenance of a battery system. In Lithuania, it is planned to install four facilities of 50 MW power and 50MWh capacity in four 110-330 kV transformer substations: Vilnius, Alytus, Šiauliai and Utena sites within 14 months.

February

- On **2 February 2021**, during the implementation of the international GIPL connection, the contractors constructing the pipeline in Lithuania and Poland performed the planned works on the border of these countries. During the coordinated works, a pre-welded section of the GIPL pipeline was laid between Lithuania and Poland, which will later be connected to the parts of the new pipeline built in both countries. These works were carried out during the winter in accordance with environmental requirements to protect the spring-hatching bird population from extraneous disturbance.
- On **3 February 2021**, the seabed survey in the Baltic Sea was started on the new submarine power interconnection project being carried out by Lithuanian and Polish electricity transmission system operators Litgrid and PSE. During the study, a 290 km long and 300 m wide route in the Baltic Sea will be explored, soil samples will be examined, and objects identified on the seabed, including dangerous wreckage or explosives, will be analysed. The data from the study report will be used to develop a cable construction and protection strategy.
- On **9 February 2021**, the Board of Litgrid after evaluation of the results of the public procurement process and the competence and experience of the candidate, appointed Rokas Masiulis as the Chief Executive Officer of Litgrid effective from 22 February 2021.
- On **18 February 2021**, Litgrid introduced the public to the development plans of two synchronization projects: Darbėnai-Bitėnai and Kruonis HPP-Bitėnai lines. During the public hearings, the residents were acquainted with the solutions of the prepared development plans, and conditions were created for submitting proposals for the solutions of the territorial planning document.
- On **24 February 2021**, during the construction of the GIPL gas pipeline connecting Lithuania and Poland, 102 kilometers of the already installed new gas connection were tested. The total length of the pipeline is 165 km. Hydraulic tests have confirmed that the pipeline can sustain maximum operating pressure. The GIPL pipeline pressure on this section will reach 54 bar.

09

EPSO-G progress report on social responsibility

09

EPSO-G progress report on social responsibility

"The companies of EPSO-G Group consistently follow the principle that the ways by which the results are achieved play an important role. Therefore, based on good experience gained by the domestic and international companies, the companies of the Group seek to improve the business practice, implement a modern management of human resources and apply technologies that save natural resource, materials and processes that are not harmful to human health," says Rolandas Zukas, the CEO of EPSO-G.

9.1. About the report

When preparing the Progress Report on Social Responsibility (the Progress Report or Report), EPSO-G follows the principles of the Global Compact initiated by the United Nations and the recommendations of the Global Reporting Initiative (GRI) that help assess the performance according to economic, environmental, personnel, human rights, market and public relations indicators.

The Progress Report on Social Responsibility of the Company for the year 2020 was prepared as an integrated part of the annual financial statements that can also be published as a separate document.

This Progress Report presents works and achievements of EPSO-G Group companies in 2020 in the social responsibility area related to behaviour in the market, environmental protection, relations with employees and society. The social responsibility directions and actions of the Company are described in the Report.

Questions and comments as well as remarks regarding improvement of the Social Responsibility Report are invited to be submitted by e-mail andrius.vilkancas@epsog.lt.

This Progress Report is available publicly on the Company's website: https://www.epsog.lt/lt/tikslai-ir-atskaitomybe/socialine-atsakomybe-1.

9.2. General provisions

In 2020, the companies of EPSO-G Group consistently followed the principle that the ways by which the results are achieved play an important role. Therefore, based on good experience gained by the domestic and international companies, the companies of the Group sought to improve the business practice, implemented a modern management of human resources and applied technologies that save natural resources, materials and processes that were not harmful to human health.

When planning its activities, EPSO-G Group companies considered the economic and social expectations of stakeholders, ensured transparent management, developed ethical relations in the market, introduced measures to prevent corruption and contributed to creating a good business climate in the country.

The Social Responsibility Policy is based on the vision, mission, values of EPSO-G Group companies and the activity directions and goals approved in the operational strategy, specifically, the development of regional activities and ensuring the success of the strategic projects, efficient activities, creating and modern organisation.

In order to achieve the objectives established in the sole Shareholder's Letter of Expectations, the specific objectives have been formed for each direction of the EPSO-G strategy that are being achieved during the period of the implementation of the strategy. The measurement indicators have been formed for the strategic objectives. The operational efficiency is assessed in the short and long term based on these indicators.

The vision, mission, values, strategy and the activity directions of EPSO-G as well as information about the implementation of objectives are presented in detail in clauses 1-4 of this Annual Report.

9.3. Balanced and sustainable development

The companies of EPSO-G Group understand social responsibility as an integral and inseparable part of the sustainable business.

The companies of EPSO-G Group perceive the balanced development of sustainable business as a whole of targeted economic, social and environmental actions by increasing the general welfare of the society in the professional activities and by reducing the permissible environmental exposure limits.

In 2020, the principles of social responsibility were implemented on the basis of the related policies of EPSO-G Group companies and other valid internal documents.

EPSO-G Group applies the following policies:

- Corporate Governance Policy. The policy is intended to ensure a good governance practice in EPSO-G Group companies by establishing in the Group companies the uniform principles of corporate governance and reciprocity of the parent company and the other companies of the Group.
- Social Responsibility Policy. The policy is intended to improve the business practice based on good experience gained by the domestic and international companies, implement a modern management of human resources, apply natural resource-saving technologies, materials and processes that are not harmful to human health.
- Transparency and Communication Policy. The policy is intended to help communicate more effectively with each other and with the external stakeholders, i.e. society, shareholder, market regulators, etc.
- Corruption Prevention Policy. The policy is intended to establish in EPSO-G Group companies the basic principles and requirements of prevention of corruption and guidelines for ensuring compliance with them, the implementation of which creates preconditions and conditions for the implementation of the highest standards of a transparent business conduct.
- Remuneration Policy. The policy is intended to properly manage remuneration costs and create motivational incentives in order the remuneration amount would directly depend on the implementation of the objectives that are set for the company and for each employee.
- Accounting Policy. The policy is intended to ensure that the stakeholders are able to assess the activity and perspective of the companies of the Group and to make respective economic decisions.
- Dividend Policy. The policy is intended to establish clear guidelines for expected equity and return on investments for the existing and potential shareholders while at the same time ensuring a sustainable long-term corporate value growth, timely implementation of strategic projects of national importance thereby gradually strengthening confidence in the entire energy transmission and exchange Group companies.
- Interest Management Policy. The policy is intended to create in EPSO-G Group companies a uniform interest management system consistent with good practice that would allow ensuring that decisions in the companies of the Group are made in an objective and impartial manner and would also form an environment that is unfavourable to corruption and would increase confidence in the activities of the companies of the Group.
- Policy for the Protection of Sensitive Information. The policy is intended to create a uniform system for the identification, use and protection of confidential information and information constituting commercial (production) secret, and to help members of the management bodies and employees of the companies of EPSO-G Group protect the confidential information they were entrusted with against inappropriate and harmful disclosure.
- Policy for the Development and Exploitation of Technology Assets. The policy is intended to consistently implement the principles of management and development of electricity and natural gas infrastructure based on the cost and benefit analysis, introduce advanced technologies, manage and develop the energy transmission infrastructure in a socially responsible manner taking into account the occupational safety and environmental requirements.
- Support Policy. The policy is intended to ensure that the support is provided publicly and does not cast doubt in the society regarding its expediency and transparency of the process of support granting.
- Code of Conduct. Its purpose is to set uniform general behaviour guidelines for communication and cooperation with internal and external stakeholders: customers, contractors, business partners, shareholders, state and municipal authorities, society, etc. The Code's provisions are based not only on the employer's duty, but also on the personal understanding of each employee that their proper behaviour improves business reputation and value of the Company and the entire Group and reduces probability of risk to reputation. The Code's provisions are derived directly from the corporate values, leadership principles of EPSO-G Group and they supplement the associated operating policies.

Internal policies and procedures of the companies include as follows:

- collective agreement;
- procedure or policy of ethical employment and working conditions;
- policy and procedure of environmental protection and occupational safety and health;
- equal opportunities policy.

9.3.1. Implementation and objectives of the policies

During the reporting period, a further particular attention was given on ensuring the implementation of the policies in the Group companies. A uniform system for the assessment of the implementation of the policies at the Group level has been put in place, policy implementation coordinators were appointed.

At the end of the reporting period, EPSO-G had in fact all good governance policies in place along with the Compliance Management Policy and the compliance management methodology implementing it approved in 2020.

In conformity with the provisions of these documents, in 2021, a uniform compliance management system in the Group will be further established and ensured that would:

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

As the Compliance Management Process is based on the application of the risk-based approach, the major focus and additional resources will be on the priority areas selected by the Group's Boards where the highest likelihood of non-compliance and / or non-compliance risks arises or may arise, and as a result, exclusively these areas will be subject to the Compliance Management Process.

In 2021, it is planned to perform a current situation gap analysis of the selected priority areas, to correct the essential shortcomings (if any), and in the future to ensure continuous monitoring and improvement of priority areas, organization of training for employees and dissemination of good practices among the Group companies.

As a result, in 2020, in all companies of the Group, the progress of the implementation of the provisions provided for in the policies was assessed.

In 2021, it is planned to integrate Remuneration, Performance Assessment, Competence and Training policies in order to create clear-cut links between these processes.

The aim of EPSO-G Group is to raise the approach of sustainable development to the strategic level of choices and measurable objectives.

Therefore, in 2021, it is planned to improve the applied sustainability practices, in particular, to clearly identify the observable objectives and measurable indicators of the achievement of the set objectives. It is planned to incorporate the sustainable development goals into the EPSO-G operational strategy before 2030.

Information on the implementation of the EPSO-G operating policies is presented in clause 7.12 of the Corporate Governance Report of this Annual Report.

9.4. Stakeholders

When implementing the objectives provided for in the operational strategy the boards of the companies of EPSO-G Group assess and seek to take into account the socials and economic interests and expectations of the stakeholders.

Each direction of strategic activities is related to one or several stakeholders. Official, partnership or consultative relationship is maintained with the groups or individuals who express their interest in the activities carried out by EPSO-G. The stakeholders are provided with a comprehensive information related to the activities carried out by the company, except for the cases regulated in the EPSO-G Policy of Sensitive Information.

„The companies of EPSO-G Group understand social responsibility as an integral and inseparable part of the sustainable business.“

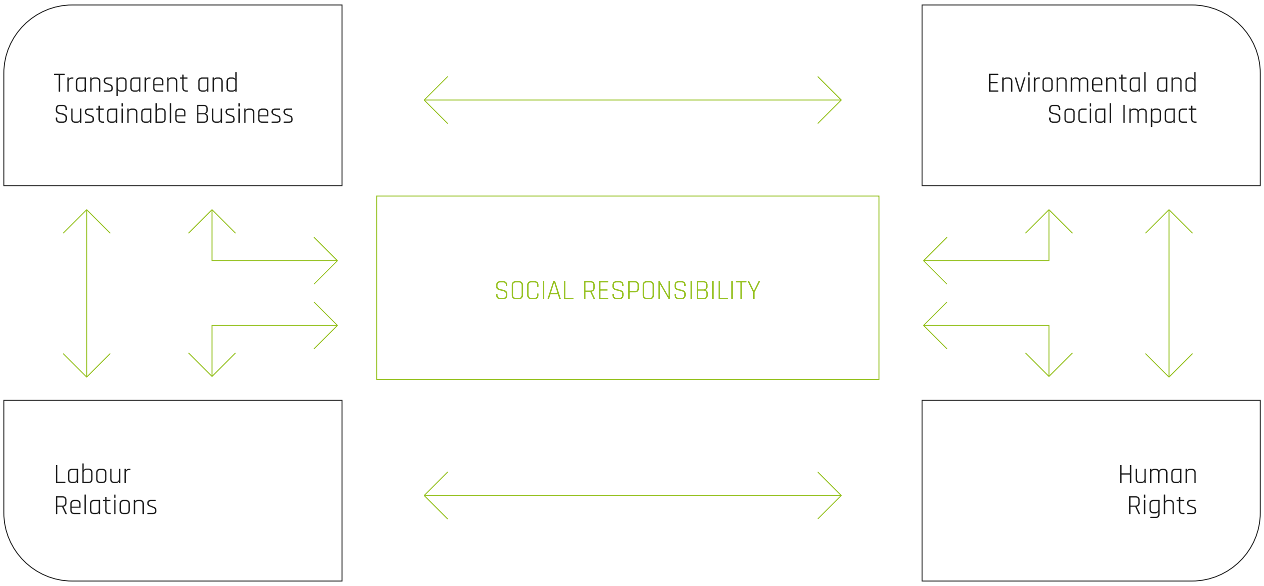
Stakeholders having influence on the sustainable development of the activities of the EPSO-G Group include as follows:

STAKE-HOLDERS	WE UNDERTAKE	WHY THIS GROUP IS IMPORTANT	HOW WE COOPERATE
Customers	To create professional and reliable partnerships for mutual benefit.	The companies of the Group operate in B2B (business-to-business) field.	• Given the complexity of the services provided and economic expectations, the companies of the Group initiate and organise timely information events for the customers. • Develops services and / or solutions meeting customer needs.
Employees	• To act purposefully in order a uniform business culture of the companies of the Group and the remuneration policy would encourage the employee engagement and motivation when implementing the objectives set in the strategy; • To ensure that the employees of the Group have sufficient and timely information about the values, objectives, activity and changes of the Group.	Experienced, competent and value-driven professional employees represent an essential prerequisite for implementing objectives and vision.	• We conduct the employee engagement surveys and adjust our action plans accordingly; • We follow the uniform provisions of remuneration and social responsibility in respect of the employees; • We organise at least once a year the executives and staff meetings. • We improve the content and forms of the internal communication.
Shareholders	• To ensure a sustainable management of the Group, its growth and a long-term benefit; • To provide relevant, accurate and timely information that allows the shareholders to assess the Group's activities, their perspectives and to take appropriate decisions; • To ensure efficient feedback.	The success of the strategic projects implemented directly depends on the trust of the shareholders and on fast and timely decisions.	• We organize regular meetings to discuss relevant issues; • We submit at least once in a quarter the reports of financial and non-financial activities regarding the implementation objectives stipulated in the Shareholder's Letter of Expectations. • We ensure the communication of the most important news of the companies of the Group at the Group level in the Daily News section published every working day.
Companies of the Group	• To create value through meaningful management solutions; • By responding to a rapidly changing environment to consolidate the strengths of the companies of the Group in order to achieve the efficiency of the objectives implementation.	The results of the Group's activities depend on the targeted and synchronized work of the companies of the Group in pursuit of strategic objectives.	• We are the members of the management bodies of the companies of the Group; • We apply a functional leadership business model; • We organise and implement at the Group level the uniform operating policies enabling coordination of actions when introducing a good governance practice.
Foreign partners – the operators of energy transmission and biomass exchange	The ensure in the implementation of strategic objectives the harmonisation of the mutually beneficial agreements and actions.	Synchronisation of the electricity transmission systems of the Baltic states with the European energy system, the creation of a regional gas market and the development of biomass trading market directly depend on the involvement of foreign partners.	• We strive to establish and maintain on a regular basis a constructive business relationship based on mutual trust; • We initiate and participate in professional meetings and/ or conferences to achieve the objectives provided for in the strategy.
Government representatives	To provide in an understandable and accessible form a relevant information that would form a reliable basis for assessing in accordance with competence the activities of the companies of the Group, the results achieved and the benefits to the public.	Cooperation with the government representatives is necessary in order to ensure the formation of a coherent and long-term vision of the energy sector and smooth implementation of the projects of national and regional significance.	• We initiate meetings according to the need to discuss relevant issues; • We comment in the area of our competence the relevant issues in the committees of the Seimas of the Republic of Lithuania, in the meetings of the Government of the Republic of Lithuania; • We participate in the activities of the inter-institutional working groups.

STAKE-HOLDERS	WE UNDERTAKE	WHY THIS GROUP IS IMPORTANT	HOW WE COOPERATE
National Regulatory Authority	• To ensure consistent compliance with the requirements of the legal acts in the Group; • To implement a culture of an open and transparent dialogue with the regulator.	The main activities of the Group are regulated. Therefore, it is necessary to ensure effective business relationships based on transparency, openness and responsibility.	• We provide in a timely manner the information • necessary to ensure the functions of the regulatory authority; • We cooperate during the process of introducing new market mechanisms; • We initiate the meetings to discuss the relevant issues.
Contractors	To work with professional contractors who adhere to the standards of professional ethics.	The companies of the Group implement extremely complex and complicated projects. Therefore, it is important to raise a high standard of quality, transparency and occupational safety for the contractors.	• We organize annual information events for potential contractors; • We publicly announce in advance the procurement plans and consultations in order to ensure an increased competition among the market players.
Service and product suppliers	To acquire under competitive conditions high-quality services from reputable suppliers.	The suppliers supplying high-quality value-generating goods and rendering high-quality value-generating services in a timely manner contribute to the continuity and effectiveness of the Group's activities.	• We consult with the market players and carry out market research; • We publish plans of the planned procurements.
Non-governmental organisations (NGOs)	Communication and collaboration with environmental organisations and those promoting operational transparency help identify the needs of society and the ways of addressing them.	• The companies of the Group carry out a continuous environmental impact monitoring. • The companies of the Group introduce a good governance practice in the fields of accountability and prevention of corruption.	• Together with Lithuanian Ornithological Society we implement the measures to reduce the environmental impact. • We cooperate with Lithuanian Fund for Nature in the construction of the GIPL gas pipeline seeking to minimize the impact on the environment in the construction zones. • We actively cooperate with the archaeological community in the archaeological research in the GIPL gas pipeline route.
Trade unions	To ensure a constructive and positive social dialogue between the employer and the representatives of the employees.	The employees determine the success of the Group companies. It is important that the employment relationships and the solutions that govern them would ensure a fair and uniform treatment of all employees and would ensure their legitimate interests.	• By creating conditions for the activities of trade unions and/or work councils. • By entering into a collective contract with trade unions and/or work councils. • By discussing the implementation of collective contract during periodic meetings with the employees and/or their representatives. • By informing and consulting with the representatives of trade unions and/or work councils when making decisions on employment relationships.
General public and media	• To create added value for the society, business and the competitiveness of the country's economy; • To act in a socially responsible manner; • To provide information that is relevant and provided in an understandable form in accordance with the principles of importance, reliability, comparability and accessibility of information.	The mission of EPSO-G Group: to ensure the implementation of the strategic energy objectives of Lithuania assigned to the Group, safe operation of energy transmission systems, to enable benefiting from the possibilities of the effectively operating infrastructure and energy exchanges, and to contribute to the welfare of the society.	• We operate in accordance with the Transparency and Communication Policy of the Group's activity; • We observe the provisions of the Social Responsibility Policy; • We maintain an impersonal relationship with the media representatives who work in the field of energy when • providing sufficient information to evaluate the Group's financial and non-financial performance and the ongoing projects.
Local communities	• To increase through coordination of interests the trust of the local communities in the ongoing projects and approval thereof; • To contribute to the growth and the creation of the possibilities of a full-fledged life.	Support from the local communities created by fostering mutual trust, understanding, cooperation, responsibility, is a very important element of the success of the projects.	• The companies of the Group share experience on spatial planning; • The information events for the local communities are organized. • In response to the reasonable remarks received during the meetings, the project implementation works are adjusted.

9.5. Directions and priorities of social responsibility

Directions of the EPSO-G social accountability include business ethics of companies in the market and prevention of corruption, environmental sustainability, awareness-raising of employees, human rights, equality and diversity, occupational safety and health and mutual trust building relationships with stakeholders.



Social responsibility in the market: it is an efficient and transparent business, open and fair cooperation with stakeholders helping to implement socially responsible business regulations, safe and reliable transmission of electricity and natural gas to system users, fight against corruption and bribery, ensuring competitiveness, fair tax paying;

Social responsibility in the field environmental protection: it is an efficient use of natural resources in the activities, participation in ecological preventive programs preserving landscape and biodiversity, promotion of environmentally friendly attitude among employees, contractors, suppliers and society;

Social responsibility in relations with employees: it is responsibility towards employees, caring for employees' health, safety and equal rights, applying advanced performance management and remuneration systems, creating conditions for the personal and professional development of employees, developing general competences;

Social responsibility in relations with the society: development of various social initiatives, volunteering and other projects for local communities and nationally, cooperation with scientific institutions.

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

9.6. Social responsibility in the market: effective and transparent business

The strategic objective of EPSO-G Group is to ensure uninterrupted power supply through effective operation and to enable the market players to freely exchange it. In order to achieve the objectives, the companies of the Group promote open and honest cooperation with stakeholders who help implement the provisions of a socially responsible business.

9.6.1. Accountability

In 2020, the companies of the Group kept accounts in a correct way, regularly prepared and announced the reports on financial and non-financial activities that were sufficient for the stakeholders to assess the behaviour of the companies of the Group in the market, relationship with employees and the society. The companies of the Group aim to achieve the standards of ethics, honesty and transparency that are higher than the minimum standards established by the legal acts.

In an effort to extremely focus on operational transparency and accountability, in 2020, the governance quality of EPSO-G has been rated A+. For the first time, each of EPSO-G's subsidiaries was awarded an A grade on the basis of uniform criteria. This was evidenced by the Good Governance Index of State-Owned Enterprises (SOE) 2019/2020 estimated 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. Each of the three key dimensions is assessed according to separate 240 criteria.

In terms of the transparency dimension, EPSO-G received the highest rating A+. The highest possible rating A+ was also awarded for the work of collegial bodies, the process of selection of their members, competence, and engagement. Strategic planning and implementation received the highest rating A+.

In order to ensure that the stakeholders are able to assess the performance and perspective of the companies of the Group and make appropriate economic decisions, the financial statements were drawn up in accordance with the Accounting Policy of EPSO-G that establishes the uniform principles, methods and requirements for record-keeping by the companies of the Group and for drawing up of financial statements and submission thereof to the stakeholders.

In the preparation of the Annual Report for 2020, EPSO-G complied with the following accounting policies:

- Information must be objective, comparable and useful for the internal and external stakeholders;
- Information is reliable, meaningful, timely and understandable;
- Records are kept in accordance with the Law of the Republic of Lithuania on Accounting, the Law of the Republic of Lithuania on Financial Reporting by Undertakings and the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings, other regulatory acts regulating the accounting procedure;
- Records are kept and financial statements are prepared and submitted according to the effective International Financial Reporting Standards and interpretations approved by the International Financial Reporting Interpretations Committee approved by the European Union.

In accordance with the provisions of the Accounting Policy and the Transparency and Communication Policy of EPSO-G, in 2020 the companies of the Group prepared and according to the approved and publicly announced schedule regularly publicly published interim and annual activity reports and financial statements as well as information about the shareholder's expectations, operational objectives, declarations of interests and remuneration.

Detailed information on the accounting policies of EPSO-G Group companies is presented in the published financial statements.

9.6.2. Compliance management

Compliance with internal and external requirements is a precondition for the implementation of the EPSO-G Group's strategy, objectives and ensuring the impeccable business reputation of the Group companies.

For that purpose, in 2020, the Compliance Management Policy, the methodology of its implementation was prepared in EPSO-G Group, and priority areas were identified.

The objective we are setting is to establish and ensure a uniform compliance management system in the Group that would enable to protect the Group companies from financial or reputational damage that may result from behaviour that does not meet internal and external requirements; enable to manage the risks of non-compliance and mitigate their impact and / or likelihood of occurrence.

EPSO-G's compliance management principles:

- **Principle of Three Lines** - the compliance management process is based on Three Lines Model, in which 1st Line participants (area curators) perform compliance ensuring functions, including non-compliance risk management, 2nd Line participants (compliance coordinators) perform performance coordination functions, including non-compliance risk assessment, and 3rd Line participants (Internal Audit Unit) ensure independent audit of the activities of the first two lines.
- **Principle of compliance with requirements** - the performed activities must comply with the requirements not only in the form, but also in the content corresponding to the values of the Group.
- **Principle of integrity** - the compliance management process must become an inseparable and integral part of daily operations of all the Group companies, operating systematically together with the policies, processes and other internal documents applicable in the Group companies.
- **Principle of information relevance and reliability** - compliance management is based on relevant data, monitoring, experience and expert assessment.
- **Principle of applying risk-based approach** - the compliance management process is organized in such a way that resources are allocated primarily to the areas posing the greatest risk of non-compliance.
- **Principle of transparency** - the participants of the compliance management process according to their functions have a barrier-free access to information related to the compliance management process and information on the risks of non-compliance, and the reasons for their occurrence.
- **Principle of applying good practice** - the compliance management process is based on examples of good practice identified and formed during the Group's compliance management process.
- **Principle of operational documentation and traceability** - the compliance management process ensures that all significant decisions and actions are properly recorded, creating the preconditions for traceability and control of the completed actions, and the improvement of the compliance management process.

9.6.3. Information on compliance with the transparency guidelines

EPSO-G Group companies complies with Resolution No 1052 On the Approval of the Description of the Guidelines for Ensuring the Transparency of State-owned Enterprises of the Government of the Republic of Lithuania of 14 July 2010 (the "Transparency Guidelines").

The application of the Transparency Guidelines is mandatory to the holding company EPSO-G because it is a state-owned enterprise classified as a large enterprise in accordance with the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

In order to ensure implementation of compliance with the Transparency Guidelines in EPSO-G Group companies, the Group applies the Policy of Operational Transparency and Communication that addresses in detail the requirements of the Transparency Guidelines and determines the scope of their application in the companies of the Group.

The implementation of the Transparency Guidelines is largely ensured through information disclosed in the annual report and disclosure of information on the websites in order to provide information to stakeholders in an accessible and understandable form.

Structured information on the compliance with the Transparency Guidelines is provided in Annex I to this Annual Report.

The holding company EPSO-G also complies with the provisions of the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius AB. The Code is applied to the extent not provided otherwise by the Company's Articles of Association. The Company discloses its compliance with the requirements of the provisions of the Governance Code in Annex II to this Annual Report.

„The compliance management process is based on Three Lines Model."

9.7. Respect for social and economic interests

In respect of the right of stakeholders to assess in advance the impact of projects being developed in their surrounding environment on their economic and social interest, the companies of EPSO-G Group that are the transmission system operators regularly update and announce ten-year network development plans.

9.7.1. Electricity transmission network development plan

According to the Law on Electricity of the Republic of Lithuania, the electricity transmission system operator (TSO) is responsible for a stable and reliable operation of the electricity system, performance of the national balancing function and provision of system services in the territory of the Republic of Lithuania, operation, maintenance, management and development of the transmission network of the electricity system and the interconnectors with the electricity systems of other countries by reducing capacity restrictions in the transmission networks and taking into consideration the needs of the electricity system and users of the electricity networks.

The Plan for the Development of 400-110 kV Networks of the Lithuanian Electricity System for 2020-2029 was updated by Litgrid in 2020. It presents forecasts of electric power and energy consumption needs, capacities of power plants (generation facilities), assessment of the electricity system adequacy, forecast of electric power and energy balances of the electricity market and system, as well as information on the electricity transmission network, its development and restoration, innovations and planned investments.

Detailed information on Litgrid's Ten-Year Electricity Transmission Network Development Plan is available in clause 3.5.1 of this Annual Report.

9.7.2. Gas Transmission Network Development Plan

On 1 October 2020, the National Energy Regulatory Council approved the Ten-Year Gas Transmission Network Development Plan for 2020-2029 presented by Amber Grid. Following the amendments in the Law on Natural Gas in 2019, the Ten-Year Amber Grid Gas Transmission Network Development Plan is updated every two years.

The Ten-Year Amber Grid Gas Transmission Network Development Plan has been prepared taking into account the provisions of the state strategic documents, the needs of gas market participants, ensuring security of supply and efficient operation of the transmission system, the Company's strategy, the Company's environmental policy and legal requirements.

The updated Ten-Year Amber Grid Plan for 2020-2029 forecasts investments in the development of the gas transmission system aimed at achieving the strategic goals of the European Union and Lithuania in the gas sector: ensuring security and reliability of gas supply, promoting competitiveness, and integrating the Baltic gas markets into the common European gas market and to develop the common Baltic regional gas market. In addition, the Network Development Plan sets out the main directions for the development of the transmission system, including a focus on innovation, network digitization and the development of green energy

Detailed information on The Ten-Year Amber Grid Gas Transmission Network Development Plan is available in clause 3.5.2 of this Annual Report.

9.7.3. REGIA map supplemented with information about the gas transmission network

In 2020, the regional geoinformation environment map REGIA created and developed by the Center of Registers was supplemented with information relevant to stakeholders on the main gas pipeline network operated by the natural gas transmission system operator Amber Grid.

The publication of this data is an important information tool for potential Amber Grid customers considering the possibility of connecting to the gas transmission network, investors planning new activities or business development, and private owners considering the acquisition of land plots or construction of real estate objects. The REGIA map is also used as a working tool by representatives of state and municipal institutions.

Amber Grid has become the third engineering network company to publish its information on REGIA map, thus adding value to it with information relevant to users. Prior to that, users could see the electricity transmission network operated by Litgrid and the gas and energy distribution networks operated by the company Energijos Skirstymo Operatorius (ESO) on REGIA map. REGIA is an easy-to-use tool designed specifically for municipalities: their residents, staff and the businesses operating in them. The aim of REGIA is to create convenient conditions for decision-making based on geographical location and to facilitate the exchange of information.

9.7.4. Publicly announced Study RAIDA 2050

The goal of the National Energy Independence Strategy is for Lithuania to become an energy-sustainable and independent state by 2050. In order to implement and enable this scenario, it is important for the holding company EPSO-G and the companies of the Group to understand possible scenarios for the development of the energy sector and what measures should be taken to reduce the energy sector's dependence on fossil fuels, to promote market integration, digitalisation, to take account of urbanization and rapid development of renewable energy production.

In response, EPSO-G Group carried out the study Scenarios for the Development of the Lithuanian Electricity System for 2020-2050 (hereinafter - the Study RAIDA 2050), in which, taking into account the strategic goals set by NEIS, planned tasks and results, the development scenarios of the Lithuanian electricity sector (hereinafter - LES) were formed until 2050, the assessment of the adequacy of the electricity system (generating capacities, electricity market, electricity transmission network) was performed and technical, economic and legal measures for the efficient operation of the electricity system were presented.

In compliance with the provisions of socially responsible activity, data and conclusions of the Study worth EUR 120 thousand were made public in December 2020 to enable stakeholders to assess them in advance of changes in the energy sector.

9.8. Public procurements and relations with contractors

The companies of EPSO-G Group implement projects of regional and national significance. These are major investment projects. Their success depends on the awareness, trust and support of the shareholders, partners, controlling and regulating institutions and the people of Lithuania. Accordingly, much attention is paid by the companies of EPSO-G in their activities to the supervision of public procurement procedures and prevention of corruption.

9.8.1. Uniform procurement policy

EPSO-G Group companies apply effective measures to ensure that procurement is conducted transparently, in accordance with the principles of equality, non-discrimination, mutual recognition and proportionality, and does not recognise fraud, bribery or other unlawful anti-competitive practices.

This is regulated by the approved Procurement Policy which aims to follow good procurement practices of international organisations, the institutions of the European Union and other contracting authorities and contracting entities and ensure an efficient, dynamic and transparent procurement process, creating added value for the achievement of goals of EPSO-G Group companies.

The execution of procurements by EPSO-G is primarily based on transparency, ethical conduct, equality, promotion and proportionality of competition, enhancement of transparency in procurement processes and strengthening of anti-corruption measures within the Group.

In 2020, EPSO-G's Procurement Policy was implemented in all companies of the Group. In 2021, it is planned to supplement the Policy with green and socially responsible procurement. Market consultations are also conducted with suppliers having international experience to help EPSO-G develop a long-term procurement strategy and functional plan.

The Group develops a uniform format for the report on procurement function indicators (KPIs) aiming to manage the procurement process as efficiently as possible and to continuously improve it.

In 2020, the large companies in EPSO-G Group (EPSO-G, Amber Grid, Litgrid) carried out more than 500 procurements with a total value of more than EUR 46 million.

The Group companies consolidated their needs and in 2020 completed 10 centralized procurements. Such procurements allow the Group companies to achieve greater economic benefits both by obtaining better prices from suppliers and ensuring uniform quality standards for goods / services, as well as to save administrative resources for the organization and execution of procurements.

In 2020, EPSO-G Group companies paid special attention to the preparation for procurement: were active in conducting market consultations, prepared presentations to suppliers on the applicable procurement procedures, paid attention to foreign suppliers to explain the principles of participation in Lithuanian public procurement.

In 2020, an action plan for the procurement function for 2021 was prepared, which provides for actions to help the Group companies share experience in procurement, standardize procurement processes and documents, and develop and implement a training plan for procurement specialists.

The action plan pays special attention to measures aimed at facilitating the participation of suppliers in the Group's procurements - a joint "Suppliers' Day" of the Group companies is planned, procurement documents are improved to make them clearer and more understandable to suppliers, forms are prepared to inform suppliers about ongoing procurements, etc.

In 2021, the Group companies plan to pay close attention to standardizing and streamlining the contract execution process.

9.8.2. Relations with contractors

In order to ensure fair competition, in 2020 Litgrid presented to the contractors projects and works planned for 2021 and subsequent years for which tenders are planned to be announced.

The Group's companies organise "Contractors' Day" in order to promote the interest and participation of partners in open and transparent tenders by increasing the awareness of projects, while market participants get aware of the forecasted works from a direct source. In addition, it is one of the ways of promoting fair and non-discriminatory market behaviour and effective dialogue with its participants. Such meetings will also be held in 2021 as well.

Information on the annual procurement plans, their implementation and responsible persons are made public on the websites of the companies of EPSO-G Group.

In order to ensure transparency, all employees of the holding company EPSO-G and its subsidiaries involved in public procurement declared their private interests publicly during the reporting period.

9.9. Transparency (corruption) risk management

In 2020, in accordance with the provisions of the Law on Prevention of Corruption of the Republic of Lithuania, the likelihood of corruption was determined and assessed. EPSO-G's areas of activity identified in 2017 were analysed to determine the likelihood of corruption. Following an evaluation of the activities' compliance with the established criteria, EPSO-G's procurement area was selected in 2020, considering the findings of previous years' determinations of the likelihood of corruption.

In 2020, EPSO-G Group companies identified risks of corruption in procurement.

The holding company EPSO-G identified the risk of preparation of incorrect technical specifications for public procurement (R1), the risk of irregular performance of procurement contracts (R2), and the risk of corruption in public procurement (R3). In accordance with EPSO-G's risk management methodology, the likelihood and impact of these risks were assessed and the level of corruption in public procurement was determined. To manage these risks, in 2020, management measures such as market research, consultation with experts in the Group companies or the market were planned and applied by the Board, the riskiest procurements were controlled according to the "four-eye" principle; communication with the Public Procurement Office is held after receiving information about possible violation of public procurement rules. In order to manage the risk of corruption in procurement, the declarations of private interests of the members of the Procurement Commission, the procuring entities and the experts and EPSO-G procuring personnel are analysed, and recommendations are made on withdrawals and proper management of conflicts of interest. Indicators for risk monitoring include the number of withdrawals during procurement, the number of substantiated claims received, the number of requests from the Public Procurement Office for information on ongoing procurements, the number of restricted competition (when less than three suppliers participate in the procurement). Tolerance limits have been set for key risk indicators, beyond which additional corruption risk management measures must be taken.

LITGRID has identified and managed the risks of errors in public procurement (R6) and unsecured competition among suppliers in public procurement (R5). To manage these risks, in 2020, measures such as training of procurement specialists, procurement planning, improvement of the procurement process according to the identified needs were applied. In addition, the Company has a prepared list of experts to ensure impartiality and objectivity so that different people are involved in the different stages of procurement procedures and claims are examined by experts other than those who set the terms and conditions. Additional measures to increase procurement control were applied: all cases where one supplier is contacted directly or where only one tenderer submits a tender were analysed. A review of the procurement process was also carried out to ensure that project managers were not involved in all stages of procurement initiation, execution and tender evaluation. In addition, in 2020, procurement conditions and draft contracts were standardized. Litgrid, like all EPSO-G companies, also applies measures to prevent conflicts of interest for those involved in procurement.

AMBER GRID has identified and managed the risk of lack of competition among suppliers (R7), the risk of non-compliance with procurement procedures (R8), the risk of detecting a breach of the procurement procedure (R9), the risk of improper performance of contracts (R10). To manage these risks, in 2020, measures such as not only the information on the Central Public Procurement Information System but also the information on planned procurement published on Amber Grid website and additional information on ongoing procurement were sent to potential suppliers. In addition, control over the value of contracts is applied. An asset management information system has been implemented, with the help of which the control of contract quantities and terms is performed. Moreover, in 2020, standard procurement conditions were prepared and put into use, while standard procurement contracts were updated.

In 2020, **BALTPOOL** identified and managed the risk of improper execution of procurement procedures (R11). To manage this risk, in 2020, it applied management tools such as "four-eye" principle applied for the control of the procurement process. The Company ensured the declaration of interests, compliance with and control of the provisions of the Policy of Management of Interest and the Procurement Policy, and the means of the document management system were used to initiate and execute low value procurements, which help to ensure the control of ongoing procurements.

In 2020, **TETAS** identified and managed the risk of non-compliance with the provided procurement procedures and / or practices (R12) and the risk of non-compliance with the essential terms of contracts (R13). In order to manage these risks, the heads of the departments are obliged to analyse the procurement reports on a quarterly basis, to find out the reasons for non-conformities, and to reduce the number of non-conformities.

In 2020, **GET BALTIC** identified and managed the risk of conducting procurement procedures (R15). To manage this risk, the procurement process is controlled in accordance with the „four-eye" principle, procurement rules were approved.

Other risks of corruption include the risk of abuse of office.

EPSO-G identified and managed the risk of abuse of office by the misuse of EPSO-G's assets and funds (R4). In managing this risk, it was established that EPSO-G's decisions related to the use of financial resources are based on established control mechanisms, such as approvals, internal audit, etc. Indicators such as investigations into erroneous decisions and complaints, reports of employee misconduct are constantly recorded and analysed. There were no initiated investigations or complaints about the misconduct of EPSO-G personnel.

Tetas identified and managed the risk of abuse of office by the misuse of the Company's assets and funds (R14). In managing this risk, it was established that decisions related to the use of financial resources, reserves and other assets are made using established control mechanisms, such as approvals, internal audit, etc.; the declarations of interest were submitted, and the process of disciplinary procedures was approved as well.

Transparency (corruption) risk assessment for EPSO-G Group companies in 2020

IMPACT ↓					
Very high		R9			
High	R4, R5	R3	R14	R7	
Medium	R15	R13	R2	R5	R8
Low	R11		R1		
Very low				R6	
LIKELIHOOD →	Highly unlikely	Unlikely	Possible	Likely	Very likely

9.9.1. Anti-corruption

During the reporting period, the companies of EPSO-G Group focused on the compliance with the principle of zero tolerance of corruption, protectionism of family members, relatives, friends or any other forms of trade in influence, a consistent and systemic implementation of prevention of conflicts of corporate and private interests. Anti-corruption measures have to work in such a way that EPSO-G Group's executives and staff would recognize indicators of corruption and take effective and timely measures to ensure that companies do not commit any offenses involving corruption.

The companies of the Group encourage employees and other stakeholders to report directly or anonymously without fear for negative consequences about possible infringements, unethical or unfair behaviour via the Trust Line pranesk@epsog.lt, or directly to the address of the Special Investigation Service of the Republic of Lithuania. The Trust Lines have also been introduced by the subsidiaries.

The corruption prevention activities of the companies are based on national legislation and voluntary commitments going beyond what is legally required:

- All CEOs of the companies of the Group are directly responsible for the implementation of anti-corruption measures and they set an example for their employees.
- Proportional, risk-based anti-corruption procedures are applied.
- Regular assessment of corruption-related risks is carried out, as well as planning and adaptation of anti-corruption measures, monitoring of anti-corruption performance and, if necessary, implementation of more effective measures.
- Compliance with legal and business ethics standards is mandatory for the Group companies and their employees.

An employee who is in breach of these obligations shall be subject to disciplinary sanctions, including dismissal, under the internal procedures and grounds of the companies.

In December 2020, Survey on perceptions of corruption by the personnel of EPSO-G Group companies was carried out.

The survey involved 298 employees (2019: 348). According to the survey, 94% of respondents have a negative view of corruption (2019: 91%), 98% of respondents negatively see those who give bribes (2019: 95%); 98% of respondents have not encountered any manifestations of corruption in their activities in the last 3 years (2019: 88%); 91% of respondents are aware of where to turn when faced with corruption (2019: 85%.). The results of the survey show that the perceptions of corruption by the personnel in EPSO-G companies are growing and remain very high.

9.9.2. Interest management

During the reporting period, EPSO-G Group companies followed the new version of EPSO-G Group's Policy of Management of Interests of Members of Collegial and Supervisory Bodies and Employees approved on 13 December 2019. Its aim is to apply a uniform system of interest management that is consistent with good practice, which would ensure that decisions in the Group companies are made objectively and impartially, as well as create an environment unfavourable to corruption and increase trust in the activities of the Group companies.

This policy sets out the following in EPSO-G Group companies:

- Principles of interest management and resolution of potential conflicts of interest;
- Requirements for the system of the declaration of interests;
- Independence criteria applied to members of collegial and supervisory bodies.

Please get acquainted with the policy of managing interests and applied independence criteria of EPSO-G at www.epsog.lt, in the column Operating Policies.

At the end of the reporting period:

- Members of collegial management bodies and administration have not acquired shares in EPSO-G Group companies except for Mr. Nemunas Biknius, the CEO of Amber Grid, who as of 30 June 2020 had 0.001055% of shares of the subsidiary Amber Grid. The number of shares held by him did not change during the reporting period.
- The declarations of interests of the members of the collegial management bodies and of the CEO are presented and published on the website www.vtek.lt of the Chief Official Ethics Commission and www.epsog.lt. All executives of EPSO-G Group have submitted declarations of interests to the holding company EPSO-G in scope and order laid down in the policy of managing interests that are published on the following website www.epsog.lt in the column Operating Policies.
- Members of collegial bodies and the executives of the companies had no conflicts of interests between their duties within EPSO-G Group and private interests and/or other responsibilities.
- Members of collegial bodies and administrative personnel had no family ties.
- Members of the collegial bodies and the executives of the companies have not been convicted of having committed a criminal offense, no regulatory body has filed charges or imposed sanctions on them during the last five years, the court has not prohibited them from holding the office of a member of the Company's administrative, management or supervisory bodies, or to act as a head or to manage any affairs of any issuer.
- EPSO-G has not entered into any transactions with the above-mentioned persons, which are not typical of the Company's core business or which are not notified to EPSO-G collegial bodies in accordance with the relevant procedures with their authorizations to enter into such transactions.

In accordance with the requirements of the Law on the Adjustment of Private and Public Interests, all EPSO-G employees of the holding company EPSO-G have declared their interests publicly.

„The results of the survey show that the perceptions of corruption by the personnel in EPSO-G companies are growing and remain very high.“

9.10. Social responsibility in the field of environmental protection

Considering that the activities of the Group companies may have impact on the environment in which those activities are carried out, the adopted decisions must have a minimal, mitigating and / or restoring impact on the environmental, focus on rational use of natural resources and promotion of energy efficiency.

9.10.1. Environmental impact assessment standards

The companies of the Group, the activities of which may have impact on the environment introduced advanced technologies in 2020 that help reduce the environmental impact of activities or restore a good environmental condition, have further applied measures and processes in accordance with the generally accepted environmental standards. The contractors and sub-contractors participating in the procurements were required to behave according to a similar standard.

During the development of its activities, Litgrid carries out the procedures for the assessment of the environmental impact of the electricity transmission lines that are planned to be built and selection thereof, the conclusions of which are assessed during the preparation of technical projects. When preparing the design tasks, the environmental requirements are set for all newly built or reconstructed transformer substations and switchgears. In all cases, efforts are being made to select less environmentally harmful devices. For example, during the reconstruction of electrical substations the oil equipment that was in service so far is replaced with modern gas installations. This helps reduce the risk of environmental pollution in the event of an accident. Furthermore, this helps reducing the operating costs of the equipment.

At 330 kV transformer substations, Litgrid switches to remote control without permanent on-call staff. Therefore, potentially contaminated rainwater treatment systems with automatic shut-off of the oil-contaminated flow and transmission of information to the System Control Center are installed.

Litgrid contractors are obliged and encouraged to organize works in a sustainable way, i.e., in such a way as to avoid possible environmental impact or to minimize the environmental impact, to handle the waste generated during the construction, to account for and declare the imported taxable packaging and to submit the supporting documents.

When services are procured, Litgrid requires contractors to implement the environmental management systems in accordance with LST EN ISO 14001 standard. It shall be checked at the time of acceptance of the works performed whether the contractors have fulfilled the requirements, whether they have properly managed waste, and whether they have the supporting documents.

As from 2014, Amber Grid has implemented the environmental management and occupational safety and health managements systems that comply with the requirements of international standards ISO 14001 and OHSAS 18001.

In 2019, the Company's management system has been re-certified according to the ISO 14001 standard and certified according to the new occupational health and safety management system standard ISO 45001.

The environmental management and occupational safety and health managements systems have been integrated into Amber Grid's operational planning, organisational and governance processes. Management of environmental protection and occupational safety and health established by the standards helps ensure continuous reduction of impact of the activities on the environment, mitigation of professional risk on safety and health of employees and implementation of the requirements applicable to the activities that are established by international and the Lithuanian legal acts, regulations and other regulatory documents.

For process management, Amber Grid has established responsibilities for coordinating the management process and its implementation parts. The implementation of management measures is ensured by integrating them into the annual objectives of the Company and responsible employees.

Having regard to the changing economic, social and natural environment situation as well as the changing internal and external factors influencing the activities of the Company, the management of Amber Grid is committed to ensuring a continuous improvement of the processes of environmental and occupational safety and health management, increasing environmental efficiency and efficiency of occupational safety and health, and to lead the Company according to the standards acceptable for the management process.

In 2020, as the Company was seeking to contribute to mitigation of climate change, it took initiative to identify all potential greenhouse gas emission sources, and formed an internal work group to elaborate and start implementing the plan for measures aimed at reducing greenhouse gas emissions.

In 2020, by using the mobile compressor Amber Grid saved more than twice the emissions compared to 2019.

In 2020, 2.03 million m3 was pumped, saved ~ 1.99 million m3, compared to 2019, when 0.82 million m3 was pumped accordingly and saved 0.73 million m3 of gas.

The increased savings were due the risen number of repairs in 2020. The experience by using this tool is only growing and this will allow planning future works even more efficiently.

9.10.2. Environmentally friendly business solutions

In 2020, EPSO-G companies Litgrid and Amber Grid have taken steps to become consumers of energy from renewable sources.

In 2020, Amber Grid signed an agreement with Eternia Solar on the installation of solar panels in the areas of the gas transmission system operator. Until the end of 2021, it is planned to install the solar panels of 1,400 kW worth EUR 980 thousand in Vilnius, Jauniūnai natural gas compressor station and Panevėžys. Equipped with solar parks, that will amount to 40% of the power demand of the whole company.

In 2020, Litgrid also started installing solar power plants in reconstructed transformer substations. The energy they generate will be used in the transformer substations. Until 2023, it is planned to install solar power plants in 21 reconstructed transformer substations. Depending on the solar radiation, the energy produced by the installed solar power plants will be fully or partially sufficient for the needs of the transformer substations, as well as the reliability of energy supply will increase.

It is planned that the installed capacity of solar power plants in each of the transformer substations will reach up to 15 kW.

Litgrid operates over 200 transformer substations throughout Lithuania, which on average consume over 3,600 MWh of external electricity per year. It is estimated that solar power plants in 21 substations will generate about 100 MhW of electricity per year, thus reducing the external electricity demand of the transformer substations by 2.%.

On 22 October 2020, the Ministry of Energy, together with the largest energy groups Ignitis grupė and EPSO-G, signed the agreements under which the companies undertake to save at least 1.6 TWh of final energy by 2030. According to the agreements concluded by the Ministry of Energy, EPSO-G's subsidiaries Amber Grid and Litgrid have committed to saving at least 4.19 GWh of final energy by 2030.

In 2020, Amber Grid joined the Lithuanian Hydrogen Platform established by the Ministry of Energy together with 19 Lithuanian organizations. Understanding its role in creating the conditions for the decarbonisation of the Lithuanian energy sector and adapting the transmission system to the transportation of green gas, Amber Grid is actively involved in hydrogen research and development activities in Lithuania and abroad.

9.10.3. Guarantees of origin

By promoting green gas production in Lithuania, Amber Grid started providing to businesses guarantees of origin for gas produced from renewable energy sources.

The system of guarantees of origin makes it possible to identify, register and monitor the origin of green gas produced, and consumers of this energy can be assured that the gas they consume is produced using renewable energy sources. This system is beneficial for companies willing to use fuel produced in Lithuania or another EU country that reduces environmental pollution.

Amber Grid, which administers the National Register of Guarantees of Origin for Green Gas, provides guarantees of origin for producers of gas from renewable energy sources and administers their transfer to suppliers or end-users using green gas in their operations.

By creating conditions for the development of green gas in Lithuania, in 2019 Amber Grid joined a European association developing the European system for cross-border exchange of renewable gas guarantees of origin – ERGaR (European Renewable Gas Registry). The association, together with the registers of guarantees of origin of other countries, transmission or distribution system operators and participants in the renewable gas market, foresees the creation of a single European system ensuring clear and common rules for the exchange of guarantees of origin for green gas among the EU countries.

From August 2020, Amber Grid has been participating in the activities of the regional Green Gas Coordination Group. This group is composed of the transmission system operators from Finland, Estonia, Latvia and Lithuania from 2021 aiming to create conditions for facilitating the free exchange of guarantees of origin for green gas among the countries, and to cooperate in solving the issues of green hydrogen development.

„In 2020, EPSO-G companies Litgrid and Amber Grid have taken steps to become consumers of energy from renewable sources.“

9.10.4. Environmentally friendly technologies used

In 2020, during the implementation of the GIPL interconnection project with Poland, the construction of the pipeline under the Neris and Nemunas rivers was completed in a streamlined way.

To reduce the environmental impact, the pipeline was laid under the riverbed, at a depth of 20 meters. A team of highly qualified specialists from the German company LMR Drilling employing HDD technology was invited to help with these works.

HDD technology is used in the construction of pipelines in difficult to access or urbanized areas. The construction of the pipeline under the Neris and later under the Nemunas rivers using a closed technique helped to preserve forest waterside areas without losing aquatic flora and fauna, and conserving the natural environment without causing damage to it.

In addition, a pre-welded section of the GIPL pipeline was laid between Lithuania and Poland, which will later be connected to the parts of the new pipeline constructed in both countries. These works were carried out during the winter in compliance with environmental requirements to protect the spring hatching bird population from external disturbances.

9.10.5. Noise abatement measures in living environment

In 2020, Litgrid was active in solving the problem of reducing noise from electrical equipment. According to the previous design, in the Klaipėda transformer substation the walls suppressing the noise from the equipment (autotransformers and shunt reactors) to the environment, improving the conditions of the residents living near the substation, were mounted.

In addition, Litgrid addressed the reports of residents of Alytus district regarding the noise caused by the facilities. After signing a memorandum with Alytus district municipality on noise level emitted into the environment by Alytus high voltage DC converter station and Alytus transformer substation equipment, noise level measurements were performed and the project Installation of noise abatement measures at Alytus high voltage DC converter station was initiated.

In 2020, the first stage of this complex and integrated project was performed: modelling of the noise emitted by the equipment and selection of noise abatement measures. In 2021, the design of the measures provided in the study will be performed.

9.10.6. Bird protection

In 2020, Litgrid continued applying bird protection measures in the infrastructure objects it manages, thus aiming to reduce the number of deaths of migrating birds, improve their breeding conditions by monitoring bird death cases in the high-voltage electricity transmission network, and to respond accordingly.

The 110 kV overhead power line supports were equipped with special bird guards - devices preventing birds from landing over isolators - fork type devices, as well as the upper garland insulators were replaced to a larger diameter. These measures reduce the chances of short-circuiting large birds (white storks) and thus reduce their perishing.

In the reconstructed and newly built 110 kV and 330 kV power transmission lines, the visibility of wires by installing special bird-diverting devices in places where bird migration is most intensive is increased. Such measures (265 units) were installed in 2020: on the 330 kV overhead line the Lithuanian power plant-Vilnius at the Elektrėnai Lagoon, Pastrėvys and Bartžuvė fishery ponds.

During bird hatching, Litgrid takes measures to minimize the disturbance during the cleaning of the trails. On the recommendation of ornithologists, due to disturbance of birds during their hatching period from 1 May to 31 July, the execution of works is restricted - this is responsibly assessed even before the project execution schedules are drawn up.

In 2020, the monitoring of the environmental impact of the newly constructed power transmission line Kruonis PSHP-Alytus started in 2019 was further continued. In the spring and autumn of 2020, the recording of birds that may have perished as a result of the collision with overhead wires was performed, insect and vegetation monitoring was carried out in the areas identified in the monitoring program. The monitoring report was submitted to the state authorities concerned: the Environmental Protection Agency, the State Service for Protected Areas. The environmental impact monitoring program of the 330 kV overhead line Lithuanian power plant-Vilnius for 2021-2023 has been prepared.

9.10.7. Waste management and sorting, economical use of resources

In accordance with the principles of climate change, sustainable development and pollution prevention, the Group companies implement energy consumption and greenhouse gas mitigation activities, pay close attention to waste amount monitoring, sorting, hazardous waste management, promote rational management and use of water, paper, energy and other resources.

There are special containers for sorting glass, plastic and paper in the companies of the Group.

The requirements for air, surface water, groundwater, soil contamination monitoring and protective measures referred to in the Permits of Integrated Pollution Prevention and Control are also implemented by Amber Grid. Industrial wastewater is treated in its treatment facilities, oil product trace alarms are installed. Contracts are concluded with specialized companies for the safe management and utilization of waste generated in production activities. In 2020, Amber Grid transferred about 19.6 tons of hazardous waste (2019: 19.1 tons), about 45.7 tons of non-hazardous waste (2019: 1,629.6 tons), 2.5 tons of paper, plastic and glass (2019: 1 ton) to waste managers.

9.10.8. Paper saving

In order to reduce the amount of paper used, streamline document management processes and costs, EPSO-G companies have implemented electronic document management systems, in which activity documents are managed and archived electronically. This measure enables a significant reduction of paper consumption.

In 2020, the companies continued to transfer documents to the electronic space by maximally giving away paper documents, actively signing with an electronic signature and encouraging their customers, suppliers and partners to do the same.

9.11. Social responsibility in relations with employees

9.11.1. Human rights

The companies of the Group create a value-based organisational culture and are in favour of equal rights and equal opportunities of the employees in the workplace regardless of their gender, ethnic origin, race, nationality, social status, age, disability, membership in a political party or association, religious beliefs or sexual orientation.

Any form of harassment, psychological violence, bullying or taking advantage of the position held is intolerable as well.

The employees who may have been the subject of unlawful acts can submit a complaint to the responsible person appointed by the company. If the employee is dissatisfied with the result of the examined complaint, such the employee can defend their right infringed in accordance with the legal acts.

The employee who witnessed and/or has any suspicion about and/or who is a witness of the case of discrimination, harassment or sexual harassment shall notify thereof his/her direct manager or the responsible person appointed by the Company. The Company ensures confidentiality when examining complaints. Accordingly, all employees and the Company shall treat any information obtained during the investigation of an infringement as confidential. Breach of this provision is considered to be a gross violation of work discipline.

No reports of discrimination or other incidents related to human rights violations at work were received in EPSO-G Group in 2020.

9.11.2. Equal rights

The companies of the Group ensure that the working conditions are in line with the legislation, international standards and recommendations applicable in the Republic of Lithuania, and seek to create working conditions that respect dignity related to working hours, weekly rest, holidays, occupational safety and health, protection of maternity and adequate work-family relations balance.

For this reason, the companies of EPSO-G systematically analyse the working environment and constantly improve it. To achieve the objectives pursued that are set for the company and improvement, the employee opinion assessments are carried out during the employee satisfaction surveys that are held at least once every two years. The results of the surveys are used for adjusting the activity plans.

Decisions related to recruitment, competence development, remuneration or other pay-outs, promotions are taken in the companies of the Group taking into account objective criteria and factors without discrimination.

No reports of breaches of equal rights at work were received in EPSO-G Group in 2020.

Workforce of the Group is composed mainly of men. This is strongly influenced by the specifics of the activity: women are less likely to choose works of technical engineering profile and those performed outdoors, and specialties directly related to them. In this regard, the Social Responsibility Policy introduces the provision that a proportional gender representation will be sought in the companies of the Group by identifying the measures and actions that help implement this provision. No reports of gender discrimination were received in EPSO-G Group companies in 2020.

The employees of the companies of the Group are paid equal salary for the same or equivalent work. The amount of salary for a potential or actual employee is determined according to the objective criteria related to the abilities, competence, qualification, experience and knowledge of the employee. According to the Employees' Remuneration Policy of the Group, the companies are encouraged to adequately reward their employees having achieved objectives and exceeding expectations.

Information about the employees, Remuneration Policy and the staff evaluation system is provided in clause 8 of this annual report in the Report on the Implementation of Remuneration Policy.

9.11.3. Measures to manage the effects of COVID-19

Following the declaration of a national emergency in Lithuania in 2020 due to the threat of the spread of coronavirus (COVID-19), business continuity and preventive measures were applied in EPSO-G Group: appointed employees responsible for monitoring and reporting the situation to the Company's management; identified business units and employees undertaking the critical functions and administrating the main systems; implemented additional organisational measures at the system operation centre; planned technical and substitution measures in case of spread of the virus.

The Group companies have reviewed its emergency management plan, prepared the following additional documentation and implementing measures: lists of critical functions, lists of measures necessary to ensure continuous implementation of the functions, resources and responsible individuals, as well as other documents and measures.

In order to ensure the health and safety of workers, as from February 2020, business trips and events were cancelled, excursions to the Company's offices were no longer organized and guest delegations were not accepted, while remote working was introduced. Due to the specifics of the work, employees who could not work from home were provided with protective equipment and a maximally safe working environment.

9.11.4. Voluntary health insurance

By encouraging employees to take care of their health, in 2020, we insured them with voluntary health insurance. At the end of 2020, around 70% of all EPSO-G Group employees were covered by this insurance. In 2021, it is planned to expand the number of employees covered by the voluntary health insurance. Under the terms of the insurance, employees are reimbursed for health care services such as outpatient treatment and diagnostics, day surgery services, preventive health examinations and vaccinations, prescription drugs and medical aids, dental services.

9.11.5. Personnel field initiatives

In 2020, at EPSO-G Group companies, we focused on employee and executive training. We encourage employees not only to improve their professional qualifications, which is mandatory when working in the field of energy, but also to develop general and managerial competencies. We use the 70-20-10 principle for education and training, when 70% of education, development and learning activities take place through employee work experience and self-training, 20% from communication and cooperation with colleagues and managers possessing diverse experience and competencies, 10% from structured training sessions. As in 2019, in 2020, the proportion between the training of the professional qualification profile and the development of general, leadership and managerial competencies was similar - around 65/35%. Due to the pandemic conditions, in 2020, around 80% of the trainings took place remotely.

Following the completion of the formation of competence models of the companies in 2020, we performed an assessment of the competencies of executives and some specialists and developed training plans based on the results of the assessment. We received 100% participation from EPSO-G's team leaders who took part in the competency assessment using the 360° feedback method that took place in January 2020 and 2021.

In order to ensure the continuity of the companies' activities, we promote the internal career of employees in the same company or the Group companies. In 2019, 78 employees were promoted from specialists to senior specialists or to managerial positions, while in 2020 - 79 employees throughout EPSO-G Group.

At EPSO-G Group, we carry out an annual employee engagement survey using an internationally recognized methodology. During the survey, employees anonymously express their views on clarity of goals and direction, work organization, work processes, workload, remuneration, opportunities for improvement, trust in managers, collaboration, and other aspects. In 2019, EPSO-G Group's employee engagement rate was 58. After receiving their opinion, the companies develop and implement action plans to increase employee engagement in a targeted way. The engagement rate of 2020 rose to 66.

By reinforcing employee cooperation and team spirit, we foster traditions of the entire EPSO-G Group and individual companies, encompassing various sports activities, team events, themed summer and winter holidays, and the election of the most valuable employees. In 2020, due to the pandemic, most team activities were organized remotely, such as Litgrid's Endomondo tournament, where participants individually tracked their walking, running or cycling kilometres; Amber Grid's walking competitions, seminars on health and wellness, personal efficiency, employee safety, remote work, and environmental issues.

79 employees

were promoted from specialists to senior specialists or to managerial positions, in 2020.

9.11.6. Collective agreement and trade unions

EPSO-G recognise the right of employees to join trade unions or associations on a voluntary basis and to negotiate with the employer, and maintain a constructive social dialogue.

9.11.7. Trade union

As at 31 December 2020, the trade union formed at Amber Grid had 186 members (2019: 213) with 8 members representing the employees on the Board. The purpose of the trade union is to represent and defend professional, labour, economic and social rights and legitimate interests of its members. Meetings of the representatives of the trade union and the management of the Company are periodically organised to discuss issues relevant to the trade union.

The Trade Union of Employees of the Electricity Transmission Network incorporates employees of Litgrid and represents their interests. In order to achieve closer cooperation and partnership, in 2020, it was agreed on periodic meetings between the trade union's representatives and the Company's management to discuss issues of mutual interest. There were 98 members in the Trade Union of Employees of Electricity Transmission Network at the end of 2019 (96 members in 2018), which is more than one third of the Company's employees.

EPSO-G, Baltpool, and Get Baltic do not have a trade union or employee representatives, neither a collective agreement. In order to ensure equal treatment of employees in the company and provision of social benefits, as in the case of the majority of the Company's employees, the basics and amounts of the main benefits established by the Labour Code were agreed with employees directly and later on with the Remuneration and Nomination Committee.

9.11.8. Collective agreement

The objective of the collective agreement is to represent the rights and legitimate interests of all employees. The agreement establishes work, remuneration, social, economic and professional conditions as well as guarantees that are not regulated by laws, other regulations.

Employees of the companies of the Group are provided with additional financial guarantees (benefits in respect of accidents, sickness, death of a family member, childbirth benefit, benefit for an employee having three or more children or a disabled child), additional leave days (after childbirth, in case of death of a family member and other cases) and other guarantees.

The Company supports the cultural, sporting and tourist activities of the employees, various festive events and other social activities in which all employees of the Company are entitled to participate without discrimination and restrictions.

9.12. Social responsibility in the relations with the society

The companies of EPSO-G Group create and maintain open and business-like relationship with stakeholders and are accountable to the shareholders and the society for the activities carried out by them. At least once a year, the companies of the Group publicly present financial and non-financial activity reports to their shareholders and /or social partners.

9.12.1. Dialogue culture with the communities

The Group companies inform local communities in advance about ongoing projects in their neighbourhood. During the implementation of the projects, the working time is agreed with residents. The aim is to minimize inconveniences for residents arising from works being carried out over the course of the implementation of the entire project.

As Lithuania is implementing the gas interconnector project (GIPL) which has the status of an EU Project of Common Interest (PCI) and which will connect Lithuania with Western Europe through Poland, in 2020, Amber Grid continued long-term round of meetings with communities of the municipalities in the territories of which GIPL trunk gas pipeline is being constructed.

Through the Dialogue Culture and Cooperation project, Amber Grid seeks to inform residents about the importance, course and progress of the GIPL project in their neighbourhood, to form an image of a credible, transparent, socially responsible company, foster a culture of responsibility, rational creativity and dialogue, and to build long-term relationships with communities. In compliance with the safety requirements of COVID 19, Amber Grid has held 35, including remote, meetings with local communities. Such meetings are important for the company, as they allow to hear the opinion of the residents and, if necessary, adjust the project work or its progress accordingly.

In 2020, Litgrid, the company implementing important projects for synchronization with CEN, has also continued the cycle of meetings with local communities.

Seeking to inform the local communities in advance about the projects in their neighbourhood, in 2020, 6 meetings were initiated with the communities, in the environment of which the implementation or the reconstruction of new infrastructure projects will be soon launched. The Company strives to minimize the inconvenience caused to the residents during the implementation of the infrastructure projects, and new routes are planned very carefully to minimize the impact on the living environment and nature. During the meetings, the future routes were presented, and the expectations and wishes of the residents were heard.

In addition, in 2020, Litgrid continued the cycle of meetings with the communities. Due to the quarantine requirements, the events were held remotely - a total of 20 events, during which well-known public figures - Giedrius Savickas, Haroldas Mackevičius, Rafailas Karpis, Antanas Joniškis, Jazzu, Alfredas Bumblauskas - met with the communities near the places of residence of which the synchronization projects are and will be carried out until 2025. Litgrid employees introduced the synchronization to the residents, as well as provided an opportunity to spend their free time in a purposeful way. In total, over 15,000 people from various Lithuanian cities and towns watched these events remotely.

9.12.2. Charity and donations

The Donation Policy is confirmed in EPSO-G Group companies, which is based on the objectives and values of the operational strategy and the attitude thereof that the support granted must be public and must not create doubts for the society regarding its expediency and transparency of the granting process.

EPSO-G is a state-owned company. Therefore, one of the most important obligations of the Company is to pay dividends to the shareholder allocating them through the country's budget to meet the essential needs of the society. For this reason, in order to implement the objectives provided for in the strategy of EPSO-G, the companies of the Group will grant the support for the predefined areas.

No financial donations were granted by the companies of EPSO-G Group in 2017-2020.

9.12.3. Directions of support

EPSO-G is seeking to develop cooperation with the communities in the immediate vicinity of which the companies of the Group carry out their activities or implement projects. Education is another direction of support, i.e. support for the individuals studying under the programmes of universities and other higher education institutions that are closely linked to the professional activities of the companies.

The policy which is common for all companies of the Group provides that support may be granted for education, culture, sport, social services or other community welfare areas based on four principles, i.e. compliance with the operational objectives, transparency and impartiality, equality and alignment of confidentiality and publicity.

The companies of EPSO-G Group will grant donations neither for political parties or political campaigns nor for the activities that promote or are associated with gambling or similar activities, alcoholic beverages, tobacco products or other intoxicants nor for other activities that have or may have a negative impact on the society.

A profit share allocated for donations in the companies of EPSO-G Group is determined annually at the Ordinary General Meeting of Shareholders by forming a reserve for this amount taking into account the profit achieved of the reporting year and the ongoing projects. A profit share allocated for support shall not be more than 1% of the net profit of the reporting financial year, not exceeding in any case EUR 50 thousand.

In 2020, EPSO-G Group companies budgeted no funds for donation purposes.

9.12.4. Volunteering

By contributing to the implementation of the objectives of public interest or those that are important for the local community, the companies of EPSO-G Group encourage a voluntary unremunerated engagement of their employees in charitable activities. Employee volunteering is promoted - under to the collective agreement , 1 day per year is dedicated for this purpose. A part of the personnel dedicated this day for volunteering to organize activities for the kids at a children day care center, for assisting an animal welfare organization, and for helping Maisto bankas (Food Bank).

9.12.5. 100 computers for learning for children from low-income families

In 2020, following the introduction of distance learning for children due to the COVID 19 pandemic and the fact that many families still lacked technical equipment for that, Amber Grid, together with the Lithuanian Information and Communication Technology Association Infobalt, joined the support for children in need and handed over more than 100 computers for children's learning to the organization taking care of them Gelbėkit vaikus (Save the Children Lithuania).

After a planned refurbishment of the Company's computers, Amber Grid decided to donate desktop computers and laptops running efficiently and in good condition to schoolchildren, while the Association Infobalt took care of checking them and installing and updating the necessary software.

The computers went to the children from low-income families under the care of Gelbėkit vaikus living in Alytus, Širvintos, Kaišiadorys, Elektrėnai, Marijampolė, Kaunas district, Plungė, Šakiai, Šilutė, Tauragė, Anykščiai, Pasvalys, Akmenė municipalities. The computers were intended for these families primarily to ensure distance learning during the quarantine and to strengthen and develop the learning capacities of the children from these families at home even after the end of the pandemic.

The handed-over computers can be used not only by children for their schoolwork, but also by their family members. This will further increase the computer literacy of low-income families, enable them to do household tasks in digital space.

9.12.6. Promoting safe conduct

The current running through Litgrid's maintained power lines have a voltage approximately 500 times higher than the one at households. Electrical discharge can occur if a safe distance is breached, when one is too close - high voltage electricity can also hit at a distance as well.

For this reason, Litgrid is constantly reminding the contractors performing the works in the electricity network of the need to comply with the safety requirements of the workers; the control is also carried out - the Company's representatives visit the locations where the contractors perform the work and inspect the compliance with the work safety requirements and in case of identification of shortcomings, the works are discontinued.

In 2020, prior to timber harvesting, in the regional and local press - over 40 newspapers and internet portals - articles on safe conduct near high-voltage overhead power lines were initiated by Litgrid.

Indicator index according to GRI

INDICATOR CODE ACCORDING TO GRI STANDARD	DESCRIPTION	PAGE
Strategy and analysis		
GRI 102-14	Speech of the Chief Executive Officer of the Company	page 3 – 6
Description of the company		
GRI 102-1	Company name	page 13
GRI 102-2	Company activity, main brands and services	pages 11 – 23.
GRI 102-3	Address of the Company's head office	page 13
GRI 102-5	Property type and legal form	page 13
GRI 102-6	Markets in which the Company operates	pages 14 – 23
GRI 102-7	Company size	pages 14 – 23
GRI 102-8	Number of employees	pages 96 - 97
G4-11	Percentage of all employees who are subject to the arrangements under the collective agreement	page 121
GRI 102-11	Observance of precautionary principle	pages 65 – 69
GRI 102-12	External economic, environmental and social initiatives	pages 109 – 119
GRI 102-13	Membership in national and international organizations	pages 63 – 64
Ethics and integrity		
GRI 102-16	The values, principles, standards and norms of the organization related to behavioural and ethical codes	pages 25 – 26; pages 108 – 110;
Company management		
GRI 102-18	Company management structure	pages 75 – 76
GRI 102-19	Delegated powers	page 100
GRI 102-20	Attribution of the leading representatives of the Company and representation in the field of finances, environmental protection and social responsibility	page 103
GRI 102-21	Responsibility in providing information/advice to the shareholders on the issues of finance, environmental protection and social responsibility	pages 103 – 105
Stakeholders		
G4-24	takeholder list	pages 106 – 107

INDICATOR CODE ACCORDING TO GRI STANDARD	DESCRIPTION	PAGE
Report parameters		
G4-28	Report period	page 13
G4-29	Date of the previous report	page 13
G4-30	Reporting frequency	page 13
G4-31	Contact person to answer the questions related to social responsibility	page 103
G4-33	Policy and practices of the organization regarding the external audit of report	page 70
Management		
G4-34	The management structure of the Company, including the top-level committees	pages 75 – 90

List of impacts and specific indicators of the company

IMPACT	DESCRIPTION, DISCLOSED MODE OF MANAGEMENT AND INDICATOR	EXTERNAL CHECK	PAGE/SOURCE
Economy			
Economic efficiency	Direct economic benefits received and distributed	Accomplished	Annual report pages 72 – 73
Market	Comparison of a standard salary of employees with a minimum wage	Not accomplished	-
Indirect economic impacts	Development and impact of investment in infrastructure and services	Accomplished	Annual report pages 38 – 46, The Progress Report on Social Responsibility, page 116 – 119
Environmental protection			
Products and services	Environmental impact mitigation measures for products and services of the Company (G4-EN27)	Partially	The Progress Report on Social Responsibility, pages 171-174
Social area			
Education and training	Programs for improving employee skills and lifelong learning, ensuring continuity of worker capacity and helping to manage their careers (G4-LA10)	Partially	page 121
Non-discrimination	The number of discrimination incidents and the actions taken to deal with the incidents related to human rights violations (G4-HR3)	Accomplished	The Progress Report on Social Responsibility, page 123
Local communities	Subdivisions involving the local communities by assessing the impact or development programs (G4-SO1)	Accomplished	The Progress Report on Social Responsibility, page 125 – 126

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Financial statements

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	Notes	GROUP		COMPANY	
		AT 31 DEC 2020	AT 31 DEC 2019 (restated)	AT 31 DEC 2020	AT 31 DEC 2019
ASSETS					
Non-current assets					
Intangible assets	5	11,135	7,910	5	-
Property, plant and equipment	6	574,227	525,899	12	19
Right-of-use assets	7	9,829	9,378	307	276
Investments in subsidiaries, associates	8			321,192	321,192
Deferred income tax assets	26	20,861	11,692	414	412
Amounts receivable after one year	12	105	4	-	-
Non-current portion of the balance of congestion management revenue	10	18,041	8,185	-	-
Financial assets measured at fair value through other comprehensive income	9	1,089	1,984	-	-
Total non-current assets		**635,287**	**565,052**	**321,930**	**321,899**
Current assets					
Inventories	11	5,191	2,695	-	-
Prepayments and contract assets		3,431	2,448	132	81
Trade receivables	12	32,460	24,752	50	38
Other amounts receivable	13	83,315	65,992	27,663	7,585
Prepaid income tax		-	3	-	-
Other financial assets	14	22,735	45,121	-	-
Cash and cash equivalents	15	5,113	13,470	3,362	12,346
		152,245	**154,481**	**31,207**	**20,050**
Non-current assets held for sale	9	-	13	-	-
Total current assets		**152,245**	**154,494**	**31,207**	**20,050**
TOTAL ASSETS		**787,532**	**719,546**	**353,137**	**341,949**

	Notes	GROUP		COMPANY	
		AT 31 DEC 2020	AT 31 DEC 2019 (restated)	AT 31 DEC 2020	AT 31 DEC 2019
EQUITY AND LIABILITIES					
Equity					
Share capital	16	22,483	22,483	22,483	22,483
Revaluation reserve	17	406	475	-	-
Revaluation reserve of financial assets	18	-	51	-	-
Legal reserve	18	16,522	16,522	2,248	2,248
Other reserves	18	22,616	22,572	50	50
Retained earnings		160,232	122,131	155,446	154,542
Equity attributable to shareholders of the parent company		**222,259**	**184,234**	**180,227**	**179,323**
Non-controlling interest		10,805	9,727	-	-
Total equity		**233,064**	**193,961**	**180,227**	**179,323**
Liabilities					
Non-current liabilities					
Non-current borrowings	21	167,242	134,202	-	2,560
Other non-current financial liabilities	22	134,128	148,609	134,128	148,609
Lease liabilities	23	7,641	7,736	219	210
Congestion management revenue	10	55,659	34,672	-	-
Provisions	24	5,313	1,368		
Other non-current amounts payable and liabilities	25	3,029	5,510	-	-
Total non-current liabilities		**373,012**	**332,097**	**134,347**	**151,379**
Current liabilities					
Current portion of non-current borrowings	21	26,959	30,403	2,560	2,560
Current borrowings	21	20,019	-	20,653	-
Current portion of other non-current borrowings	22	14,481	7,965	14,481	7,965
Current portion of lease liabilities	23	1,523	1,209	90	66
Trade payables	27	36,118	33,797	87	49
Advance amounts received	28	14,891	19,441	-	-
Income tax liability	26	5,007	1,116	-	-
Provisions	24	885	1,313		
Other current amounts payable and liabilities	29	61,573	98,244	692	607
Total current liabilities		**181,456**	**193,488**	**38,563**	**11,247**
Total liabilities		**554,468**	**525,585**	**172,910**	**162,626**
TOTAL EQUITY AND LIABILITIES		**787,532**	**719,546**	**353,137**	**341,949**

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

	Notes	GROUP 2020	GROUP 2019 (restated)	COMPANY 2020	COMPANY 2019
REVENUE					
Revenue from contracts with customers					
Revenue from electricity transmission and related services	30	195,626	173,636	-	-
Revenue from natural gas transmission and related services	30	49,080	53,685	-	-
Other revenue from contracts with customers	30	14,828	11,344	296	230
		259,534	**238,665**	**296**	**230**
Other income	31	**10,986**	**12,320**	**-**	**-**
Dividend income and income from disposal of associates	32	**1,726**	**174**	**4,093**	**7,677**
TOTAL REVENUE		**272,246**	**251,159**	**4,389**	**7,907**
OPERATING EXPENSES					
Expenses of electricity transmission and related services	33	(128,391)	(134,946)	-	-
Expenses of natural gas transmission and related services	33	(6,345)	(11,336)	-	-
Depreciation and amortisation	5,6,7	(32,705)	(31,667)	(92)	(77)
Wages and salaries and related expenses		(30,400)	(27,827)	(1,769)	(1,477)
Repair and maintenance expenses		(6,890)	(7,541)	-	-
Taxes and compulsory payments		(5,957)	(5,338)		
Telecommunications and IT maintenance expenses		(3,483)	(2,886)	(35)	(29)
Transport expenses		(2,317)	(2,473)	(37)	(46)
Write-off expenses of property, plant and equipment		(615)	(109)	-	-
Impairment expenses of property, plant and equipment		(233)	(239)	-	-
Impairment of inventories and amounts receivable		(471)	-		
Other expenses		(12,252)	(10,848)	(522)	(452)
TOTAL OPERATING EXPENSES		**(230,058)**	**(235,210)**	**(2,455)**	**(2,081)**
Operating profit/(loss)		**42,188**	**15,949**	**(1,934)**	**5,872**
Results of financing activities	34	**(2,004)**	**(2,437)**	**(642)**	**(964)**
Profit/(loss) before income tax		**40,183**	**13,512**	**1,292**	**4,908**
INCOME TAX					
Current year income tax expenses	26	(9,642)	(6,034)		
Deferred income tax (expenses)/benefit	26	9,544	3,925	385	362
TOTAL INCOME TAX		**(98)**	**(2,109)**	**385**	**362**
Profit/(loss) for the period		**40,085**	**11,403**	**1,677**	**5,270**

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

	Notes	GROUP 2020	GROUP 2019 (restated)	COMPANY 2020	COMPANY 2019
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS					
Gain/(loss) on revaluation of property, plant and equipment and non-current financial assets	17,18	(61)	(318)	-	-
Effect of deferred income tax	26	9	48	-	-
TOTAL OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		**(52)**	**(270)**	**-**	**-**
Total comprehensive income for the period		**40,033**	**11,133**	**1,677**	**5,270**
PROFIT/(LOSS) FOR THE PERIOD IS ATTRIBUTABLE TO:					
Shareholders of the parent company		38,850	10,953	1,677	5,270
Non-controlling interest		1,235	450	-	-
		40,085	**11,403**	**1,677**	**5,270**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD IS ATTRIBUTABLE TO:					
Shareholders of the parent company		38,800	10,690	1,677	5,270
Non-controlling interest		1,233	443	-	-
		40,033	**11,133**	**1,677**	**5,270**

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

Company	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2019	**22,483**	**2,248**	50	**150,022**	**174,803**
Comprehensive income/(expenses) for the period	-	-	-	5,270	5,270
Dividends	-	-	-	(750)	(750)
Transfer to reserves	-	-	50	-	-
Balance at 31 December 2019	**22,483**	**2,248**	**50**	**154,542**	**179,323**
Balance at 1 January 2020	**22,483**	**2,248**	**50**	**154,542**	**179,323**
Comprehensive income/(expenses) for the period	-	-	-	1,677	1,677
Dividends	-	-	-	(773)	(773)
Balance at 31 December 2020	**22,483**	**2,248**	**50**	**155,446**	**180,227**

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

Group	Notes	Share capital	Revaluation reserve	Reserve for changes in fair value of financial assets	Legal reserve	Other reserves	Retained earnings	Subtotal	Non-controlling interest	Total
		Equity attributable to shareholders of the Group								
Balance at 1 January 2019		**22,483**	**216**	**639**	**16,522**	**61,776**	**72,663**	**174,299**	**9,574**	**183,873**
COMPREHENSIVE INCOME										
Revaluation of property, plant and equipment			324					324	8	332
Change in fair value of financial assets				(588)				(588)	(15)	(603)
Total other comprehensive income/(expenses) for the period		**-**	**324**	**(588)**	**-**	**-**	**-**	**(264)**	**(7)**	**(270)**
Profit for the period		-	-	-	-	-	10,937	10,937	450	11,403
Total comprehensive income/(expenses) for the period		**-**	**324**	**(588)**	**-**	**-**	**10,937**	**10,673**	**443**	**11,116**
Transfer to retained earnings		-	-	-	-	(39,204)	39,204	-	-	-
Depreciation of revaluation reserve and amounts written off			(77)				77	-	(2)	(2)
Dividends	32	-	-	-	-	-	(750)	(750)	(276)	(1,026)
Change in ownership interest in the subsidiary		-	12	-	-	-		12	(12)	-
Balance at 31 December 2019		**22,483**	**475**	**51**	**16,522**	**22,572**	**122,131**	**184,234**	**9,727**	**193,961**
Balance at 1 January 2020		**22,483**	**475**	**51**	**16,522**	**22,572**	**122,131**	**184,234**	**9,727**	**193,961**
COMPREHENSIVE INCOME										
Change in fair value of financial assets				(51)				(51)	(1)	(52)
Total other comprehensive income/(expenses) for the period		**-**	**-**	**(51)**	**-**	**-**	**-**	**(51)**	**(1)**	**(52)**
Profit for the period		-	-	-	-	-	38,850	38,850	1,235	40,085
Total comprehensive income/(expenses) for the period		**-**	**-**	**(51)**	**-**	**-**	**38,850**	**38,799**	**1,234**	**40,033**
Depreciation of revaluation reserve and amounts written off	17	-	(69)	-	-	-	69	-	-	-
Transfer to reserves		-	-	-	-	44	(44)	-	-	-
Dividends	32	-	-	-	-		(773)	(773)	(156)	(928)
Balance at 31 December 2020		**22,483**	**406**	**-**	**16,522**	**22,616**	**160,232**	**222,259**	**10,805**	**233,064**

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

	Notes	GROUP		COMPANY	
		2020	**2019** (restated)	**2020**	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) for the period		40,085	11,403	1,677	5,270
ADJUSTMENTS FOR NON-CASH ITEMS:					
Depreciation and amortisation expenses	5,6,7	32,705	31,667	92	77
Revaluation/impairment of property, plant and equipment	6,17	233	239	-	-
Impairment/(reversal of impairment) of amounts receivable		(248)	(236)	-	-
Income tax expenses	26	98	2,109	(385)	(362)
Deferred revenue (amortisation)/revenue adjustment		-	661	-	-
Impairment of financial assets		719	-	-	-
(Gain)/loss on disposal/write-off of property, plant and equipment		460	138	-	-
Elimination of results of financing and investing activities:					
Interest income		(100)		(189)	(35)
Interest expenses		2,038	2,429	831	999
Dividend income		(895)	(174)	(4,093)	(7,677)
Other finance (income)/costs		(765)	8	-	-
CHANGES IN WORKING CAPITAL:					
(Increase)/decrease in trade receivables		(8,713)	(2,304)	(12)	399
(Increase)/decrease in other amounts receivable		23,483	-	(60)	-
(Increase)/decrease in inventories, prepayments and other current assets		(2,738)	1,015	(51)	(73)
Increase/(decrease) in trade payables		2,897	-	(38)	-
Increase/(decrease) in other amounts payable, grants, deferred revenue and prepayments received		(48,969)	14,571	267	54
Changes in other financial assets		(2,394)	(7,139)	-	-
Income tax (paid)/received		(5,749)	(3,891)	385	-
Net cash flows from/(used in) operating activities		32,147	50,496	(1,500)	(1,348)
CASH FLOWS FROM INVESTING ACTIVITIES					
(Acquisition) of property, plant and equipment and intangible assets		(137,967)	(62,675)	(7)	(4)
Disposal of property, plant and equipment and intangible assets		438	193		
(Acquisition)/disposal of subsidiaries (associates)		1,652	-	-	(3,150)
Loans (granted)/loan repayments received		-	-	(20,020)	4,936
Grants received	20	26,964	21,789	-	-
Congestion management revenue received	10	30,748	27,366	-	-
Interest received		96	-	189	35
Dividends received		895	174	4,093	7,677
Other cash flows from investing activities		46	2,713	-	-
Net cash flows from/(used in) investing activities		**(77,128)**	**(10,440)**	**(15,745)**	**9,494**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings	21	60,000	10,000	-	-
Repayments of borrowings	21	(30,404)	(34,761)	(2,560)	(2,560)
Lease payments	23	(1,559)	(1,149)	(81)	(63)
Overdraft / current borrowings		20,019	(6,889)	20,654	
Interest paid		(2,467)	(2,674)	(1,014)	(1,096)
Dividends paid		(962)	(1,026)	(773)	(750)
Other cash flows from financing activities	22	(8,003)	-	(7,965)	
Net cash flows from/(used in) financing activities		**36,624**	**(36,499)**	**8,261**	**(4,469)**
Net increase/(decrease) in cash and cash equivalents		**(8,357)**	**3,557**	**(8,984)**	**3,677**
Cash and cash equivalents at the beginning of the period	15	13,470	9,913	12,346	8,669
Cash and cash equivalents at the end of the period	15	**5,113**	**13,470**	**3,362**	**12,346**

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

1. General information

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

EPSO-G is the parent company responsible for the activities of the group companies that include ensurance of an uninterrupted, stable transmission of electricity over high voltage networks and transportation of natural gas via high pressure gas pipelines, as well as ensurance of management, maintenance and development of these transmission systems as well as organisation of trade on the natural gas and biofuel exchanges.

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 2020 and 2019, the Company's share capital amounted to EUR 22,482,695. As at 31 December 2020 and 2019, it was divided into ordinary registered shares with the nominal value of EUR 0.29 each. All the shares are fully paid.

The Company's shareholder	At 31 Dec 2020		At 31 Dec 2019	
	Share capital (EUR)	%	Share capital (EUR)	%
Republic of Lithuania represented by the Ministry of Energy of the Republic of Lithuania	22,482,695	100	22,482,695	100

The Company's management approved these financial statements on 12 April 2021. 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 2020, the EPSO-G group had 1,081 employees (31 December 2019: 993 employees) and the Company had 32 employees (31 December 2019: 25 employees).

The EPSO-G group (the "Group") consists of the Company, directly and indirectly controlled subsidiaries, associates and joint ventures set out below.

COMPANY NAME	REGISTERED OFFICE ADDRESS	OWNERSHIP INTEREST (%)		PROFILE OF ACTIVITIES
		At 31 Dec 2020	At 31 Dec 2019	
Subsidiaries				
LITGRID AB	Viršuliškių skg. 99B, Vilnius, Lithuania	97.5	97.5	Electricity transmission system operator
Amber Grid AB	Savanorių pr. 28, Vilnius, Lithuania	96.6	96.6	Natural gas transmission system operator
BALTPOOL UAB	Žalgirio g. 90, Vilnius, Lithuania	67.0	67.0	Operator of the exchange for trading in energy resources (biomass products), the administrator of PSO funds
TETAS UAB (controlled through LITGRID AB until 29 November 2019)	Senamiesčio g. 102B, Panevėžys, Lithuania	100	100	Transformer substation, distribution station and electricity line design, construction, reconstruction and maintenance services
GET Baltic UAB (controlled through Amber Grid AB)	Geležinio Vilko g. 18A, Vilnius, Lithuania	96.6	96.6	Organisation of trading at the natural gas exchange

COMPANY NAME	REGISTERED OFFICE ADDRESS	OWNERSHIP INTEREST (%)		PROFILE OF ACTIVITIES
		At 31 Dec 2020	At 31 Dec 2019	
Associates and joint ventures				
Duomenų Logistikos Centras UAB	Žvejų g. 14, Vilnius, Lithuania	-	20	IT services
LitPol Link Sp.z.o.o	Warszawska 165, 05-520, Konstancin-Jeziorna, Warsaw, Poland	50	50	Under liquidation

On 29 November 2019, under the share purchase-sale agreement the Company acquired from subsidiary LITGRID AB 100% of shares of TETAS UAB for a price of EUR 3.15 million established by the independent property valuer. Before this transaction the Company indirectly (through LITGRID AB) held 97.5% of shares of TETAS UAB.

Sale of shares of Duomenų Logistikos Centras UAB

On 7 July 2020, the Group company together with AB Ignitis Grupė UAB completed the transaction under the share purchase-sale agreement regarding the sale of shares of Duomenų Logistikos Centras UAB. Under the agreement, the Group sold 20.36% of shares and Ignitis Grupė sold 79.64% of shares of Duomenų Logistikos Centras UAB. After the sale of shares held, the Group received EUR 1,652 thousand on 7 July 2020. Gain on disposal of shares amounting to EUR 831 thousand was accounted for in the statement of comprehensive income. Under the terms and conditions of the agreement, considering the variable price criteria, the sale price of the Group's portion of shares may amount up to EUR 2 million.

Liquidation of LitPol Link Sp.z.o.o

On 19 June 2019, the Polish and the Lithuanian transmission system operators Polskie Sieci Elektroenergetyczne and LITGRID, the sole shareholders of subsidiary LitPol Link, each holding 50% of the company's shares, decided to liquidate the company. As at 31 December 2020, the acquisition cost of the investment in LitPol Link Sp.z.o.o. was EUR 250 thousand (EUR 295 thousand as at 31 December 2019), which was fully provided for. The Group's share of monetary funds equal to EUR 45.6 thousand was received on 15 October 2020. The liquidation process of the joint venture is expected to be completed in 2021.

Investments in the subsidiaries are described in more detail in Note 8.

As disclosed in Note 39, on 26 January 2021, the Company established a wholly-owned subsidiary Energy Cells, UAB. The function of the newly established company will be the installation of energy storage facilities with the total combined power and storage capacity of 200 megawatts. Energy storage facilities will serve as the primary capacity reserve ensuring reliable, stable and consumer-focused operation of the Lithuanian electricity system until the completion of the synchronisation with the continental European networks and in the future they will be used for the integration of rapidly growing renewable energy sources into the existing electricity transmission system.

„Energy storage facilities will serve as the primary capacity reserve ensuring reliable, stable and consumer-focused operation of the Lithuanian electricity system until the completion of the synchronisation with the continental European networks."

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Group's and the Company's financial statements for the year ended 31 December 2020 are presented below.

2.1. Basis of preparation

The Group's and the Company's financial statements for the year ended 31 December 2020 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 losses, and financial assets measured at fair value through other comprehensive income.

Amounts in these financial statements are presented in thousands of euro (EUR) unless otherwise stated.

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

The accounting policies applied in the preparation of the financial statements are consistent with those of the previous financial year, except as follows:

a) Adoption of new and/or amended IFRS and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

IFRSs, their amendments and IFRIC interpretations adopted by the Company for the first time in the financial year ended 31 December 2020 are as follows:

Amendments to the Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020). The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, development of the accounting policies. The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. According to the Group's and the Company's management, the first-time adoption of the amendments did not have any significant impact on the financial statements.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for business acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise the definition of a business. This amendment had no impact on the Group's and Company's financial statements.

Definition of materiality – Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. In the opinion of the Group and the Company, these amendments had no significant impact on the financial statements.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). This amendment had no impact on the Group's and Company's financial statements.

COVID-19-related rent concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 January 2020). The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. This amendment had no impact on the Group's and Company's financial statements.

b) Standards, amendments and interpretations that have been approved by the European Union, but are not yet effective and have not been early adopted by the Company

There were no such amendments.

c) Standards, interpretations and their amendments that have not yet been adopted by the European Union and that have not been early adopted by the Company

Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28 (effective for annual periods beginning on the date which will be established by the International Accounting Standards Board (IASB) or on the later date). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. In the opinion of the Group's and the Company's management, these amendments will have no significant impact on the financial statements.

Classification of liabilities as current or non-current – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2022). These narrow scope 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. The Group and the Company are currently assessing the impact of these amendments on their financial statements.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (effective for annual periods beginning on or after 1 January 2022).

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. . Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The Group's and the Company's management is currently assessing the potential impact of these amendments on the financial statements.

2.2. Principles of consolidation

Subsidiaries

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

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

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

Business combinations

IFRS 3 Business combinations is not applied to business combinations between entities under common control, therefore such business combinations are accounted for using the pooling of interest method (the predecessor method) of accounting. The Group does not restate assets and liabilities to their fair value as at the acquisition date, instead the Group combines the acquired assets and liabilities at their carrying amounts. No goodwill arises and the excess of the consideration paid or the carrying amount of net assets transferred over the consideration received or the carrying amount of net assets acquired is recorded directly in equity in the financial statements.

Other business combinations are accounted for under the acquisition method. The cost of an acquisition is measured as the fair value of the assets transferred, the equity interest issued and liabilities incurred or assumed at the date of exchange. All acquisition-related costs are expensed when incurred except the cases when such costs are material. The acquiree's assets acquired, liabilities and contingent liabilities assumed meeting recognition criteria laid down in IFRS 3 Business combinations are identified. They are recognised at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportional share of the fair value of the recognised amounts of net assets, liabilities and contingent liabilities.

Change in ownership interest in subsidiaries resulting in no change in control.

Transactions with non-controlling interests that do not result in a loss of control are accounted for as transactions with the equity owners that are recorded in equity. The difference between the fair value of the consideration paid and the carrying amount of the relevant share of net assets of the acquired subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

„The Group does not restate assets and liabilities to their fair value as at the acquisition date, instead the Group combines the acquired assets and liabilities at their carrying amounts“

Investments in associates and joint ventures

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% to 50% of the voting rights.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

In the consolidated financial statements associates and joint ventures 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 and joint venture'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 and joint ventures 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 or joint venture 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/joint venture.

Unrealised gain on transactions between the Group and associates and joint ventures is eliminated to the extent of the Group's interest in the associate or joint venture. 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 or joint venture 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, associates and joint ventures (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 statement of financial position investments in associates and joint ventures are stated at cost less impairment losses, where the investment's carrying amount in the parent's statement of financial position exceeds its estimated recoverable amount.

2.4. Assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale, if their carrying amount is recovered through a disposal rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value, less costs to sell.

An asset or disposal group can qualify for recognition as held for sale only when the sale is highly probable and as asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that the sale will be withdrawn. Management must be committed to implement a probable sale within one year after the date of the reclassification. Assets and liabilities classified as held for sale are presented separately in the statement of financial position as current items.

2.5. Property, plant and equipment and intangible assets

Assets with the useful life over one year are classified as property, plant and equipment.

Property, plant and equipment

Property, plant and equipment is stated at revalued amount, less accumulated depreciation and accumulated impairment losses.

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 revaluation reserve directly in equity and decreases are recognised in the profit and loss account. 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 property plant and equipment value that offset previous decreases are taken to the profit and loss account. 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 an property unit, any balance of the revaluation reserve related to this property is transferred to retained earnings.

Interest 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.

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 in progress'.

Construction 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.

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 amortization and accumulated impairment losses, if any.

Depreciation and amortisation

Depreciation (amortisation) of property, plant and equipment and intangible assets, except land, construction 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:

ILGALAIKIO MATERIALIOJO IR NEMATERIALIOJO TURTO GRUPĖS	NAUDINGO TARNAVIMO LAIKOTARPIAI (metais)
Buildings	20 - 75
Structures and equipment	18 - 70
Plant and machinery	5 - 35
Motor vehicles	4 - 10
Other property, plant and equipment	3 - 10
Intangible assets, whereof:	3 - 4
Statutory servitudes and protected zones of the transmission network	Not subject to amortisation

Statutory servitudes and protected zones have an indefinite useful life because the right to use protected zones on the basis of servitude is unlimited in time.

Gain or loss on disposal of non-current assets is calculated as the difference between the proceeds from sale and the book value of the disposed asset and is recognised in the statement of comprehensive income of 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 repair and maintenance costs are recognised as expenses in the statement of comprehensive income during the financial period in which they are incurred.

2.6. 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 value, the carrying value of the asset (cash-generating unit) is reduced to its recoverable value. The impairment loss is recognised immediately in profit or loss, unless such an asset was previously revalued. In that case, the impairment loss is accounted for as decrease in revaluation reserve.

Where an impairment loss subsequently reverses, the carrying value of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying value does not exceed the carrying value 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 for an asset is recognised immediately in profit or loss, unless the 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).

2.7. 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. As of 1 January 2019, 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 useful lives:

Land*	99 years
Buildings	from 2 to 8 years
Motor 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.

2.8. Financial assets

For the purposes of applying **IFRS 9 Financial instruments** financial assets are classified into the following three new categories:

- financial assets subsequently measured at amortised cost;
- financial assets subsequently measured at fair value through other comprehensive income; and
- financial assets subsequently measured at fair through profit or loss.

The business model applied to the group of financial assets is determined at a level that reflects how all groups of financial assets are managed together to achieve a particular business objective. The intentions of the management regarding separate instruments have no effect on the applied business model. The Group and the Company may apply more than one business model to manage their financial assets.

The business model for managing financial assets is a matter of facts which are typically observable through the activities that the Group and the Company undertake to achieve the objective of the business model.

The Group and the Company recognise a financial asset in the statement of financial position when, and only when, the Group and the Company become party to the contractual provisions of the instrument. The purchase or sale of financial assets is recognised and derecognised, as applicable, using the trade date accounting.

At initial recognition, the Group and the Company measure financial assets at fair value, except for trade receivables that do not have a significant financing component. When a financial asset is not measured at fair value through profit or loss, the initial measurement of the financial asset includes the fair value of the instrument and transaction costs directly attributable to the acquisition of the financial asset.

Transaction costs comprise all fees and commissions that the Group would not have paid if it had not entered into an agreement on the financial instrument.

If the fair value of the financial asset at initial recognition differs from the transaction price, the difference is recognised in profit or loss.

In view of the business model applied for managing the group of financial assets, the accounting for financial assets is as follows:

Financial assets measured at amortised cost

Cash and cash equivalents comprise cash balances in the Group's and the Company's bank accounts and their equivalents in various currencies the use of which is not restricted. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Loans granted by the Group and amounts receivable are accounted for under the business model the purpose of which is to hold financial assets in order to collect contractual cash flows that can contain cash flows related to the payment of the principal amount and interest inflows.

Loans and amounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the date of the statement of financial position. These are classified as non-current assets.

Loans and receivables are initially recognised at cost (the fair value of consideration receivable) and subsequently carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when loans and receivables are derecognised, impaired or amortised.

Financial assets measured at fair value through profit or loss

The Group and the Company measure financial assets, which are stated at fair value in subsequent periods, through profit or loss, using the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The Company does not have any financial assets held for trading and acquired for the purpose of selling in the near term and attributes to this category only financial assets arising from the disposal of business or investments classified as non-equity contingent consideration.

Financial assets measured at fair value through other comprehensive income

The Group had equity financial instruments, which were elected to be classified at fair value through other comprehensive income.

Effective interest method

The effective interest method is used in the calculation of the amortised cost of a financial asset and in the allocation of the interest revenue in profit or loss over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash inflows through the expected life of the financial asset to the gross carrying amount of the financial asset that shows the amortised cost of the financial asset, before adjusting for any loss allowance. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, option to purchase and similar options) but does not consider the expected credit losses. The calculation includes all fees and other amounts paid or received by the parties to the contract, and which are an integral part of the effective interest rate, transaction costs, as well as any other bonuses or discounts. The calculation of the effective interest rate assumes that the cash flows and the expected life of a similar group of financial instruments can be measured reliably. When it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or a group of financial instruments), the Group and the Company use the contractual cash flows over the entire validity period of the financial instrument (or a group of financial instruments) established in the contract.

Expected credit losses

Credit losses incurred by the Group and the Company are calculated as the difference between the total contractual cash flows that are due to the Group and the Company in accordance with the contract and the total cash flows that the Group and the Company expect to receive (i.e. the total cash shortfalls), discounted at the original effective interest rate. The Group and the Company estimate cash flows by considering all contractual terms of the financial instrument through the expected life of that financial instrument, including cash flows from the collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses show the weighted average of credit losses with the respective risks (probability) of a default occurring as the weights.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the period from the date of initial recognition of a financial asset to the subsequent date of settlement of the financial asset or ultimate write-off of the financial asset.

The Group and the Company recognise lifetime expected credit losses before a financial instrument becomes past due. Typically, credit risk increases significantly before a financial instrument becomes past due or other borrower-specific delay factors (for example, a modification or restructuring) are observed. Consequently, when reasonable and supportable information that is more forward-looking than past due information is available without undue cost or effort, it must be used to assess changes in credit risk.

Expected credit losses are recognised by taking into consideration individually or collectively assessed credit risk of loans granted and trade receivables. Credit risk is assessed based on all reasonable and verifiable information including forward-looking information.

The lifetime expected credit losses of trade receivables are assessed based on the individual assessment basis. The management decides on the performance of the assessment on an individual basis reflecting the possibility of obtaining information on the credit history of a particular borrower, its financial position as at the date of assessment, including forward-looking information that would allow to timely determine whether there has been a significant increase in the credit risk of that particular borrower, thus enabling making judgement on the recognition of lifetime expected credit losses in respect of that particular borrower.

The lifetime expected credit losses of trade receivables are recognised at the time of recognition of amounts receivable.

When issuing a loan, 12-month expected credit losses are assessed and accounted for. In subsequent reporting periods, in case there is no significant increase in credit risk related to the borrower, the balance of 12-month expected credit losses is adjusted in view of the outstanding balance of the loan at the assessment date. Having determined that the financial position of the borrower has deteriorated significantly compared to the financial position that existed upon the issue of the loan, all lifetime expected credit losses of the loan are accounted for. The latest point at which the Group and the Company recognise all lifetime expected credit losses of the loan issued is identified when the borrower is late to pay a regular instalment or the entire debt for more than 30 days. In case of other evidence available, all lifetime expected credit losses of the loan issued are accounted for, irrespective of the more than 30 days past due presumption. Loans for which lifetime expected credit losses were calculated are considered credit-impaired financial assets.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

a) significant financial difficulties of the borrower;

b) a breach of contract, such as failure to pay the debt or a regular instalment in due time;

c) a concession granted to the borrower due to economic or contractual reasons relating to the borrower's financial difficulties, which otherwise would not be granted by the lender;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

e) the disappearance of an active market for that financial asset because of financial difficulties;

f) financial assets are purchased or granted at a deep discount that reflects the incurred credit losses.

The combined effect of several events that may occur simultaneously or subsequently throughout the term of validity of the agreement on the financial assets may have caused financial assets to become credit-impaired.

The lifetime expected credit losses of loans receivable and trade receivables are recognised in profit or loss through the contrary account of doubtful receivables.

The Group derecognises loans receivable and trade receivables when it loses the right to receive contractual cash flows from financial assets.

Derecognition of financial assets

The Group and the Company derecognise financial assets when:

- the rights to receive cash flows from the asset have expired;
- the Group and the Company have retained the right to receive cash flows from the asset, but have assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Group and the Company have transferred their right to receive cash flows from the asset and/or (a) have transferred substantially all the risks and rewards of the asset, or (b) have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset:
- if the Group and the Company have not retained control, they shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer;
- if the Group and the Company have retained control, they shall continue to recognise the financial asset to the extent of their continuing involvement in the financial asset.

Whether the Group and the Company have retained control of the transferred asset depends on the transferee's ability to sell the asset. If the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, it is considered that the Group and the Company have not retained control. In all other cases, the Group and the Company have retained control.

2.9. Inventories

Inventories are initially recorded at the acquisition cost. Subsequent to initial recognition, inventories are stated at the lower of cost and net realisable value. The acquisition cost of inventories includes the acquisition price and related taxes that are not subsequently recovered from the tax administration authorities and the 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.

2.10. Trade payables and other financial liabilities, borrowings

Financial liabilities, borrowings

borrowings and amounts payable. All financial liabilities are initially recognised at fair value and, in case of borrowings and amounts payable, net of directly attributable transaction costs.

When performing the measurement of financial liabilities in subsequent periods, they are classified in two categories:

- financial liabilities measured at FVPL;
- financial liabilities measured at amortised cost.

Financial liabilities measured at FVPL comprise financial liabilities held for trading and financial liabilities classified as measured at FVPL on initial recognition. In 2020 and 2019, the Group and the Company had no financial liabilities held for trading.

The category of financial liabilities measured at amortised cost is the most relevant to the Group and the Company. Subsequent to initial recognition, trade payables, interest-bearing borrowings and liabilities are accounted for at amortised cost using the effective interest rate method. Gain and losses are recognised in profit or loss in the statement of comprehensive income when liabilities are derecognised or amortised using the effective interest rate method. Amortised cost is calculated by reference to the discount or premium on acquisition, as well as taxes or costs that are an integral part of the effective interest rate. Amortisation is included in finance costs.

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.

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.

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.

2.11. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.12. Foreign currency

In the consolidated financial statements, results of operations and financial position of each entity of the Group are presented in the euros, which is the functional currency of the Company and its subsidiaries and the presentation currency of the Group's consolidated financial statements. All financial information presented in the euros has been rounded to the nearest thousand unless otherwise stated. Due to rounding effects, some of the tabular amounts may not add up.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or at the dates of measurement (if the line items are being remeasured). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.13. 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 property, plant and equipment or intended for the purchase of property, plant and equipment are considered 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, 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 amounts receivable 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.

2.14. Provisions

Provisions are recognised when the Group and the Company have a legal obligation or constructive commitment as a result of 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.

Provisions for servitudes and for registration of protected zones of the transmission network are recognised only when the Group has a legal obligation or irrevocable commitment, and 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. Expenses related to provisions for servitudes are recognised as non-current intangible assets in view of the amounts to be compensated. If the effect of the time value of money is material, provisions are discounted using the effective interest rate (before tax) for the period, taking into account the specific risk of the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Compensations to landowners and expenses for the registration of protected zones are accounted for by reducing provisions, and the recalculation of provisions due to a change in assumptions is accounted for as a change in the value of intangible assets (Note 3).

2.15. Employee benefits

Social security contributions

The Company and the Group pay social security contributions to the State Social Security Fund (the Fund) on behalf of their employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution is a plan under which the Company and the Group pay fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current or prior periods. Social security contributions are recognised as expenses on an accrual basis and included in payroll expenses.

Variable part of remuneration

The Company and the Group recognise the liability and expenses for a variable component of remuneration based on the achievement of the pre-defined results by the Group and the Company and their employees. The Group and the Company recognise the liability and expenses for a variable component of remuneration where contractually obliged or where there is a past practice that has created a constructive obligation.

Termination benefits for employees

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.

2.16. 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. 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.

Interest expenses related to lease liabilities for each period during the lease term represent the amount that results in a constant periodic interest rate on the remaining amount of the lease liability. The periodic interest rate is the discount rate or, if applicable, the revised discount rate.

Remeasurement of lease liability

Subsequent to initial recognition, the lease liability is remeasured to reflect changes in lease payments. The Group and the Company treat remeasurements as adjustments to the right-of-use assets. If the carrying amount the right-of-use assets is reduced to zero and the lease liability is reduced as well, the Group and the Company recognise any remaining amount of the remeasurement in profit or loss.

Revised discount rate

The Group and the Company remeasure the lease liability by discounting the revised lease payments using the revised discount rate if the lease term changes. The Group and the Company calculate the revised lease payments on the basis of the revised lease term or whenever there is a change in the option to purchase the leased property, depending on events and circumstances, in the context of the option to purchase.

In the event of a change in the lease term or a change in the assessment of a purchase option, the Group and the Company set the revised discount rate as the lessee's incremental borrowing rate at the remeasurement date.

Unchanged discount rate

The Group and the Company determine the revised lease payments for the remaining lease term on the basis of the revised contractual payments.

For the purpose of discounting revised lease payments, the Group and the Company use the unchanged discount rate unless lease payments change due to changes in variable interest rates. In this case, the Group and the Company use a revised discount rate that reflects changes in the interest rate.

Lease modifications

The Group and the Company treat a lease modification as a separate lease if both of the following conditions are met:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets;

and

- the consideration for the lease increases by an amount equivalent to the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a modification that is not a separate lease, at the effective date of the modification the Group and the Company:

- allocates the consideration in the modified contract;
- establishes the term of the modified lease; and
- remeasures the lease liability by discounting the revised lease payments using the revised discount rate.

When a lease modification is not accounted for as a separate lease, the Group and the Company account for the adjustment to the lease liability:

- by decreasing the carrying amount of the right-of-use assets to reflect the full or partial termination of the lease due to lease modifications by which the scope of the lease is reduced. Any gain or loss related to a full or partial termination of the lease is recognised by the Group and the Company in profit or loss;
- by making a corresponding adjustment to the right-of-use asset for all other lease modifications.

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.

2.17. Leases

The Group is a lessor

Operating lease income is recognised on a straight-line basis over the lease term.

2.18. 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.

Prices for the electricity transmission services are regulated by the National Energy Regulatory Council (the "NERC") by establishing the upper limit of the prices for the transmission service. Specific prices and tariffs for the transmission services are established by the Group company within the limits approved by the NERC. When establishing prices for the next year, deviations of the current year (the year not yet ended) and deviations of the previous year (the year that already ended) and various forecasts for the upcoming year are assessed, i.e. they increase or decrease the prices for the next year, i.e. the prices are not adjusted retrospectively. All possible price adjustments in the future periods for excess profit/higher loss incurred in the previous/current years are not treated as a variable part of the price under IFRS 15. Such decrease (due to excess profit earned) or increase (due to higher expenses incurred) in future revenue does meet the general accounting criteria for the recognition of liabilities or assets because it depends on the Group's operations in the future and is treated as regulatory assets or liabilities and therefore, in the opinion of the Group's management, it does not fall within the scope of IFRS 15.

The Group purchases system services from the producers and later provides this service to the distribution network operators and electricity consumers using the tariff established by the NERC. The Group recognises the gross amounts of revenue as it acts as a principal in the provision of system services.

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.

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 stage of completion of the specific transaction.

CONTRACT ASSETS AND CONTRACT LIABILITIES

A contract asset is the right to consideration in exchange for goods or services transferred to the customer, if the right to consideration is not conditional on the passage of time. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). A contract liability is recognised as revenue when the Group satisfies a performance obligation.

Revenue from trading at the natural gas exchange and related services

At the natural gas exchange, the Group is not a principal, but it acts as an agent. Revenue from the trading at the exchange is measured according to the agent's (intermediary's) fee specified in the contract with the customer and does not comprise amounts collected on behalf of third parties. Therefore, the amounts collected for gas sold at the exchange are not recognised as revenue.

Other services provided by the Group include the organisation of trade at the gas exchange. The service fees agreed with the NERC are applied:

- The initial registration fee – a one-off fee paid upon becoming the participant of the exchange;
- The annual membership fee – the exchange participant's fee paid each year for the membership at the exchange. This revenue is recognised over a period of time, because the exchange participant receives benefit of the membership over the course of the year. The annual membership fee is paid for a calendar year (if the market participant became the exchange participant in the course of the year, the fee is calculated in proportion to the remaining days of the year).
- The variable trading fee – a fee expressed in the euros per 1 MWh paid by the exchange participant who concluded the transaction for the quantity of natural gas acquired and (or) sold at the natural gas exchange.

The Group's revenue from contracts with customers also comprises: services of the REMIT data provision to the European Agency for the Cooperation of Energy Regulators (ACER), services of the administration of the inside information portal, services of allocation of indirect natural gas transmission capacities at the interconnection points, services of the administration of the secondary capacity trade platform and services of announcement of threshold prices for balancing. The above revenue is recognised by the Group over a period of time using the service fees applied by the Group.

Revenue from the biofuel exchange, thermal energy auctions, PSO funds administration and other income

Biofuel trade transactions are made among the exchange participants, and the settlements among the participants are made directly. Fees approved by the NERC for trade at 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 NERC 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 NERC to cover PSO funds administration expenses.

„At the natural gas exchange, the Group is not a principal, but it acts as an agent.“

Other income

Public service obligations (PSO) funds are the funds paid to the PSO service providers, the list of which is established by the Government of the Republic of Lithuania or the institution authorised by it. The annual quantities of PSO funds are established by the NERC.

PSO funds allocated by the NERC are accounted for by the Group as income-related grants as they are designated to compensate for the loss of revenue from services provided by the electricity producers using renewable energy sources. Such grants are recognised as income:

- PSO funds allocated by the NERC to the Group for balancing of electricity produced using renewable energy resources.
- when the NERC allocates PSO funds to the Group for the connection of electricity generation facilities using wind, biomass, solar energy or hydro energy in the process of electricity generation to transmission networks, for the optimisation, development and/or reconstruction of transmission networks in relation to acceptance and transmission of electricity from the producers using renewable energy sources.

LNG terminal administration income

Based on the provisions of Article 5(2) of the Lithuanian Law on Liquefied Natural Gas Terminal the Group carries out the functions of an administrator of the LNG terminal funds. The administration of the LNG terminal funds is performed in accordance with the Description of the procedure for the administration of funds intended to compensate for the construction and fixed operating expenses of the liquefied natural gas terminal, its infrastructure and the connector as approved by the NERC Resolution No 03-294 of 9 October 2012.

In collecting and administering the LNG terminal funds the Group acts as an intermediary on behalf of the state, and this activity does not generate any revenue/profit for the Group in the ordinary course of business, except for the portion of the LNG terminal funds intended to cover the administration expenses of the LNG terminal funds, which is considered as the Group's revenue. The LNG terminal funds, which are collected from the payers of the LNG terminal funds and transferred to the beneficiaries of the LNG terminal funds (the company responsible for the implementation of the LNG terminal project or the LNG terminal operator), are not treated as the Group's revenue/expenses, but they are accounted for as other receivables/other payables and other financial assets. Revenue is recognised on a monthly basis, as the fee for administration is fixed.

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.

Other income

Gain from sale of property, plant and equipment, income from lease of assets, income from interest on late payment and default charges are recognised by the Group as other income.

Change in the accounting policy of revenue from connection of new consumers to the transmission network and infrastructure

In 2020, the Group made a decision to change from 1 January 2020 the accounting policy for the connection of new consumers and producers to the electricity and gas transmission network and for the services related to the relocation of infrastructure in order to better reflect the substance of these services.

According to the new accounting policy revenue received from connection of new consumers will be accounted for by the Group over the useful life of the created asset because the connection of new consumers is related to further consumption and related revenue (before 1 January 2020 revenue was recognised at the time of provision of services).

The Group reviewed and decided to change the accounting policy of the connection of producers and relocation works of the transmission network infrastructure aiming to more accurately present the substance of these services. Based on the Group's assessment, these services are not within the scope of IFRS 15 as the customers of such services are the Group's clients as defined by IFRS 15. From 1 January 2020, the connection of producers is accounted for similarly to the principle applicable to grants by offsetting assets received from the third parties or their financed construction value against the value of the assets.

In case of relocation works of the transmission network when major improvements are performed and when the assets are created by the Group, the grant principle is applied and the assets are offset against the amount of compensation receivable from the customer, and when the assets are created by the customer, the assets received from the third parties are offset against the value of the assets. If the major improvement was not performed during the relocation and the asset was created by the Group, such asset is not recognised, i.e. compensation income from the customer and expenses for the creation of such asset are accounted for. When no major improvement is performed and the asset is created by the customer, the asset received from the customer free of charge is not recognised and accounted for in off-balance sheet accounts.

This change of the accounting policy had no significant impact on the Group's previous periods, therefore the related adjustments were accounted for prospectively by making a corresponding reduction of revenue, assets and recognising liabilities in 2020:

STATEMENT OF FINANCIAL POSITION	2020
Non-current assets	
Property, plant and equipment	(1,378)
Deferred income tax assets	417
Equity	
Retained earnings	(2,366)
Non-current liabilities	
Other non-current amounts payable and liabilities	1,405

STATEMENT OF COMPREHENSIVE INCOME	2020
Revenue from contracts with customers	(1,405)
Other income	(1,378)
Income tax	
Deferred income tax (expenses)/benefit	417
Total comprehensive income for the period	**(2,366)**

2.19. Congestion management revenue/liabilities

Congestion management revenue arises from different electricity market prices 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 for the following purposes: a) guaranteeing the actual availability of the allocated capacity of the interconnections; b) maintaining or increasing networks' capacities through network investments, in particular in new interconnections; c) if revenue cannot be efficiently used for the purposes set out in points a) and/or b) they may be used, subject to approval by the regulatory authorities of the Member States concerned, 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 line with the provisions of the EU Regulation, congestion management revenue is recognised 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 regulation and (or) balancing electricity purchased/sold by the Group.

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.

The Group estimates that a substantial portion of congestion revenue balance as at 31 December 2020 will be used to finance investments in the projects, including the synchronisation projects, agreed with the NERC by 2025. Only a EUR 0.2-1 million portion of congestion management revenue will be used annually to compensate losses resulting from disconnection of the interconnections and safeguarding the use of traded capacity. Deferred income tax assets arising from congestion revenue will be realised over the useful life of the asset acquired using congestion revenue. In the long term, the regulation ensures the Company's profitability , therefore, in the management's opinion, deferred income tax assets will be realised in the future by reducing income tax.

From May 2019, the account of the accumulated congestion management revenue was linked to the EPSO-G Group account and is used to finance the subsidiary's operations until there is no need to finance investments. In the Group's statement of financial position, the balance of this account is presented as unused funds balance of congestion management revenue by distinguishing non-current and current portions (the amounts planned to be used for investments in property, plant and equipment within 12 months).

In the statement of financial position, the Group records unused congestion management revenue as non-current and current liabilities (a part of congestion management revenue planned to be used for investments in property, plant and equipment within 12 months).

As disclosed in Note 39, after the receipt of the permission from the NERC, the cash pool agreement was concluded between the subsidiary and EPSO-G on 26 February 2021, which establishes the possibility to use free congestion management revenue for the Group's intercompany lending and borrowing purposes (not only for the subsidiary's – the holder of congestion revenue). As previously, congestion management revenue will used for short-term financing of the activities of the Group companies until there is a need to finance the subsidiary's investments agreed with the NERC.

2.20. Income tax

Income tax expense comprises the current income tax and deferred tax expense (benefit). 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.

Current income tax

The income tax expense for the current year is calculated on the current year's 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 2020 and 2019.

Tax losses can be carried forward for 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 5 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 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 between the carrying amount of assets and liabilities in the financial statements and their tax base.

The Group also recognises deferred income 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 income 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.

2.21. Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of income or economic benefits is probable.

2.22. Events after the end of the reporting period

Events after the end of the reporting period that provide additional information about the Group's and the Company's position at the date of the financial statements (adjusting events) are disclosed in the financial statements. Events after the end of the reporting period that are not adjusting events are disclosed in the notes when material.

2.23. Inter-company offsetting

For the purpose of the financial statements, assets and liabilities, income and expenses are not offset, except for the cases when such offsetting is specifically required by an individual standard.

2.24. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company/ Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable in the market.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Valuations are performed by the management at each reporting date. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of assets or liabilities and the level of the fair value hierarchy as explained above.

In the financial statements as at 31 December 2020 and 2019, the Group did not have significant assets or liabilities re-measured or measured at fair value, except for financial assets measured at fair value through other comprehensive income (Note 9) and property, plant and equipment (Notes 3 and 6).

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 amounts payable and liabilities, borrowings. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value of a financial asset is not less than the amount discounted from the first day, on which payment may be required.

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:

Valuation of property, plant and equipment

The Group's property, plant and equipment is accounted for at revalued amount determined based on periodic property valuations performed at least once every 5 years. At the end of each year, the Group assesses whether there is any indication that the value of property, plant and equipment may materially differ from its fair value. If such indications exist, the Group performs the impairment test and revaluation of assets.

As described in Note 6, the Group tested the value of property, plant and equipment to determine whether it is consistent with its fair value. The determination of the assets' fair value is mainly affected by the assumptions used in assessing the transmission service income for 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 income/(expenses) in the statement of comprehensive income.

In assessing impairment indications and calculating the value of investments in subsidiaries LITGRID and Amber Grid, the Company is not referring to the data of Nasdaq OMX stock exchange. In the assessment of the Company's management, this market is not active reflecting only the price of the minority (2.5-3.5%) shares, therefore the price of shares announced by the stock exchange cannot be used in determining the recoverable value of the shareholding of the subsidiaries.

In the Company's opinion, the recoverable amount of investments in shares of LITGRID and Amber Grid can be reliably estimated as the difference between the subsidiary's total assets and total liabilities, which are measured at fair value, reflecting the fair value of net assets. Property, plant and equipment comprise around 90% of the subsidiaries' assets, the value of which is calculated under the income method using the discounted cash flows calculation technique. The valuation of investments in the listed subsidiaries according to the fair value of their net assets corresponds to Level 3 of the fair value hierarchy (Note 2.24).

The value of the net assets of LITGRID calculated as at 31 December 2020 attributed to the Company's equity amounted to EUR 212,592 thousand and exceeded the investment's carrying amount by 11%. In the previous periods, the Company had recognised impairment losses of EUR 26,090 thousand in respect of the investment in LITGRID. Although the calculated recoverable value of the investment exceeded its carrying amount, the accumulated impairment was not reversed due to uncertainty and sensitivity of assumptions affecting the value of LITGRID's net assets (mainly the value of property, plant and equipment): sensitivity of assumptions used in the calculation of the value of property, plant and equipment, uncertainties during the new 2022-2026 regulatory period, decline in net assets due to planned payment of dividends. The value of the net assets of LITGRID calculated as at 31 December 2019 attributed to the Company's equity amounted to EUR 191,829 thousand and, in principle, was consistent with the investment's carrying amount.

The value of the investment in the shareholding in Amber Grid as at 31 December 2020 and 2019 was not adjusted as the calculated fair value of net assets exceeded the investment's acquisition cost. No impairment was accumulated for the investment in Amber Grid.

On 29 November 2019, the price of the purchase of a 100% shareholding in TETAS was determined by the independent valuers. The value of TETAS was determined using the income method by discounting a free cash flow. The value calculation included projected cash flows for 2019-2023 and going concern cash flow. The analysis performed showed that the actual free flow for 2019-2020 exceeds the projected flow used in the assessment. The flow approved in the 2021 budget (based on the signed agreements) exceeds the projected flow, therefore, in the Company's assessment, there were no impairment indications for the investment in TETAS as at 31 December 2020 and 2019.

Valuation of the premium to the final price of LITGRID AB and deferred liability adjustment

As part of the implementation of Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 and the requirements of the Law on Electric Energy, on 4 July 2014 the Lithuanian Government adopted Resolution No 826 On the establishment of a private limited liability company and investment of state-owned assets, under which the Ministry of Energy was committed to establish a private limited liability company and make all the decisions necessary to transfer the shares of LITGRID AB held by Lietuvos Energija UAB (the former Visagino Atominė Elektrinė UAB, from 2019 AB Ignitis Grupė , hereinafter "Ignitis Grupė") to the newly established private limited liability company EPSO-G in return for consideration based on the market value of shares determined by the independent valuers.

By its Letter No (11.2-13)3-2428 of 10 July 2012 On the implementation of the Lithuanian Government Resolution, the Lithuanian Ministry of Energy committed Ignitis Grupė to ensure that all the decisions necessary for unbundling of LITGRID AB will be made. In September 2012, an agreement was signed between Ignitis Grupė and the Company on the sale of shares of the electricity transmission system operator LITGRID AB. Under the agreement, a 97.5% shareholding in LITGRID AB was sold to the Company by Ignitis Grupė at the market value.

In September 2012, an independent valuation of shares of LITGRID AB was performed. The basic sale price of shares specified in the agreement on sale/purchase of shares of LITGRID AB was equal to the market value determined by the independent valuer, i.e. EUR 217,215 thousand, and to the estimated premium to the final price considering the uncertainties of future changes in the principles of determining the tariffs for regulated services. In view of the results of the independent valuation, assumptions used and uncertainties pertaining to future changes in the principles of determining the tariffs for regulated services (the implementation of which is prescribed by the new provisions of the Lithuanian Law on Electric Energy adopted on 17 January 2012), the agreement on sale/purchase of shares of LITGRID AB provided for a premium to the final sale price that depends on potential future changes in the regulatory environment.

The premium to the final price was calculated with reference to the assumptions used in calculation of return on investments for 2015-2018. Under the agreement, "the premium to the final price is determined in view of the substantial changes in the principles of determining the tariffs for regulated services of LITGRID AB". In the management's assessment, several major changes have occurred in the establishment of the tariffs:

1. The NECR carried out the audits for 2011-2013, during which it established that Litgrid exceeded the permitted revenue level, as a result of which the electricity transmission tariff for 2014-2017 was reduced and thus the return to the new shareholder EPSO-G declined.

2. The NECR established the value of the regulated assets under the historical cost method retrospectively for 2016 and noted that it plans to use the same principles until the new regulatory period in 2021. The regulated asset base in 2016-2020 will be calculated using the historical cost method. A change in the method for the calculation of the regulated asset base reduces the return for the shareholders.

3. When establishing the price of the shareholding in Litgrid the independent valuer did not include the new strategic projects (the interconnections with Poland and Sweden) in the valuation. The investments were not included in the calculation of neither the cash flows, nor the regulated assets. In the opinion of EPSO-G, the same principles should be applied both in determining the preliminary price and the final premium to the price. Therefore, the regulatory assets should not include strategic projects, the costs of which were incurred when Litgrid was already controlled by EPSO-G.

The Company treats all arguments as significant and has calculated a negative price premium of EUR 27,075 thousand. Ignitis Grupė disagrees with the presented arguments and the calculation, therefore discussions are currently taking place aiming to solve this issue. The management of EPSO-G has decided to assess the situation with prudence and include only arguments 1 and 2 in the final price premium calculation as at 31 December 2018, i.e. the arguments, the reasonableness of which is confirmed by the letters presented by the Commission.

In view of these assumptions, under the prudent valuation scenario, the Company assessed the price premium to be equal to EUR 17,961 thousand as at 31 December 2020 and 2019. The price premium was accounted for by reducing the amount payable for shares that was recorded in the line item 'other non-current financial liabilities' in the statement of financial position.

Provisions for servitude compensations

Amendments to the Law on Electricity of the Republic of Lithuania came into effect on 1 November 2017 setting forth compensation for servitudes established for the construction of electricity networks on land plots not owned by the operator. The Law on Electricity provides that the construction of electricity transmission networks or other types of electricity installations will be subject to the payment of one-off compensations for damages related with the establishment of statutory servitudes. On 31 July 2018, the methodology for the calculation of compensations came into force. The methodology sets forth the terms and conditions for the payment of compensations. On initial recognition, the Group recognised intangible assets and provisions amounting to EUR 2,300 thousand that are measured on the basis of available information on servitudes used and expected compensation amount. The amount of compensations was reported at the discounted value using a discount rate of 2.24%.

As at 31 December 2019, based on the information available on servitude compensations paid for the year 2019 and after the recalculation of the amount of compensations of subsequent periods, the Group adjusted intangible assets and the related provision by EUR 700 thousand.

On 8 July 2020, the Constitutional Court of the Republic of Lithuania announced the resolution whereby it confirmed that the provisions of the methodology on compensations for servitudes related to the principles on the establishment of the coefficient and the value of the land plot were in contradiction to the Constitution and the laws. The resolution is effective only for future periods and previously paid compensations should not be recalculated. In view of the resolution of the Constitutional Court, the Group recalculated the provision established for compensations for statutory servitudes by taking into consideration the average amount of actually paid compensations and by applying a 0.5 coefficient to one third of the land plots with electricity lines constructed from 11 March 1990 until 10 July 2004. The Group also has reviewed the applied discount rate and has applied the discount rate of 0.62%. A change in the discount rate had no significant impact on the present value of the provision. After the recalculation the Group increased intangible assets and the related provision by EUR 165 thousand.

The provisions of the Law on Special Land Use Requirements came into effect from 1 January 2020 and on 31 December 2020, the Group recognised the provision of EUR 4,098 thousand and the related intangible assets for the formation of special land use requirements (protected zones). The provision was established based on the amendments to the provisions of the property cadastre adopted in 2020 that are necessary for the obligation established by the Lithuanian Law on Special Land Use Requirements to form the register of protected zones by 2023 and taking into consideration the description of the procedure for the setting up and approval of protected zones approved by Order No 1 -339 of the Minister of Energy of the Republic of Lithuania of 13 October 2020. The provision was calculated on the basis of expenses for the formation of protected zones and fees for the registration of entries multiplying them by the number of protected zones. The discount rate of 0.62% was applied for the discounting of the provision.

Having assessed the recoverable value of statutory servitudes the Group did not establish any impairment of assets as at 31 December 2020. The Group companies (each separately) assessed property, plant and equipment and intangible assets as one cash-generating unit as described in Note 6.

Impact of COVID-19 on the Group's operations

Presented below are the main areas considered by the Group in assessing the impact of COVID-19.

GOING CONCERN

Due to the threat of the spread of COVID-19, the Group and the Company has reviewed and implemented business continuity and preventive measures: employees responsible for the monitoring of the situation and provision of information to the Group's management were appointed; business units and employees performing the critical functions and administrating the main systems were identified; additional organisational measures were implemented at the system control centres; technical and substitution measures were planned in case of the spread of the virus. The Group regularly reviews its emergency situation management plan to ensure the continuity of critical activities.

The quantities of energy transported increased during 2020 compared to 2019, therefore revenue reduction was not identified due to the impact of COVID-19.

The Group's subsidiary partially suspended works in foreign markets due to restrictions on movement caused by the COVID-19 pandemic and was added to the list of entities that suffered negative consequences as a result of the COVID-19 pandemic. Government subsidies were received – subsidies granted to the employers during the stoppage of work and to the employers after the end of the stoppage of work and the employers added to the State Tax Inspectorate's list of entities that suffered negative consequences as a result of the COVID-19 pandemic. The subsidies received were used to cover a part of the remuneration of employees.

NET BOOK VALUE AND USEFUL LIFE OF ASSETS: PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

The Group reviewed the useful lives of non-current assets to assess whether they are consistent with the expected nature and purpose of use of non-current assets in view of a possible impact of COVID-19 on that assets. The review of the useful life was based on projected events and economic circumstances that could occur in the future due to the COVID-19 pandemic. After the review, no significant disruptions in the use of property, plant and equipment in the short and long term were identified.

Considering that COVID-19 had no negative impact on the results of operations and cash flows, in the Group's assessment, there are no impairment indications of the value of non-current assets. Even if the results of operations or cash flows would deteriorate in the short term, cash flows and value of property, plant and equipment would not be negatively affected in the long term due to the regulatory mechanism.

EXPECTED CREDIT LOSSES: FINANCIAL ASSETS

statements to determine expected credit losses resulting from the impact of COVID-19.

The monitoring of the main clients of the Group did not reveal any significant negative impact due to COVID-19. The Group does not expect any liquidity or credit risk issues. The main clients of the Group are the large enterprises that are often also regulated and (or) are not included into the list of companies with risk. Due to specifics of the Group's clients, expected credit losses of amounts receivable are assessed individually in view of the probability (risk) of default. The Group has assessed the current and expected future economic condition of the main clients and has not identified any significant differences. At the time of preparation of the financial statements settlements were conducted as usual. The Group companies have signed credit insurance contracts for amounts receivable, the imbalance market participants have provided the bank guarantees of the established amount or have paid deposits. In 2020, expected credit losses remained at the same level as in 2019.

Based on the Group's assessment, in the short term the spread of the COVID-19 pandemic will have no significant impact on the results of operations and cash flows. In the long term, bad debts expenses incurred due to COVID-19 (if any) will be recovered by the Group (through the regulatory mechanism) and will be compensated in the subsequent periods of the establishment of tariffs for the regulated services.

4. Restatements of comparative figures in the financial statements

The Group decided to eliminate contract assets from the line item of other amounts receivable in the statement of financial position and present these amounts together with prepayments according to the definition of 'contract assets' provided in IFRS 15 by restating comparatives accordingly:

CURRENT ASSETS	**2019** (restated)	**Restatement**	**2019**
Prepayments	-	(1,486)	1,486
Prepayments and contract assets	2,448	2,448	-
Other amounts receivable	65,992	(962)	66,954

Due to a higher value and materiality the Group decided to present the value of provisions in a separate line item in the statement of financial position by restating comparatives accordingly:

	2019 (restated)	**Restatement**	**2019**
NON-CURRENT LIABILITIES			
Provisions	1,368	1,368	0
Other non-current amounts payable and liabilities	5,510	(1,368)	6,878
CURRENT LIABILITIES			
Provisions	1,313	1,313	0
Other current amounts payable and liabilities	98,244	(1,313)	99,557

The Group decided to reclassify revenue from contracts with customers, other income in the statement of comprehensive income according to the provisions of IFRS 15, and to eliminate dividend income from the Company's and the Group's finance income:

GROUP

REVENUE	**2019 before restatement**
Revenue from electricity transmission and related services	184,675
Revenue from natural gas transmission and related services	53,685
Other sales revenue	12,460
Total sales revenue	**250,820**
Other operating income	165

REVENUE FROM CONTRACTS WITH CUSTOMERS	**2019 after restatement**
Revenue from electricity transmission and related services	173,636
Revenue from natural gas transmission and related services	53,685
Other revenue from contracts with customers	11,344
Total revenue from contracts with customers:	**238,665**
Other income	12,320

	2019 (restated)	Restatement	2019
COMPANY			
Finance income	35	(7,677)	7,712
Dividend income and income from disposal of associates	7,677	7,677	0
GROUP			
Finance income	51	(174)	225
Dividend income and income from disposal of associates	174	174	0

The Group decided to provide a more detailed breakdown of significant expense line items within operating expenses in the statement of comprehensive income by restating comparatives accordingly:

Operating expenses	**2019** (restated)	**Restatement**	**2019**
Taxes and compulsory payments	(5,338)	(5,338)	0
Transport expenses	(2,473)	(2,473)	0
Other expenses	(10,848)	7,811	(18,659)

„The Group decided to provide a more detailed breakdown of significant expense line items within operating expenses in the statement of comprehensive income by restating comparatives accordingly.“

5. Intangible assets

Group	Goodwill	Patents and licences	Computer software	Other intangible assets	Statutory servitudes and protected zones*	Total
Net book amount at 31 December 2018	**61**	**270**	**6,228**	**8**	**2,300**	**8,867**
Additions	-	185	1,538	117	-	1,840
Write-offs	-	-	-	-	(700)	(700)
Reclassification between categories	-	38	(146)	108	-	-
Amortisation charge	-	(212)	(1,862)	(23)	-	(2,097)
Net book amount at 31 December 2019	**61**	**281**	**5,758**	**210**	**1,600**	**7,910**
At 31 December 2019						
Cost	61	773	10,751	256	1,600	13,441
Accumulated amortisation		(492)	(4,993)	(46)		(5,531)
Net book amount	**61**	**281**	**5,758**	**210**	**1,600**	**7,910**
Net book amount at 31 December 2019	**61**	**281**	**5,758**	**210**	**1,600**	**7,910**
Additions	-	14	1,109	138	4,088	5,349
Write-offs	-	-	(15)	-	-	(15)
Reclassification with PP&E				-		-
Reclassification between categories	-	14	(31)	17	-	-
Value adjustment due to a change in assumptions					165	165
Offsetting with grants			(177)			(177)
Amortisation charge	-	(132)	(1,905)	(60)	-	(2,097)
Net book amount at 31 December 2020	**61**	**177**	**4,739**	**305**	**5,853**	**11,135**
At 31 December 2020						
Cost	61	801	11,637	411	5,853	18,756
Accumulated amortisation	-	(624)	(6,898)	(106)		(7,628)
Net book amount	**61**	**177**	**4,739**	**305**	**5,853**	**11,135**

*As disclosed in Note 3, as at 31 December 2018, the Group recognised the provision of EUR 2 300 thousand for payments for servitudes and the related intangible assets. In 2020 and 2019, following the Group's review of the main assumptions used in the calculation of the provision and the amounts of actual payment, the value of the provision and intangible assets was adjusted to EUR 1,765 thousand.

As at 31 December 2020, the Group also recognised the provision of EUR 4,098 thousand and the related intangible assets for the formation of special land use requirements (protected zones). The discount rate of 0.62% was applied for the discounting of the provision.

The Company's intangible assets amounted to EUR 5 thousand as at 31 December 2020. The Company had no property, plant and equipment as at 31 December 2019.

6. Property, plant, and equipment

Group	Land	Buildings	Structures and machinery	Motor vehicles	Other property, plant and equipment	Construction in progress	Total
Net book amount at 31 December 2018	**645**	**15,537**	**462,454**	**2,682**	**10,723**	**17,780**	**509,821**
Reclassification to right-of-use assets	-	-	-	(1,194)	-	-	(1,194)
Net book amount at 1 January 2019	**645**	**15,537**	**462,454**	**1,488**	**10,723**	**17,780**	**508,627**
Additions	-	-	511	270	773	63,716	65,270
Prepayments for PP&E	-	-	-	-	-	(449)	(449)
Revaluation	-	391	-	-	-	(239)	152
Disposals	-	-	(163)	(3)	(1)	-	(,167)
Write-offs	-	(25)	(344)	-	(2)	-	(371)
Reclassification to/from inventories	-	-	(156)	-	125	5	(26)
Reclassification between categories	-	8,226	28,574	-	3,689	(40,489)	-
Off-set of grants against non-current assets	-	-	-	-	-	(18,665)	(18,665)
Depreciation charge	-	(754)	(24,327)	(396)	(2,995)	-	(28,472)
Net book amount at 31 December 2019	**645**	**23,375**	**466,549**	**1,359**	**12,312**	**62,148**	**525,899**
At 31 December 2019							
Cost	645	24,470	491,176	2,840	16,412	21,898	557,441
Accumulated depreciation	-	(1,095)	(24,627)	(1,481)	(4,100)	-	(31,303)
Accumulated impairment	-	-	-	-	-	(239)	(239)
Net book amount	**645**	**23,375**	**466,549**	**1,359**	**12,312**	**21,659**	**525,899**
Net book amount at 31 December 2019	**645**	**23,375**	**466,549**	**1,359**	**12,312**	**21,659**	**525,899**
Additions	-		314	194	2,373	139,206	142,087
Prepayments for PP&E	-					1,763	1,763
(Impairment)/reversal of impairment	-		(233)			250	17
Disposals		(26)	(380)	(36)			(442)
Write-offs	-	(10)	(818)		(11)		(839)
Reclassification to/from inventories			98		(12)		86
Reclassification between categories	388	1,487	20,974		2,117	(24,966)	-
Off-set of grants against non-current assets			(155)		(14)	(59,429)	(59,598)
Depreciation charge		(975)	(24,694)	(360)	(3,080)		(29,109)
Off-set of connection fees against non-current assets		(45)	(1,969)	-	(97)		(2,111)
Net book amount at 31 December 2020	**1,033**	**23,806**	**459,686**	**1,157**	**13,588**	**74,957**	**574,227**
At 31 December 2020							
Cost	1,033	25,610	501,468	2,415	19,643	74,957	625,125
Accumulated depreciation	-	(1,802)	(41,552)	(1,257)	(6,054)	-	(50,665)
Accumulated impairment	-	-	(233)-	-	-	-	(233)
Net book amount	**1,033**	**23,806**	**466,549**	**1,158**	**13,589**	**74,957**	**574,227**

As at 31 December 2020, the Group's interest capitalised as part of property, plant and equipment amounted to EUR 219 thousand; the annual interest capitalisation rate was established at 0.8% (2019: EUR 138 thousand; the interest rate was established at 0.9%).

As at 31 December 2020, the Group's commitments for the acquisition of property, plant and equipment to be fulfilled in the upcoming periods amounted to EUR 79,993 thousand (31 December 2019: EUR 213,589 thousand).

Write-offs mainly represented derecognition of replaced parts of the assets during reconstruction.

The Group's property, plant, and equipment is accounted for at a revalued amount. The Group performed the last revaluation of its property, plant and equipment on 31 December 2018. As at 31 December 2020 and 2019, the Group tested the value of the property using the discounted cash flow calculation technique (the income method).

The valuation assumptions are presented below. No regulatory decisions that could materially affect the value of the property were adopted in 2020 and 2019. The carrying amount of the property within the materiality limits corresponds to its fair value, therefore, the value of the property was not adjusted as at 31 December 2020 and 2019. The valuation corresponded to Level 3 of the fair value hierarchy (Note 2.24), it was performed using the Group's internal resources and not engaging an independent external valuer.

The Group assessed the assets as a business, but its assessment excluded all activities related to the transmission network development (and not related to the present assets being assessed), i.e. investments in the development projects, connection of new consumers/producers, grants for the development projects.

The value of Litgrid's assets as at 31 December 2020 was calculated using the following main assumptions:

- When establishing the price cap for electricity transmission in the current regulatory period (until 2021), the cost of capital is calculated under the LRAIC model value, however the actual return is calculated under a historical cost basis. Starting from 2022, the LRAIC model is applied in the regulatory pricing, i.e. the cost of capital is determined under the LRAIC model both when determining the price cap, and when calculating the actual return, if investments in the optimised assets over the longer period catch up the assets value calculated under the LRAIC model, i.e. the value of the assets calculated under the LRAIC model and under the historical cost basis is the same at the end of 2036.

- The amounts of investments until 2031 from the ten-year investment plan adjusted according to the actual data with all development investments eliminated from it; the annual average of the 2021-2032 investments is applied in 2033-2036.

- All operating expenses attributable to the regulated activities are compensated through transmission revenue, except for the compensation of remuneration expenses in 2022-2026, the compensation assumption of which is 90%.

- The refund of the 2018-2020 investment return in excess of the amount permitted by the NERC (excess profit), following the assessment of efficient saving of operating expenses that increases the permitted investment return, to the network consumers (lower transmission price and revenue) was estimated when calculating the 2021-2022 cash flows.

- The rate of return on investments (WACC before tax) is equal to 3.92% in 2022-2026 (equivalent to a 3.34% WACC after tax) and from 2027 is the same as the discount rate, i.e. 4.17% (equivalent to a 3.55% WACC after tax). The calculation of the assets' value as at 31 December 2019 – the rate of return on investments (WACC before tax) is equal to 3.41% in 2022-2026 (equivalent to a 2.9% WACC after tax) and from 2027 is the same as the discount rate, i.e. 4.46% (equivalent to a 3.79% WACC after tax).

- Net cash flows generated by the assets were discounted using the discount rate (WACC after tax) equal to 3.55% which was calculated by the Company. As at 31 December 2019, net cash flows generated by the assets were discounted using the discount rate (WACC after tax) equal to 3.79% which was calculated by the Company.

The value of Amber Grid's assets as at 31 December 2020 was calculated using the following main assumptions:

- Cash flows were discounted using the discount rate of 3.58% (as at 31 December 2019, cash flows were discounted using the discount rate of 3.67%);

- The rate of return on investments of 3.86% established by the NERC is applied in 2021-2023; according to the WACC Methodology updated by the NERC in 2020, the rate of return on investments of 4.12% is applied in 2024-2025; the rate of return on investments of 3.72% was projected in the calculations of the assets' value as at 31 December 2019 after the update of the WACC Methodology by the NERC;

- The value of the going concern cash flow is established by aligning the rate of return on investments (4.21% before income tax) with the discount rate; the discount rate of 4.32% was applied to the going concern cash flow in the calculations of the assets' value in 2019;

- The Company's regulated profit of 2019-2020 in excess of the established return on investments that arose from the transmission volumes (higher capacities and quantities actually ordered by the system users), incurred expenses, having assessed operational efficiency, will be reversed in the future through the reduction of the transmission prices to the system users (one-off effect);

- The annual growth coefficient is not applied to the indefinite period of time (equal to 0).

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 422,398 thousand higher as at 31 December 2020 (31 December 2019: EUR 373,655 thousand). The following table shows information on property, plant and equipment, the value of which was reduced by the amount of grants received/receivable:

	AT 31 DEC 2020	At 31 Dec 2019
Carrying amount at the beginning of the period	**373,655**	**365,577**
Additions	59,598	18,733
Depreciation charge	(10,783)	(10,635)
Write-offs	(72)	(20)
Carrying amount at the end of the period	**422,398**	**373,655**

Company	OTHER PROPERTY, PLANT AND EQUIPMENT	TOTAL
Net book amount at 31 December 2018	**29**	**29**
Additions	4	4
Depreciation charge	(14)	(14)
Net book amount at 31 December 2019	**19**	**19**
Cost	75	75
Accumulated depreciation	(56)	(56)
Net book amount at 31 December 2019	**19**	**19**
Net book amount at 31 December 2019	**19**	**19**
Additions	2	2
Depreciation charge	(9)	(9)
Net book amount at 31 December 2020	**12**	**12**
Cost	77	77
Accumulated depreciation	(65)	(65)
Net book amount at 31 December 2020	**12**	**12**

As at 31 December 2020 and 2019, the Company's other property, plant and equipment comprised computer hardware and furniture.

7. Right-of-use assets

The Company has concluded the lease contracts for premises and motor vehicles and the Group has concluded the lease contracts for premises, motor vehicles, state land and other property, plant and equipment. The lease contracts for motor vehicles are concluded for the term of 3-4 years, for premises – 5-8 years, for other property, plant and equipment –2-3 years; the land lease contracts are concluded for the term of 99 years. When recognising right-of-use assets and lease liabilities and determining the lease terms the Group and the Company assessed extension and early termination options of the lease contracts.

The Group's and the Company's right-of-use assets comprised as follows:

Group	Land	Buildings	Motor vehicles	Other property, plant and equipment	Total
Recognised at 1 January 2019	**5,743**	**1,210**	**2,557**	**138**	**9,648**
Additions	-	601	97	160	858
Write-offs	-	(30)	-	-	(30)
Depreciation charge	(58)	(361)	(630)	(49)	(1,098)
Net book amount at 31 December 2019	**5,685**	**1,420**	**2,024**	**249**	**9,378**
Cost	5,743	1,781	2,654	298	10,476
Accumulated depreciation	(58)	(361)	(630)	(49)	(1,098)
Net book amount at 31 December 2019	**5,685**	**1,420**	**2,024**	**249**	**9,378**
New contracts	-	218	2,096	-	2,314
Indexation		3			3
Write-offs	-	(354)	-	(11)	(365)
Depreciation charge	(58)	(447)	(947)	(49)	(1,501)
Net book amount at 31 December 2020	**5,627**	**840**	**3,173**	**189**	**9,829**
Cost	5,743	1,648	4,750	287	12,428
Accumulated depreciation	(116)	(808)	(1,577)	(98)	(2,599)
Net book amount at 31 December 2020	**5,685**	**840**	**3,173**	**189**	**9,829**
Company					
Recognised at 1 January 2019	**-**	**255**	**2**	**-**	**257**
Additions	-	-	81	-	81
Depreciation charge	-	(43)	(19)	-	(62)
Net book amount at 31 December 2019	**-**	**212**	**64**	**-**	**276**
Cost		255	81	-	336
Accumulated depreciation	-	(43)	(17)	-	(60)
Net book amount at 31 December 2019	**-**	**212**	**64**	**-**	**276**
Additions	-	114	-	-	114
Depreciation charge	-	(60)	(23)	-	(83)
Net book amount at 31 December 2020	**-**	**267**	**40**	**-**	**307**
Cost	-	369	81	-	450
Accumulated depreciation	-	(103)	(40)	-	(143)
Net book amount at 31 December 2020	**-**	**266**	**41**	**-**	**307**

In November 2020, the Group completed the procurement procedures for the lease of the new office premises and although the agreement was signed in 2021, it is certain that the option to extend the agreement for the lease of office premises will not be exercised. The Group reviewed the term for the lease of office premises and remeasured lease liabilities. After the performance of the above assessment, right-of-use assets of EUR 354 thousand were written off.

The Group and the Company had no leases with variable payments not included in the value of lease liabilities.

In 2020, short-term lease (up to 12 months) and low value lease (up to EUR 4,000) payments included in expenses amounted to EUR 916 thousand for the Group and EUR 47 thousand for the Company (2019: EUR 1,381 thousand for the Group and EUR 33 thousand for the Company).

In 2020, the Group concluded the sale and leaseback transaction for the drilling equipment. Under the latter transaction, the drilling equipment was sold for EUR 396 thousand, of which EUR 201 thousand was offset as lease payments at the commencement date of the lease and the remaining amount of EUR 195 thousand was attributed to lease liabilities.

8. Investments in subsidiaries

The Company's investments in subsidiaries

As at 31 December 2020 and 2019, the Company had a shareholding in the following Group companies:

Group company	Acquisition cost	Impairment	Carrying amount	Ownership interest (%)
LITGRID AB	217,215	26,090	191,125	97.5
Amber Grid AB	126,529	-	126,529	96.6
BALTPOOL UAB	388	-	388	67.0
TETAS UAB	3,150	-	3,150	100.0
Total	**347,282**	**26,090**	**321,192**	

Under the agreement for the purchase and sale of 100% of shares of TETAS UAB of 29 November 2019 concluded with subsidiary LITGRID AB, the Company acquired a shareholding in TETAS UAB. 400,000 ordinary registered shares (with the nominal value of EUR 1) of TETAS were acquired for the price of EUR 3,150 thousand, which was established by the independent property valuer, by paying the price at the date of the acquisition of shares.

As disclosed in Notes 1 and 39, on 26 January 2021, the Company established a wholly-owned subsidiary Energy Cells by subscribing and paying for 500,000 shares of the newly established company with the nominal value of EUR 1. Shares were paid by making a monetary contribution.

As disclosed in Note 3, the Company tested the subsidiaries for impairment and did not identify any impairment indications. The recoverable amount of investments in LITGRID and Amber Grid was estimated as the difference between the subsidiary's total assets and total liabilities, which are measured at fair value, reflecting the fair value of net assets. Based on to the calculation results presented in Note 3, no adjustments to the impairment of investments were made and no additional impairment was accounted for.

Presented below is the summarised statement of financial position of the Group companies with non-controlling interest as at 31 December 2020 and 2019.

„On 26 January 2021, the Company established a wholly-owned subsidiary Energy Cells by subscribing and paying for 500,000 shares of the newly established company with the nominal value of EUR 1."

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							
At 31 December 2020	38,965	66,116	(27,151)	375,388	130,200	245,188	**218,037**
At 31 December 2019	25,505	54,971	(29,466)	350,693	125,656	225,037	**195,571**
Amber Grid							
At 31 December 2020	49,144	42,987	6,157	255,649	107,396	148,253	**154,410**
At 31 December 2019	28,094	45,226	(17,132)	209,426	55,316	154,110	**136,978**
TETAS							
At 31 December 2020	7,676	9,645	(1,969)	4,250	912	3,338	**1,369**
At 31 December 2019	4,200	5,974	(1,774)	4,197	1,908	2,289	**515**
Baltpool							
At 31 December 2020	45,776	45,260	516	177	82	96	**612**
At 31 December 2019	67,426	66,912	514	211	131	80	**594**
GET Baltic							
At 31 December 2020	11,836	11,414	422	783	110	673	**1,095**
At 31 December 2019	19,059	19,378	(319)	805	129	676	**357**

Presented below is the summarised statement of comprehensive income of the Group companies with non-controlling interest for 2020 and 2019.

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						
At 31 December 2020	27,103	(7,397)	(19,709)	3	30	33
At 31 December 2019	24,071	6,458	(30,896)	(367)	397	30
Amber Grid						
At 31 December 2020	23,559	(70,898)	47,145	(194)	197	3
At 31 December 2019	26,951	(12,542)	(14,246)	163	34	197
Baltpool						
At 31 December 2020	(18,537)	(14)	18,329	51	675	726
At 31 December 2019	311	(33)	(150)	128	547	675
GET Baltic						
At 31 December 2020	1,113	(179)	(206)	728	36	764
At 31 December 2019	264	(250)	14	28	8	36

9. Financial assets measured at fair value through other comprehensive income

The Group's financial assets measured at fair value through other comprehensive income comprised shares of TSO Holding AS:

	At 31 December 2020	At 31 December 2019
Value of shares (2%) of TSO Holding AS, EUR'000	**1,089**	**1,984**

On 15 January 2020, the Group together with other shareholders of Nord Pool Holding AS, i.e. the TSOs of the Nordic and Baltic countries, through a jointly controlled entity TSO HOLDING AS (the Group holds 2% of shares) sold 66% of shares of NordPool Holding AS to Euronext. In view of to the price established under the share purchase and sale agreement, on 31 December 2019 the Group adjusted the value of shares of Nord Pool Holding AS and accounted for the result in other comprehensive income and reduced the revaluation reserve.

After the receipt of dividends of EUR 895 thousand from TSO Holding AS in 2020, the Group adjusted the value of shares of TSO Holding AS by the same amount: accounted for EUR 834 thousand in finance costs and EUR 61 thousand in other comprehensive income and reduced the revaluation reserve.

The valuation corresponded to Level 2 of the fair value hierarchy when the value was determined on the basis of the performed transaction.

10. Congestion management revenue

Movement in congestion management revenue in 2020 and 2019:

GROUP	2020	2019
Opening balance of congestion management revenue	**39,135**	**15,754**
Congestion management revenue received during the period	32,381	27,366
Used to finance property, plant and equipment	(8,005)	(3,787)
Congestion management revenue used to compensate disconnection losses during the period	(992)	(198)
Closing balance of congestion management revenue	**62,519**	**39,135**
Congestion management revenue temporarily used to finance operating activities	37,618	26,487
Unused congestion management revenue included in non-current assets	18,041	8,185
Unused congestion management revenue included in current assets	6,860	4,463

The principles of receipt and use of congestion management revenue are set out in Note 2.19. 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 62,519 thousand as at 31 December 2020.

As explained in Note 2.19, the difference between the balance of congestion revenue included in current liabilities and in current assets resulted from a temporary use of funds to finance the Company's operating activities.

GROUP	At 31 Dec 2020	At 31 Dec 2019
Non-current liability portion of congestion management revenue		
Current liability portion of congestion management revenue	55,659	34,672
Total	6,860	4,463
Iš viso:	**62,519**	**39,135**

11. Inventories

GROUP	At 31 Dec 2020	At 31 Dec 2019
Raw materials, spare parts, other consumables, and assets held for sale	2,873	1,684
Natural gas	1,443	1,651
Consumables for construction projects	1,374	-
Assets held for sale	-	13
Less: write-down allowance	(499)	(640)
Apskaitinė vertė	**5,191**	**2,708**

As at 31 December 2020, the acquisition cost of the Group's inventories stated at net realisable value was EUR 2,374 thousand (31 December 2019: EUR 1,684 thousand). The cost of the Group's inventories recognised as expenses during the year amounted to EUR 9,922 thousand (31 December 2019: EUR 14,573 thousand).

Movements in write-down allowance for inventories in 2020 and 2019 are indicated below:

GROUP	At 31 Dec 2020	At 31 Dec 2019
Carrying amount as at 1 January	640	603
Change in write-down allowance	(141)	37
Carrying amount at 31 December	**499**	**640**

The write-down allowance charge was included in other expenses in the statement of comprehensive income.

12. Trade receivables

Trade receivables comprised:

	GROUP		COMPANY	
	At 31 Dec 2020	At 31 Dec 2019	At 31 Dec 2020	At 31 Dec 2019
I. Trade receivables under contracts with customers				
I.1. TRADE RECEIVABLES AFTER ONE YEAR	159	-	-	-
Less: impairment of non-current amounts receivable	(54)	-	-	-
Net book amount of amounts receivable after one year:	**105**	**-**	**-**	**-**
I.2. CURRENT TRADE RECEIVABLES				
Amounts receivable for electricity transmission	23,099	15,203	-	-
Amounts receivable for transmission and transit of natural gas	5,799	5,524	-	-
Amounts receivable for contractual works and other services	1,895	2,547	50	38
Less: impairment of trade receivables	(225)	(387)	-	-
Net book amount of trade receivables under contracts with customers	**30,568**	**22,887**	**50**	**38**

	GROUP		COMPANY	
	At 31 Dec 2020	At 31 Dec 2019	At 31 Dec 2020	At 31 Dec 2019
II. Trade receivables under other contracts:				
Other trade receivables	1,892	1,865	-	-
Less: impairment of trade receivables	-	-	-	-
Net book amount of trade receivables under other contracts:	**1,892**	**1,865**	**-**	**-**
Total current trade receivables:	**32,460**	**24,752**	**-**	**-**

Amounts receivable after one year

The amount receivable after one year of EUR 105 thousand at 31 December 2020 comprised the amount receivable under the restructuring agreement signed with the client.

Current trade receivables / Impairment of trade receivables (expected credit losses)

Trade receivables under other contracts comprised congestion revenue funds receivable, receivables from ITC fund, lease of assets.

The fair value of trade receivables under contracts with customers approximates their carrying amount. In 2020, the Group accounted for impairment reversal of EUR 162 thousand with regard to amounts paid.

The Company did not recognise any doubtful debts.

13. Other amounts receivable

	GROUP		COMPANY	
	At 31 Dec 2020	At 31 Dec 2019	At 31 Dec 2020	At 31 Dec 2019
Administered PSO funds receivable	39,351	47,042	-	-
Administered LNG terminal funds receivable	12,834	16,020	-	-
VAT receivable from the state budget	120	3	-	-
Grants receivable	28,819	2,754	-	-
Reclassification with grants received in advance	-	1,168	-	-
Loans to subsidiaries	-	-	27,630	7,581
Other amounts receivable	2,214	617	33	4
Less: impairment of other receivables	(23)	(23)	-	-
Carrying amount	**83,315**	**65,992**	**27,663**	**7,585**

The fair value of other amounts receivable approximates their carrying amount.

The line item of grants receivable includes support of the EU structural funds for the projects being implemented by the Group. Support receivable from the EU structural funds for the project on the construction of the gas interconnection between Lithuania and Poland amounted to EUR 24,934 thousand as at 31 December 2020 (31 December 2019: EUR 1,917 thousand).

The major part of the Group's other amounts receivable and past due amounts receivable consisted of PSO and LNG terminal funds receivable. Past due PSO funds amounted to EUR 23,883 thousand and past due LNG terminal funds amounted to EUR 5,253 thousand as at 31 December 2020. The Group is not exposed to credit risk in collecting PSO and LNG terminal funds as its acts as an administering entity, therefore impairment provision is not established for these past due amounts.

As at 31 December 2020 and 2019, the cash pool agreement was concluded between the Company and the Group companies for the balancing of the working capital. Loans granted are subject to variable interest rates, the variable interest rate is linked to 3 and 6 month EURIBOR.

14. Other financial assets

GROUP	At 31 Dec 2020	At 31 Dec 2019
Administered PSO funds	-	14,172
Administered LNG terminal funds	3	4
Funds deposited for guarantees and deposits	1,619	1,619
Unused funds of congestion management revenue	6,860	4,463
Financial assets held for sale	-	752
Funds of the exchange participants	14,253	24,111
Carrying amount	**22,735**	**45,121**

Funds of the exchange participants consist of their cash deposits ensuring the possibility to participate in the trading at the exchange. Due to the possibility of short-term disposal of these funds and their use only for settlements for products purchased on the exchange, they are not included in cash and cash equivalents.

According to the requirements prescribed by laws, the PSO funds and the LNG terminal funds intended for the recipients of these funds should be reported separately from other cash and cash equivalents of the Group and can only be used for the disbursement of PSO funds and LNG terminal funds, respectively.

As disclosed in Note 10, a current portion of congestion management revenue funds is expected to be used for the purposes set out in the EU Regulation within 12 months.

As at 31 December 2020 and 2019, the carrying amount of other financial assets approximates their fair value.

15. Cash and cash equivalents

	GROUP		COMPANY	
	At 31 Dec 2020	At 31 Dec 2019	At 31 Dec 2020	At 31 Dec 2019
Cash at bank	5,113	13,470	3,362	12,346
Carrying amount	**5,113**	**13,470**	**3,362**	**12,346**

The fair value of cash and cash equivalents is equal to their nominal and carrying amounts.

16. Share capital

As at 31 December 2020 and 31 December 2019, the authorized and issued share capital of the Company amounted to EUR 22,482,694.57 and it was divided into 77,526,533 ordinary registered shares with the nominal value of EUR 0.29 each. All the shares are 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, equity of the Company must account for at least 1/2 of the amount of the share capital. As at 31 December 2020 and 31 December 2019, 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. Between 60% and 85% 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 2016-2021 is regulated by Resolution No 1116 of the Government of the Republic of Lithuania of 9 November 2016 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 after the payment of dividends liabilities set out in the Resolution would exceed the Company's equity.

There were no changes in the capital management objectives compared to the previous year.

17. Revaluation reserve

The revaluation reserve arises from revaluation of property, plant and equipment due to the value increase. In accordance with the Lithuanian legislation, the Company can use revaluation reserve to increase its share capital. However, this reserve cannot be used to cover losses.

GROUP	Revaluation reserve	Deferred income tax	Net of deferred income tax
Balance at 31 December 2018	**254**	**(38)**	**216**
Depreciation of revaluation reserve	(87)	13	(74)
Write-offs of property, plant and equipment	(3)	-	(3)
Revaluation of property, plant and equipment	381	(57)	324
Change in non-controlling interest of revaluation reserve	12	-	12
Balance at 31 December 2019	**557**	**(82)**	**475**
Depreciation of revaluation reserve	(62)	9	(53)
Write-offs of property, plant and equipment	(19)	3	(16)
Balance at 31 December 2020	**476**	**(70)**	**406**

18. Legal reserve and other reserves

Legal reserve

A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of not less than 5 per cent of net profit are required until the reserve reaches 10 per cent of the share capital. The legal reserve can only be used to cover future losses. As at 31 December 2020, this reserve was fully formed at the Company.

Revaluation reserve of financial assets

The revaluation reserve of financial assets arises from revaluation of financial assets, which is measured at fair value through other comprehensive income, due to the value increase. In accordance with the Lithuanian legislation, this reserve can be used to increase the share capital. However, this reserve cannot be used to reduce losses.

In 2019, the Group revalued its 2% shareholding in TSO Holding AS, which controls the electricity and market coupling exchange operators. Based on the price of the conducted transaction, the revaluation reserve was reduced to EUR 51 thousand. After the receipt of dividends from TSO Holding in 2020, the Group reduced the value of shares by the same amount and annulled the revaluation reserve (refer to Note 9 for more information).

GROUP	Revaluation reserve of financial assets without non-controlling interest	Deferred income tax	Net of deferred income tax
Balance at 31 December 2018	**752**	**(113)**	**639**
Revaluation of financial assets	(692)	104	(588)
Balance at 31 December 2019	**60**	**(9)**	**(51)**
Revaluation of financial assets	(60)	9	(51)
Balance at 31 December 2020	**0**	**0**	**0**

Other reserves

Other reserves are formed based on the decision of shareholders and can be redistributed on the distribution of the next year's profit.

19. Dividends

During the Ordinary General Meeting of Shareholders of EPSO-G UAB held on 30 April 2020, the decision was made in relation to the payment of dividends in the amount of EUR 773 thousand.

On 9 November 2016, the Government of the Republic of Lithuania passed Resolution No 1116 whereby it was established that EPSO-G UAB will allocate 0.5% of profit to be appropriated for the payment of dividends for the financial year 2016-2021. This provision is applied if in a respective financial year after the payment of dividends EPSO-G UAB borrowings, finance lease liabilities and other non-current amounts payable and liabilities, except for deferred revenue, deferred income tax liabilities and grants, would exceed the equity of EPSO-G UAB.

20. Grants

Grants comprise grants for the acquisition of non-current assets and compensation of expenses. Movements in grants in 2020 and 2019 were as follows:

	GROUP
Balance at 31 December 2018	**0**
Grants received	15,175
Grants receivable	(133)
Grants received in advance	6,614
Congestion revenue (Note 10)	3,787
Transfer to property, plant and equipment (Note 6)	(18,665))
Grants used for compensation of expenses	(164)
Transfer to advance amounts received under liabilities	(6,614)
Balance at 31 December 2019	**0**
Grants received	24,773
Grants receivable	27,224
Congestion revenue	8,005
Connection fees received	2,111
Grants received in advance	80
Transfer to property, plant and equipment and intangible assets (Notes 5 and 6)	(61,886)
Used for compensation of expenses	(227)
Transfer to advance amounts received under liabilities	(80)
Balance at 31 December 2020	**0**

21. Borrowings

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

	GROUP		COMPANY	
	At 31 Dec 2020	At 31 Dec 2019	At 31 Dec 2020	At 31 Dec 2019
Non-current borrowings				
Bank borrowings	167,242	134,202	-	2,560
Current borrowings				
Current portion of non-current borrowings	26,959	30,403	2,560	2,560
Overdraft	20,019	-	20,019	-
Current borrowing from the Group companies	-	-	634	-
Total borrowings	**214,220**	**164,605**	**23,213**	**5,120**

Non-current borrowings by maturity:

	GROUP		COMPANY	
	At 31 Dec 2020	At 31 Dec 2019	At 31 Dec 2020	At 31 Dec 2019
Between 1 and 2 years	24,399	22,959	-	2,560
Between 2 and 5 years	59,564	70,056	-	-
Over 5 years	83,279	41,187	-	-
Total	**167,242**	**134,202**	**-**	**2,560**

As at 31 December 2020 and 2019, no assets were pledged as collateral by the Group and the Company.

In June 2020, the Group company signed the agreement for the long-term financing of up to EUR 65,000 thousand with the European Investment Bank on the financing of the construction of the section of the gas interconnection between Poland and Lithuania in the territory of the Republic of Lithuania. As at 31 December 2020, the withdrawn amount of the loan was equal to EUR 60,000 thousand.

The loan agreements provide for financial and non-financial covenants that the individual Group companies are obliged to comply with. The Group companies complied with all such covenants in 2020 and 2019.

As at 31 December 2020, the Group's borrowings with a fixed interest rate represented 46% (31 December 2019: 35%). The remaining borrowings are linked to the variable interest rate of 3 and 6 month EURIBOR (variable interest rate of 12 month EURIBOR in case of the Company).

As at 31 December 2020, the weighted average interest rate of the Group's and the Company's borrowings was 0.63% and 0.52%, respectively (31 December 2019: 0.75% and 0.52%, respectively).

As at 31 December 2020, the Group's and the Company's undrawn borrowings amounted to EUR 5,000 thousand, overdrafts – EUR 20,000 thousand (31 December 2019: EUR 20,000 thousand).

„As at 31 December 2020, the withdrawn amount of the loan was equal to EUR 60,000 thousand.“

Reconciliation of net debt balances and cash flows from financing activities of 2020 and 2019:

GROUP	Cash	Borrowings	Lease liabilities	Total
Net debt at 31 December 2018	**9,913**	**(196,255)**	**(820)**	**(187,162)**
Additions		(10,000)	(9,264)	(19,264)
Increase/(decrease) in cash and cash equivalents	3,557			3,557
Change in overdraft		6,889		6,889
Repayment of borrowing		34,761		34,611
Lease payments			1,139	1,139
Net debt at 31 December 2019	**13,470**	**(164,605)**	**(8,945)**	**(160,080)**
Additions		(60,000)	(2,129)	(62,129)
(Decrease) in cash and cash equivalents	(8,357)	-	-	(8,357)
Change in overdraft	-	(20,020)	-	(20,020)
Repayment of borrowing	-	30,405	-	30,405
Adjustment of the value of lease liabilities			351	351
Lease payments			1559	1,559
Net debt at 31 December 2020	**5,113**	**(214,220)**	**(9,164)**	**(218,271)**

COMPANY	Cash	Borrowings	Lease liabilities	Total
Net debt at 31 December 2018	**8,669**	**(7,680)**	**-**	**989**
(Decrease) in cash and cash equivalents	3,677			3,677
Additions			(338)	(338)
Lease payments			62	62
Repayment of borrowing		2,560	-	2,560
Net debt at 31 December 2019	**12,346**	**(5,120)**	**(276)**	**6,950**
(Decrease) in cash and cash equivalents	(8,984)	-	-	(8,984)
Change in overdraft	-	(20,020)	-	(20,020)
Current borrowings (received)		(634)		(634)
Additions	-	-	(114)	(114)
Lease payments	-	-	81	81
Repayment of borrowing	-	2,560	-	2,560
Net debt at 31 December 2020	**3,362**	**(23,214)**	**(309)**	**(20,161)**

22. Interest-bearing financial liabilities

The Group's and the Company's liability to AB Ignitis Grupė under the share purchase and sale agreement of 27 September 2012, based on the calculated basic price, is classified as financial liabilities measured at amortised cost.

The Group's and the Company's liability (the amount receivable) for the premium to the price of LITGRID's shares, considering the Company's prudent assessment of the amount of the share premium described in Note 3, amounted to EUR (17,961) thousand. This liability is classified within the category of financial liabilities measured at fair value through profit or loss and attributed to Level 3 of the fair value hierarchy. In 2020 and 2019, there were no changes in the fair value of the premium to the price of LITGRID's shares recognised in profit or loss.

The table below presents the Group's and the Company's liabilities of this nature and their movement in 2020 and 2019

	GROUP	
	At 31 Dec 2020	**At 31 Dec 2019**
NON-CURRENT PORTION		
Amount payable for shares of LITGRID AB based on the basic price	152,089	166,570
Amount payable (receivable) of the premium to the price of LITGRID's shares	(17,961)	(17,961)
TOTAL NON-CURRENT PORTION	**134,128**	**148,609**
Current portion		
Amount payable for shares of LITGRID AB based on the basic price	14,481	7,965
Total financial liabilities	**148,609**	**156,574**
Maturity of non-current portion of liabilities:		
Between 1 and 2 years	134,128	14,481
Between 2 and 3 years	-	134,128

Financial liabilities are subject to a variable interest rate of 12 month EURIBOR. The weighted average interest rate of these liabilities was 0.44% at 31 December 2020 (31 December 2019: 0.60%).

Accrued interest amounted to EUR 134 thousand as at 31 December 2020 (31 December 2019: EUR 185 thousand) and was recorded within 'other current amounts payable and liabilities'.

„Accrued interest amounted to EUR 134 thousand as at 31 December 2020.“

23. Lease liabilities

The Group's and the Company's lease liabilities and their movements:

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Carrying amount at the beginning of the period*	**8,945**	**820**	**276**	**-**
Initial recognition of lease liabilities under IFRS 16 (1 Jan 2019)	-	8,453		257
Concluded lease contracts	2,129	841	114	81
Terminated lease contracts	(357)	(30)		-
Interest charged	123	123	1	2
Lease payments (principal and interest)	(1,682)	(1,262)	(82)	(64)
Indexation	6			
Carrying amount at the end of the period	**9,164**	**8,945**	**(309)**	**276**
Non-current lease liabilities	7,641	7,736	219	210
Current lease payments	1,523	1,209	90	66

*At 1 January 2019, lease liabilities comprised liabilities under the finance lease contracts.

Future lease payments under non-cancellable lease contracts are as follows:

	GROUP		COMPANY	
	At 31 Dec 2020	**At 31 Dec 2019**	**At 31 Dec 2020**	**At 31 Dec 2019**
Total lease liabilities:	**9,164**	**8,945**	**309**	**276**
Current portion	1,523	1,209	90	66
Maturity of non-current lease liabilities:	**7,641**	**7,736**	**219**	**210**
Between 1 and 2 years	1,244	1,044	83	66
Between 2 and 3 years	628	623	68	58
Between 3 and 5 years	198	466	68	86
Over 5 years	5,571	5,603	-	-

The Group's interest calculated on lease liabilities and included in finance costs amounted to EUR 123 thousand in 2020 and 2019(for the Company – EUR 1 thousand in 2020 and EUR 2 thousand in 2019).

Lease payments (principal and interest) made by the Group and the Company in 2020 amounted to EUR 1,682 thousand and EUR 82 thousand, respectively (2019: EUR 1,262 thousand and EUR 64 thousand, respectively).

24. Provisions

	GROUP	
	At 31 Dec 2020	At 31 Dec 2019
Provisions for pension benefits to employees*	841	880
Provisions for servitude liabilities**	1,250	1,161
Provisions for registration of protection zones ***	4,088	-
Provision for settlement of current liabilities	19	640
Carrying amount	**6,198**	**2,681**
Non-current provisions	5,313	1,368
Current provisions	885	1,313

*Provisions for pension benefits represent amounts calculated according to the Lithuanian laws and payable under the collective employment agreements effective at the Group companies (Note 2.15).

**As explained in Note 3, the Group recognised intangible assets and provisions amounting to EUR 2,300 thousand as at 31 December 2018. In 2019, provisions for servitude liabilities were reduced by EUR 700 thousand. In 2020, provisions for servitude liabilities were increased by EUR 165 thousand.

***As at 31 December 2020, the Group recognised a provision of EUR 4,088 thousand and the related intangible assets for the formation of special land use requirements (protected zones) (Note 3). The provision was established based on the amendments to the provisions of the property cadastre adopted in 2020 that are necessary for the obligation established by the Lithuanian Law on Special Land Use Requirements to form the register of protected zones by 2023 and taking into consideration the description of the procedure for the setting up and approval of protected zones approved by Order No 1 -339 of the Minister of Energy of the Republic of Lithuania of 13 October 2020. The discount rate of 0.62% was applied for the discounting of the provision.

25. Other non-current amounts payable and liabilities

	GROUP	
	At 31 Dec 2020	At 31 Dec 2019
Advance amounts received from connection of new consumers	-	801
Grants received in advance	1,667	4,686
Contractual obligations under connection agreements	1,337	
Other	25	23
Carrying amount	**3,029**	**5,510**

Grants received in advance comprised monetary funds received from the CEF (Connecting Europe Facility) fund for the implementation of the synchronisation program. Expenditures for which a grant was received are planned to be incurred in 2023.

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.

26. Current and deferred income tax

Income tax expenses comprised as follows:

	GROUP		COMPANY	
	At 31 Dec 2020	At 31 Dec 2019	At 31 Dec 2020	At 31 Dec 2019
Current income tax	9,642	6,034	-	-
Deferred income tax (benefit)	(9,544)	(3,925)	(385)	(362)
Income tax expenses/(benefit) for the reporting period	**98**	**2,109**	**(385)**	**(362)**

The movement in deferred income tax assets and liabilities prior to offsetting the balances with the same fiscal authority was as follows:

GROUP	PP&E revaluation (impairment)	Impairment for other assets	Congestion management revenue	Differences in depreciation rates	Unused investment relief	Other	Total
DEFERRED INCOME TAX ASSETS							
At 31 December 2018	**1,251**	**28,956**	**4,379**	**-**	**-**	**426**	**35,012**
Reclassification with deferred income tax liability	3,121	(3,558)	-	152	-	-	(285)
Recognised in profit and loss	(119)	(410)	4,033	4	-	340	3,848
Deferred income tax assets offset against deferred income tax liabilities	-	(24,901)	-	-	-	-	(24,901)
At 31 December 2019	**4,253**	**87**	**8,412**	**156**	**-**	**766**	**13,674**
Recognised in profit and loss	(191)	129	4,667	29	3,923	882	9,439
At 31 December 2020	**4,062**	**216**	**13,079**	**185**	**3,923**	**1,648**	**23,113**

GROUP	Revaluation of PP&E (increase in value)	Differences in depreciation rates	Tax relief on acquisition of PP&E	Other	Total
DEFERRED INCOME TAX LIABILITIES					
At 31 December 2018	**(33)**	**(25,303)**	**(1,682)**	**(,277)**	**(27,295)**
Reclassification with deferred income tax liability	(117)	402	-	-	285
Recognised in profit and loss	13	-	138	(72)	79
Deferred income tax assets offset against deferred income tax liabilities	-	24,901	-	-	24,901
Recognised in other comprehensive income	48	-	-	-	48
At 31 December 2019	**(89)**	**-**	**(1,544)**	**(349)**	**(1,982)**
Recognised in profit and loss	16	-	119	(414)	(279)
Recognised in other comprehensive income	9	-	-	-	9
At 31 December 2020	**(64)**	**-**	**(1,425)**	**(763)**	**(2,252)**

Deferred income tax assets at 31 December 2019 – net	**11,692**
Deferred income tax assets at 31 December 2020 – net	**20,861**

Pursuant to the provisions of the Law on Corporate Income Tax, the income tax relief may be applied to investments in non-current assets that meet the criteria set out in this law. The Company applied the above-mentioned relief when calculating income tax for the year 2020 and reduced income tax expenses by the total amount of EUR 5,888 thousand (including recognised deferred income tax assets).

In 2020, the Company incurred tax losses of EUR 2,650 thousand (2019: EUR 2,600 thousand). The Company transfers tax losses to the Group companies for consideration (15%). Consideration received by EPSO-G in 2020 for tax losses relating to the year 2019 transferred by LITGRID amounted to EUR 385 thousand.

The table below presents reconciliation of income tax expenses reported in the statement of comprehensive income to income tax expenses calculated at a statutory income tax rate on profit before income tax:

	GROUP		COMPANY	
	At 31 Dec 2020	**At 31 Dec 2019**	**At 31 Dec 2020**	**At 31 Dec 2019**
Profit/(loss) before income tax	**40,183**	**13,512**	**1,292**	**4,908**
Income tax calculated at a rate of 15%	6,028	2,026	194	736
Investment relief effect	(1,965)	(218)		-
Recognised deferred income tax	(3,923)	-	-	-
Tax effect of non-taxable income and non-deductible expenses	(17)	196	(579)	(1,098)
Prior year adjustment	42	105		-
Offsetting of tax loss	(67)			-
Income tax expenses/(benefit) recognised in profit or loss	**98**	**2,109**	**(385)**	**(362)**
Income tax expenses/(benefit) recognised in other comprehensive income	**(9)**	**(48)**	**-**	**-**

27. Trade payables

	GROUP		COMPANY	
	At 31 Dec 2020	**At 31 Dec 2019**	**At 31 Dec 2020**	**At 31 Dec 2019**
Amounts payable for electricity	13,123	11,837	-	-
Amounts payable for natural gas	1,016	3,830	-	-
Amounts payable for contractual works, services	6,118	7,236	-	-
Amounts payable for property, plant and equipment and inventories	15,623	10,729	-	-
Other trade payables	238	165	87	49
Carrying amount	**36,118**	**33,797**	**87**	**49**

The fair value of trade payables approximates their carrying amounts.

28. Advance amounts received

	GROUP	
	At 31 Dec 2020	At 31 Dec 2019
Advance amounts received from the exchange participants	8,246	15,672
Grants received in advance	5,023	1,928
Reclassified from other amounts receivable	-	1,168
Guarantee for fulfilment of obligations	953	-
Advance amounts received from new consumers	611	628
Other advance amounts received	58	45
Carrying amount	**14,891**	**19,441**

As disclosed in Note 14, the exchange participants transfer funds in advance prior to trading, which are later offset against the products acquired or refunded.

Advance amounts received from new consumers include advance amounts received from new consumers for connection to electricity networks. These advances will be recognised as income upon the provision of connection services.

Grants received in advance comprise monetary funds received from the CEF (Connecting Europe Facility) fund, which will be used to finance incurred expenses in 2021.

29. Other current amounts payable and liabilities

	GROUP		COMPANY	
	At 31 Dec 2020	At 31 Dec 2019	At 31 Dec 2020	At 31 Dec 2019
Administered PSO funds payable	20,294	61,213	-	-
Administered LNG terminal funds payable	10,670	13,562	-	-
Accrued administered LNG terminal funds	2,174	2,461	-	-
Employment-related liabilities	5,052	1,629	427	305
Accrued expenses relating to vacation reserve	2,656	2,149	109	99
VAT payable	2,227	1,268		-
Real estate tax payable	921	966		-
Dividends payable	519	552		-
Interest payable	213	253	134	185
Accrued other expenses	880	2,458	22	18
Deposits received	5,599	5,468	-	-
Congestion management revenue	6,860	4,463	-	-
Other amounts payable and current liabilities	3,508	3,115	-	-
Carrying amount	**61,573**	**98,244**	**692**	**607**

Accrued administered LNG terminal funds are accounted for when the natural gas system users are issued with a VAT invoice. LNG terminal funds are allocated to the account of LNG terminal funds payable when Klaipėdos Nafta AB and Litgas UAB issue a VAT invoice to Amber Grid AB for the additional natural gas supply security component to be included in the natural gas transmission price.

The Group's deposits received mainly comprised deposits for trading at the exchange.

The fair value of other current amounts payable approximates their carrying amount.

30. Revenue from contracts with customers

The Group's revenue from contracts with customers comprised as follows:

	GROUP	
	At 31 Dec 2020	**At 31 Dec 2019**
Revenue from electricity transmission and related services		
Electricity transmission services	83,363	69,315
Trade in balancing/imbalance electricity	21,217	26,376
System services	86,702	70,750
Revenue from other sales of electricity and related services	4,344	7,195
Total revenue from electricity transmission and related services	**195,626**	**173,636**
Revenue from natural gas transmission and related services		
Natural gas transmission services	45,897	45,845
Revenue from balancing services in the transmission system	4,588	8,665
Revenue from connection of new customers	(1,405)*	(825)
Total revenue from natural gas transmission and related services	**49,080**	**53,685**
Other revenue from contracts with customers		
Revenue from construction, repair and technical maintenance services	12,411	9,828
Revenue from trading at the exchange and related services	1,454	542
Revenue from the biofuel exchange, thermal energy auctions, PSO funds administration and other income	963	975
Total other revenue	**14,828**	**11,345**
The Group's total revenue from contracts with customers	**259,534**	**238,666**

* Revenue from new customer connection fees was adjusted in 2020 due to the new accounting principle applied from 2020 with respect to this type of revenue as disclosed in Note 2.18.

In 2019, revenue from new customer connection was reduced by EUR 825 thousand as a result of the recalculated connection fee when the customer purchases a higher quantity of transmission services than it was projected when calculating the connection fee.

The Company's revenue from contracts with customers comprised revenue from the provision of management services and it amounted to EUR 296 thousand in 2020 (2019: EUR 230 thousand).

31. Other income

The Group's other income comprised as follows:

	GROUP	
	2020	**2019**
Public service obligations	8,959	9,274
Congestion revenue	991	198
Income from lease of assets	594	555
Other services related to electricity	844	189
Interest on late payment and default charges	240	91
Other income*	736	635
Income from connection of producers and relocation of electricity equipment**	(1,378)	1,378
Total revenue from electricity transmission and related services	**10,986**	**12,320**

* The Group's other income includes grants recognised as income, gain on disposal of non-current assets, income from administration of LNG terminal funds.

** From 1 January 2020, the Group changed the accounting policy of the services of connection of producers to the transmission network and relocation of electricity equipment as disclosed in Note 2.18.

32. Dividend income and income from disposal of the associate

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Dividend income	895	174	4,093	7,677
Income from disposal of the associate	831			
Total income from dividends and investing activities	**1,726**	**174**	**4,093**	**7,677**

The Group's income from disposal of the associate comprised a gain of EUR 831 thousand from the sale of shares of Duomenų Logistikos Centras UAB carried out in 2020 (Note 1).

In 2020, the Group received dividends from a jointly controlled entity TSO Holding (Note 9) and in 2019 – from Duomenų Logistikos Centras UAB.

In 2020 and 2019, the Company received dividends from its subsidiaries. Dividends paid by the Group companies to the Group's non-controlling interest amounted to EUR 156 thousand in 2020 (2019: EUR 279 thousand).

33. Expenses of electricity and natural gas transmission and related services

The Group's expenses of electricity and natural gas transmission and related services comprised as follows:

	GROUP	
	2020	**2019**
EXPENSES OF ELECTRICITY TRANSMISSION AND RELATED SERVICES		
Electricity expenses for compensation of technological losses	15,190	22,226
Expenses for system services	81,740	74,396
Expenses for PSO services (balancing of generation using renewable energy sources)	8,855	9,166
Expenses for balancing/regulating electricity	20,833	25,917
Expenses for the participation in the ITC mechanism of the European Network of Transmission System Operators for Electricity (ENTSO-e)	781	3,043
Expenses for guaranteeing the availability of allocated capacities of the interconnections	992	198
Total expenses of electricity transmission and related services	**128,391**	**134,946**
Expenses of natural gas and related services		
Gas expenses for compensation of technological losses	1,183	1,689
Gas expenses for balancing of the transmission system	5,162	9,647
Total expenses of natural gas transmission and related services	**6,345**	**11,336**
TOTAL EXPENSES OF ELECTRICITY AND NATURAL GAS TRANSMISSION AND RELATED SERVICES	**134,736**	**146,282**

Expenses attributable to electricity and related services decreased by 5% in 2020 compared to 2019. Expenses for system services increased by 9.9% to EUR 81.7 million mainly due to higher expenses related to ensuring the isolated operation of the Lithuanian energy system. Imbalance and balancing electricity expenses decreased by 19.1% and amounted to EUR 21 million due to decrease in sales volumes and the average purchase price. Expenses of compensating for electricity purchase technological losses in the transmission network decreased by 31.7% to EUR 15.2 million due to a 30.5% decrease in the average purchase price of electricity.

Expenses of natural gas transmission and related services decreased by 44% in 2020 compared to 2019 due to lower prices of gas.

34. Financing activities

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
Interest income	96	-	189	35
Other finance income	29	51	-	-
Interest expenses	(1,997)	(2,429)	(831)	(982)
Other finance costs	(132)	(59)	-	(17)
Results of financing activities	**(2,004)**	**(2,437)**	**(642)**	**(964)**

35. Related-party transactions

As at 31 December 2020 and 2019, 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://vkc.sipa.lt/apie-imones/vvi-sarasas and transactions are disclosed only when the amount of transactions exceeds EUR 100 thousand during a calendar year) and the management and their family members.

Transactions with related parties are carried out on an arm's length basis 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 related parties in 2020 and balances arising from these transactions as at 31 December 2020 were as follows:

Related party	Purchases (payments)*	Sales (proceeds)*	Amounts payable*	Amounts receivable*	Finance income	Finance costs
Ignitis group companies:						
AB Ignitis Grupė	-	-	148,743	127	-	687
Energijos Skirstymo Operatorius AB	59,963	249,093	4,302	33,064	-	
Ignitis UAB	56,594	40,715	4,693	3,818	-	-
Ignitis Gamyba AB	144,315	44,886	17,322	2,882	-	-
Ignitis Grupės Paslaugų Centras UAB		261		27	-	-
Vilniaus Kogeneracinė Jėgainė UAB		32	100		-	-
Kauno Kogeneracinė Jėgainė UAB	192	282		28	-	-
Transporto Valdymas UAB	1,066		110		-	-
Energetikos Paslaugų ir Rangos Organizacija UAB	712				-	6
Duomenų Logistikos Centras UAB	8	240		25		-
Other state-owned companies:						**-**
Lietuvos Geležinkeliai AB					-	-
State Enterprise Ignalina Nuclear Power Plant	177	1,792	23	206	-	-
Klaipėdos Nafta AB	35,729		7,240		-	-
State Enterprise Geoterma				110	-	-
LTG Infra AB		671		81		
Other state-owned companies	170	127	149	4	-	-
Total	**298,926**	**338,099**	**182,682**	**40,372**	**-**	**693**

* Purchases and sales, amounts receivable and payable comprise turnovers and balances with PSO and LNG terminal funds.

The Group's transactions conducted with related parties in 2019 and balances arising from these transactions as at 31 December 2019 were as follows:

Related party	Purchases (payments)*	Sales (proceeds)*	Amounts payable*	Amounts receivable*	Dividend income	Finance costs
Ignitis group companies:						
AB Ignitis Grupė	-	-	156,759	66	-	937
Energijos Skirstymo Operatorius AB	52,462	218,891	7,478	24,915	-	2
Ignitis UAB	60,706	45,918	4,937	4,205	-	-
Ignitis Gamyba AB	112,242	28,628	26,479	2,643	-	-
Ignitis Grupės Paslaugų Centras UAB	-	263	-	26	-	-
Vilniaus Kogeneracinė Jėgainė UAB	-	264	35	-	-	-
Kauno Kogeneracinė Jėgainė UAB	-	279	-	281	-	-
Transporto Valdymas UAB	589	-	101	-	-	-
Energetikos Paslaugų ir Rangos Organizacija UAB	989	90	240	-	-	6
Duomenų Logistikos Centras UAB	178	253	34	21	81	-
Other state-owned companies:						**-**
Lietuvos Geležinkeliai AB	-	593	2	23	-	-
State Enterprise Ignalina Nuclear Power Plant	178	1,705	41	181	-	-
Klaipėdos Nafta AB	67,724	-	10,156	-	-	-
State Enterprise Geoterma	-	-	-	110	-	-
Other state-owned companies	148	93	150	4	-	-
Iš viso	**295,216**	**296,977**	**206,412**	**32,475**	**81**	**945**

* Purchases and sales, amounts receivable and payable comprise turnovers and balances with PSO and LNG terminal funds.

The Company's transactions conducted with related parties in 2020 and balances arising from these transactions as at 31 December 2020 were as follows:

Related party	Finance income	Dividend income	Finance costs	Amounts payable	Amounts receivable	Loans granted	Purchases	Disposals
AB Ignitis Grupė	-		687	148,743	127	-	-	-
Litgrid AB	-	3,983	-	-	27	-	-	136
Amber Grid AB	69		-	-	18	7,852	-	129
Tetas UAB	23		-	635	8	1,239	-	13
Baltpool UAB	95	110	-	-	22	18,539	-	17
GET Baltic UAB	1		-	-	-	-	-	-
Transporto Valdymas UAB	-		-	-	-	-	32	-
Total	**188**	**4,093**	**687**	**149,378**	**202**	**27,630**	**32**	**296**

The Company's transactions conducted with related parties in 2019 and balances arising from these transactions as at 31 December 2019 were as follows:

Related party	Finance income	Dividend income	Finance costs	Amounts payable	Amounts receivable	Loans granted	Purchases	Disposals
AB Ignitis Grupė	-		937	156,759	67	-	-	-
Litgrid AB	17	2,557	-	-	16	-	-	113
Amber Grid AB	5	5,048	-	-	21	6,272	-	103
Tetas UAB	13		-	-	1	1,129	-	8
Baltpool UAB	72	72	-	-	-	-	-	6
GET Baltic UAB	-		-	-	-	180	-	-
Transporto Valdymas UAB	-		-	3	-	-	40	-
Total	**107**	**7,677**	**937**	**156,762**	**105**	**7,581**	**40**	**230**

Payments to key management personnel	GROUP		COMPANY	
	At 31 Dec 2020	**At 31 Dec 2019**	**At 31 Dec 2020**	**At 31 Dec 2019**
Employment-related payments	2,353	2,249	525	480
Whereof: termination benefits	90	70	6	-
Number of key management personnel (average number on payroll)	23	23	5	5

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 in 2020 and 2019.

Key management personnel consists of heads of administration and directors of departments. In 2020, payments to the members of the collegial management bodies amounted to EUR 220 thousand (2019: EUR 134 thousand).

„In 2020, payments to the members of the collegial management bodies amounted to EUR 220 thousand (2019: EUR 134 thousand).“

36. 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 abide by 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").

36.1. Financial instruments by category (as per the statement of financial position)

	GROUP		COMPANY	
	At 31 Dec 2020	At 31 Dec 2019	At 31 Dec 2020	At 31 Dec 2019
Financial assets				
Trade receivables	32,460	24,752	50	38
Other amounts receivable	2,273	632	27,663	7,585
Portion of unused funds balance of congestion management revenue	24,901	12,648		
Other financial assets	15,874	40,657	-	-
Cash and cash equivalents	5,113	13,470	3,362	12,346
Financial assets at amortised cost	**80,741**	**92,159**	**31,075**	**19,969**
Other financial assets				
Financial assets measured at fair value through other comprehensive income	1,089	1,984	-	-
Total financial assets	**81,830**	**94,143**	**31,075**	**19,969**

	GROUP		COMPANY	
	At 31 Dec 2020	At 31 Dec 2019	At 31 Dec 2020	At 31 Dec 2019
Financial liabilities				
Liability for acquisition of LITGRID AB	148,609	156,574	148,609	156,574
Borrowings	214,220	164,605	23,213	5,120
Lease liabilities	9,164	8,945	309	276
Trade payables	36,118	33,797	87	49
Other amounts payable and liabilities	19,231	26,640	156	167
Total	**427,342**	**390,561**	**172,374**	**162,186**

36.2. Credit risk

As at 31 December 2020 and 31 December 2019, credit risk was related to the following items:

	GROUP		COMPANY	
	At 31 Dec 2020	At 31 Dec 2019	At 31 Dec 2020	At 31 Dec 2019
Financial assets at amortised cost*	80,741	92,159	31,075	19,269

*The Group's maximum exposure to credit risk is equal to the amount of trade receivables (excluding LNG terminal and PSO receivables), other receivables, cash and other current financial assets, less recognised impairment losses. Administered PSO and LNG terminal funds receivable are not included in the calculation of credit risk. If these funds were not collected, the Group would not incur any losses because the Group is not a recipient of funds, but an administrator.

The Group has a significant credit risk concentration, because exposure to credit risk is shared among 10 main customers, amounts receivables from which accounted for approximately 95% as at 31 December 2020 (31 December 2019: approximately 81%) of the Group's total trade receivables (financial assets). As at 31 December 2020, amounts payable by the major customer, distribution network operator Energijos Skirstymo Operatorius AB, accounted for 61% (31 December 2019: 50%) 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 in which the Group and the Company hold their cash and cash equivalents (Note 13) and other financial assets (Note 12):

Swedbank	AA-
SEB*	AA-
OP Corporate Bank	AA-

* The ratings assigned to the parent banks as at 31 December 2020 are provided.

Trade and other receivables are mainly from the state-owned entities and large manufacturers with no history of significant defaults.

36.3. Liquidity risk

The Group's policy is to ensure funding of its operations so that the Group will have sufficient cash and/or committed credit facilities and overdrafts to meet its contractual obligations at any time. The liquidity risk is managed by making forecasts of cash flows of the Group companies.

The Group's cash flows from operating activities were positive in 2020, therefore its exposure to liquidity risk is not significant. As at 31 December 2020, the Group's current ratio (total current assets / total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were 0.84 and 0.81, respectively (31 December 2019: 0.8 and 0.8, respectively). As at 31 December 2020, the Company's current and quick ratios were 0.81 and 0.72, respectively (31 December 2019: 1.78 and 1.78, respectively).

Liquidity risk is managed by making regular short-term and long-term cash flow forecasts of the Company. Liquidity is ensured with the help of solutions supporting the solvency of the Company – the dividends to be received. Liquidity risk of the EPSO-G group is managed with the help of loan restructuring solutions.

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	Over 5 years	**Total liabilities**
At 31 December 2020					
Trade and other amounts payable	55,367	2,095	380		**57,842**
Borrowings	23,169	25,608	86,698	85,125	**220,600**
Lease liabilities	374	1,225	2,236	9,002	**12,837**
Other financial liabilities		14,999	134,608		**149,607**
At 31 December 2019					
Trade and other amounts payable	68,464	2,860	497	-	**71,821**
Borrowings	7,738	30,339	95,846	42,304	**176,227**
Lease liabilities	309	952	2,349	9,145	**12,755**
Other financial liabilities	-	8,703	151,430		**160,133**

COMPANY	Less than 3 months	Between 4 months and 1 year	Between 2 and 5 years	Over 5 years	**Total liabilities**
At 31 December 2020					
Trade and other amounts payable	87	692	-	-	**779**
Borrowings	20,656	2,563	-	-	**23,219**
Lease liabilities	23	69	220		**312**
Other financial liabilities		14,999	134,608		**149,607**
At 31 December 2019					
Trade and other amounts payable	68	588	-	-	**656**
Borrowings	7	2,572	2,566	-	**5,145**
Lease liabilities	17	50	211		**278**
Other financial liabilities	-	8,703	151,430	-	**160,133**

36.4. Market risk

The Group's and the Company's income, expenses and cash flows from operating activities are substantially independent of changes in market interest rates. The Group has non-current and current borrowings and the overdraft with interest rates linked to EURIBOR. A +/- 0.1 p.p. shift in the interest rate would result in EUR 249 thousand impact on the Group's profit before tax as at 31 December 2020 (2019: EUR 251 thousand).

b) Natural gas price risk

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. In 2020, the Group did not take any measures to mitigate the natural gas price risk.

37. 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 amounts receivable, term deposits, cash and cash equivalents, borrowings, trade and other amounts payable. The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

- The carrying amount of current trade and other amounts receivable, time deposits, other financial assets, cash and cash equivalents, current borrowings, current trade and other amounts payable approximates their fair value (Level 3).
- The fair value of non-current borrowings is based on the quoted market price for the same or similar loan or on the current rates available for loan with the same maturity profile. The fair value of non-current borrowings with variable interest rates approximates their carrying amounts (Level 3). The fair value of the Group's non-current borrowings with fixed interest rates was approximately EUR 384 thousand lower than their carrying amount as at 31 December 2020 (31 December 2019: EUR 483 thousand).

38. Contingent liabilities

Litigations

LITGRID AB group litigations

After the appeal of Achema AB was rejected on 7 May 2020, the case of Achema AB regarding losses resulting from the power outage in the ammonia production department of Achema AB was closed and the provision of EUR 567 thousand related to this case was reversed.

On 12 March 2020, claimant Šiaulių Energija AB brought a claim against Energijos Skirstymo Operatorius AB for compensation of damages. The dispute arose over the accident that occurred in March 2019 at the Šiauliai cogeneration power station managed by claimant Šiaulių Energija AB, during which, as stated in the claimant's claim, the three-phase synchronous generator installed in the power station went out of operation.

In accordance with the provisions of the Regulations on investigation and recording of accidents and disruptions of energy facilities, an accident investigation commission was formed by the order of the Chairman of the National Energy Regulatory Council of 4 September 2019. After analysing the causes of the accident, the compliance of the claimant's activities with the requirements of regulatory acts, the compliance of technical solutions with the power station design project, the commission issued an accident investigation report stating that "the cause of the accident was that the generator's protections installed by the claimant failed to protect the generator's installations from the external short circuit" that originated in the external network the way it was specified in the design of the electrical relay protection and automation part and in the rules for the installation of electrical relay protection and automation. LITGRID AB is involved in the case as a third party, but on 28 December 2020, the claimant's statement on the clarification of the subject matter of the claim, on the change of the status of LITGRID AB in the case to the status of the defendant was submitted stating that defendants Energijos Skirstymo Operatorius AB and LITGRID AB are to be held jointly and severally liable for paying claimant Šiaulių Energija AB damages amounting to EUR 1,272,075.59. The claimant's statement was adopted by resolution. Following the assessment of the claim's arguments and presented evidence, the provision was not established.

Amber Grid AB litigations

Currently, the Company has initiated two civil cases regarding the award of additional component of the natural gas transmission price related to natural gas supply security (the LNG terminal funds) from Achema AB. The Company acts solely as an administrator of the LNG terminal funds and transfers the LNG terminal funds to their recipients only after collecting them from the buyers, and accordingly, the Company does not incur credit risk arising from the disputed amounts.

In addition, litigation procedure is pending regarding the legitimacy of the decisions of the Company's Procurement Commission passed at the time of procurement of contract works for the gas interconnection between Poland and Lithuania (GIPL) project. On 21 May 2020, the Lithuanian Court of Appeal passed a ruling, by which the decision of 29 February 2020 of Vilnius Regional Court was left unchanged (the outcome of the procurement was left unchanged as well). The claimant has filed an appeal in cassation, which has been accepted and its hearing was held on 27 January 2021 at the Lithuanian Supreme Court. On 3 March 2021, the Lithuanian Supreme Court passed a ruling to repeal the decision of Vilnius Regional Court of 28 February 2020 and the ruling of the panel of judges from the Division of Civil Cases of the Lithuanian Court of Appeal of 21 May 2020, and to remit the case back to the court of first instance.

BALTPOOL UAB litigations

On the basis of claims filed by BALTPOOL and statements for the issuance of court orders, intense litigations took place/were continued in the civil cases initiated before the courts regarding the award of PSO funds debt from the debtors of PSO funds: Lifosa AB, ORLEN Lietuva AB, and Dainavos Elektra UAB. The amounts recovered from the above-mentioned debtors of PSO funds were/would be entered to the PSO funds budget, therefore the above-mentioned litigations had no/will have no direct impact on the financial position of Baltpool.

The civil cases for the reward of PSO funds from debtors Achema AB and Lifosa AB remained/were suspended in 2020. The amounts recovered from the above-mentioned debtors of PSO funds would be entered to the PSO funds budget, therefore the above-mentioned litigations will have no direct impact on the financial position of Baltpool.

On the basis of the claim filed by Robmona UAB, the civil case was initiated before the District Court of Vilnius City, in which the claimant filed the claim to the court with the request to amend the agreement concluded with buyer Šiaulių Energija AB at the exchange according to Article 6.204 of the Civil Code (material change of the balance between the parties to the agreement). BALTPOOL disagrees with the claim filed as the aim of the claim's statement presented by Robmona UAB is, in principle, not the restoration of the balance of the rights and obligations of the parties to the agreement, but rather the avoidance of the fine imposed for improper fulfilment of the agreement (the issue of the imposition of the fine has already been investigated by the courts of all instances in another civil case between claimant Šiaulių Energija AB and defendant Robmona UAB, in which BALTPOOL did not participate). No material requirements have been presented to defendant BALTPOOL. The litigation will have no impact on rights or obligations as well as financial position of BALTPOOL.

39. Events after the end of the reporting period

On 26 January 2021, EPSO-G established a wholly-owned subsidiary Energy Cells UAB by subscribing and paying for 500,000 shares of the newly established company with the nominal value of EUR 1. Shares were paid by making a monetary contribution. The function of Energy Cells UAB will be the installation of energy storage facilities in Lithuania with the total combined power and storage capacity of 200 megawatts. Energy storage facilities will serve as the primary capacity reserve ensuring reliable, stable and consumer-focused operation of the Lithuanian electricity system until the completion of the synchronisation with the continental European networks and in the future they will be used for the integration of rapidly growing renewable energy sources into the existing transmission system.

After the receipt of the permission from the National Energy Regulatory Council, the cash pool agreement was concluded between LITGRID AB and EPSO-G on 26 February 2021, which establishes the possibility to use free congestion management revenue for the Group's intercompany lending and borrowing purposes.

Annexes

Information on compliance with transparency guidelines

Annex 1

EPSO-G (hereinafter – **EPSO-G** or the **Company**) and its subsidiaries comply[1] with the Resolution No 1052 of the Government of the Republic of Lithuania as of 14 July 2010 on the Approval of the Description of the Guidelines for Ensuring the Transparency of State-Owned Enterprise Activities (hereinafter – the Transparency Guidelines). The Transparency Guidelines are subject to mandatory application by EPSO-G UAB, as EPSO-G UAB is a state-owned enterprise (hereinafter – **SOE**). To implement the compliance with the Transparency Guidelines in EPSO-G UAB group of companies, the policy of transparency and communication of the activities of EPSO-G UAB group of companies was adopted at the Group's level with a detailed regard to requirements set out in the Transparency Guidelines and their established application for the companies of EPSO-G UAB group of companies.

The implementation of the Transparency Guidelines by EPSO-G UAB is materially ensured through information disclosure in the annual report and ant the disclosure of the information on EPSO-G UAB website aiming to submit the information for stakeholders in an accessible and understandable format.

Article 3 of the Transparency Guidelines states that SOE shall comply with the provision of the Corporate Governance Code[2] for companies listed in Nasdaq Vilnius AB related to public disclosure of information. Information on EPSO-G compliance with the provisions of this Code is set out in Annex II to EPSO-G Annual Report, entitled "EPSO-G UAB Report on Compliance with the Corporate Governance Code for Listed Companies on Nasdaq Vilnius AB".

Structured information on the implementation of the Transparency Guidelines is presented below:

INFORMATION / OTHER REQUIREMENTS SUBJECT TO PUBLICATION ON EPSO-G WEBSITE (WWW.EPSOG.LT):	
Name and code of the Company and register where data about the Company is stored and kept, address	Executed
Legal status subject to reorganization (the method of reorganization shall be indicated), liquidation or bankruptcy of EPSO-G	Not applicable
Information about the state representing institution, i.e. the Ministry of Energy and a link to its website	Executed
Operational goals, vision and mission	Executed
Structure	Executed
Data of Director General*	Executed
Data of Chairman and members of the Board*	Executed
Data of Chairman and members of the Supervisory Board*	Not applicable
Names of committees, details of their chairmen and members*	Executed
***The following data is published:** name, surname, date of commencement of current positions, other current management positions in other legal entities, education, qualification, professional experience; it shall be indicated whether a member of the collegial body has been elected or appointed as an independent member.	
Amount (in euro to the nearest cent) and percentage of the nominal value of the state-owned shares in EPSO-G share capital	Executed
Special obligations are fulfilled, which are determined in accordance with the recommendations approved by the Minister of Economy and Innovation of the Republic of Lithuania: the objective of special obligations, the state budget appropriations allocated to them in the current calendar year and legal acts assigning SOEs with the performance of a special obligation are indicated, the conditions for the performance of the special obligation and / or regulated pricing are set.	Executed

[1] In accordance with Article 17.11 of the Transparency Guidelines, in the event of non-compliance with the Transparency Guidelines, explanations shall be provided.

[2] "The Corporate Governance Code for the Companies Listed on NASDAQ Vilnius" approved on 15 January 2019 by Board meeting of Nasdaq Vilnius AB, protocol No. 19-63

INFORMATION / OTHER REQUIREMENTS SUBJECT TO PUBLICATION ON EPSO-G WEBSITE (WWW.EPSOG.LT):	
Information on social responsibility initiatives and measures, important ongoing or planned investment projects	Executed
If EPSO-G is a participant in other legal entities (does not apply to subsidiaries and downstream subsidiaries), the name, code and register of such legal entities in which the Company's data are collected and stored, registered office (address), website addresses	Not applicable
EPSO-G set of annual financial statements, EPSO-G annual report, and auditor's report on the annual financial statements of EPSO-G shall be published on EPSO-G website within 10 working days of the approval of the annual financial statements	Executed
EPSO-G set of interim financial statements, EPSO-G interim annual reports shall be published on the website not later the 2 months after reporting period	Executed
CONSIDERING THAT EPSO-G IS PATRONIZING COMPANY ADDITIONAL INFORMATION SHALL BE PUBLISHED ON THE EPSO-G WEBSITE (WWW.EPSOG.LT):	
Structure of EPSO-G group companies	Executed
EPSO-G subsidiaries and downstream subsidiaries:	
Name and code of the Company and register where data about the Company is stored and kept, registered office (address)	Executed
Website addresses	Executed
Percentage of EPSO-G shares in the companies' share capital	Executed
Consolidated financial statements and consolidated annual reports	Executed
THE DOCUMENTS / OTHER REQUIREMENTS SUBJECT TO PUBLICATION ON EPSO-G WEBSITE (WWW.EPSOG.LT):	
EPSO-G articles of association	Executed
Letter from the Ministry of Energy on the setting of state objectives and expectations for EPSO-G	Executed
Operational strategy or a summary in cases when it contains confidential information or information treated as a commercial (industrial) secret	Executed
Remuneration policy including the remuneration of EPSO-G management and the remuneration of members of collegiate bodies and committees set up by EPSO-G	Executed
EPSO-G annual and interim reports	Executed
The sets of annual and interim financial statements reports and auditor's reports on the annual financial statements for the period not less than j years	Executed
The documents listed above are published in PDF format and technical possibilities for printing	Executed

OTHER REQUIREMENTS SUBJECT TO PUBLICATION / IMPLEMENTATION IN THE ANNUAL REPORT AND THE SET OF FINANCIAL STATEMENTS:	
The accounting of EPSO-G shall be administered according to the International Financial Reporting Standards.	Executed
EPSO-G is preparing a set of interim financial statements for six months	Executed
Additionally to annual report EPSO-G is preparing interim report for six months	Executed
In addition to the requirements set by the Law on Financial Reporting of the Republic of Lithuania the EPSO-G annual report shall contain[3]:	
Short description of EPSO-G business model	Executed
Information on major events during and after the financial year (prior to the preparation of the annual report) which had substantial impact on the activity of EPSO-G	Executed
Results of the implementation of the goals set in operational strategy	Executed
Ratios of profitability, liquidity, asset turnover and debt	Executed
Fulfilment of special obligations	Executed
Implementation of investments policy, investment projects in progress and planned and investments during the reporting period	Executed
Implementation of risk management policy applied by EPSO-G	Executed
Implementation of dividends policy	Executed
Implementation of the remuneration policy	Executed
General annual wage fund, average monthly salary according to position and (or) departments	Executed
For SOEs that are not required to prepare report of social responsibility it is recommended to provide information related to environmental, social and personnel, human rights, anti-corruption and bribery accordingly in annual report or annual activity report	Executed
Consolidated annual report contains structure of the group of companies, name and code of each subsidiary and the register where company data is stored and kept, registered office (address), part (percentage) of shares held in the authorized capital of the subsidiary, financial and non-financial results of the financial year	Executed
EPSO-G interim annual report contains short description of EPSO-G business model, analysis of financial operating results of the reporting period, information on major events of the reporting period, and also ratios of profitability, liquidity, asset turnover and debt including its changes in comparing to previous year period	Executed

[3] If the information is treated as SOE's commercial (industrial) secret or confidential information, SOE shall not disclose such information, therefore it should be indicated in SOE's annual report including reason for non-disclosure..

EPSO-G UAB Notice of Compliance with the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius AB

Annex 2

In line with the Description of the Guidelines for Ensuring the Transparency of State-owned Enterprises approved by Resolution No 1052 of the Government of the Republic of Lithuania dated 14 July 2010 and the Transparency and Communication Policy of the EPSO-G Group of Companies, EPSO-G UAB (the Company or EPSO-G) discloses in this annual report its compliance with the provisions of the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius AB. In case of non-compliance with this Code or some of its provisions, the specific provisions that are not complied with must be indicated and the reasons of such non-compliance must be specified.

The implementation of the recommendations of the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius AB is, in principle, ensured through information disclosed in the annual report and information extensively published on the EPSO-G's website aiming to provide information to stakeholders in an accessible and comprehensible format.

1. Free-form summary of the Company's corporate governance report

A state-owned company EPSO-G is the parent company of the EPSO-G group of companies (the Group).

Rights and obligations of the shareholder of the holding company EPSO-G are implemented by the Ministry of Energy of the Republic of Lithuania (the Ministry of Energy, ME). The Company's corporate governance structure and the governance model are established by the Company's Articles of Association, the Corporate Governance Guidelines of the EPSO-G Group of Companies approved by the sole shareholder Ministry of Energy on 24 April 2018 and the Corporate Governance Policy of the EPSO-G Group of Companies. All the above-mentioned documents are published on the Company's website.

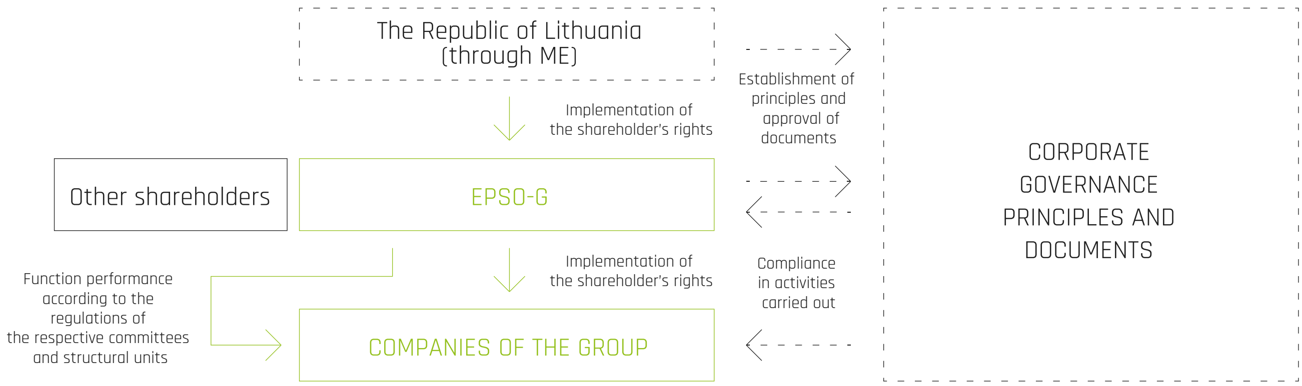

Chart 1. Main scheme of the implementation of corporate governance of EPSO-G.

The corporate governance structure:

- The General Meeting of Shareholders;
- The Board (five members, three of whom are independent members, the other two members are nominated by the sole shareholder Ministry of Energy);
- The committees operating at the Group level:
    - The Remuneration and Nomination Committee (mainly composed of independent members);
    - The Audit Committee (mainly composed of independent members);
    - The Innovation and Development Committee (mainly composed of independent members).
- The Chief Executive Officer.

The Group has a centralised internal audit function. In order to ensure the independence of the internal audit, it is established that the head of the internal audit function is appointed and dismissed by the Board of the holding company EPSO-G, which is mainly composed of independent members. The internal audit shall also be accountable to the Audit Committee of EPSO-G, which is also mainly composed of independent members. The internal audit recommendations are analysed by the Board of the Company, which also approves the plan of measures for the implementation of recommendations.

On the basis of the Risk Management Policy of the EPSO-G Group of Companies, the uniform risk management system of the Group is implemented according to the COSO ERM standards applicable in the international practice setting out risk identification, assessment and management principles and responsibilities. Risk management coordination is performed at the Group level.

Good governance practice is implemented at the EPSO-G Group by the approved operating policies. The aim of these policies is to introduce a consistent and effective organisational management system helping employees successfully implement important strategic projects and create value to residents and businesses of the country in a transparent and effective manner. To ensure the efficiency of the operating policies, the Company annually reports on the progress of implementation of the operating policies.

The operating policies that are currently effective at the Company are presented in the chart below.

Remuneration, personnel management	Supervision of the Group's activities	Activities, development of the Group	Finance, asset	Transparency, accountability
Remuneration guidelines	Integrated planning and monitoring policy of the Group	Strategy of the Group	Dividend payment policy	Corruption prevetion policy
Guidelines of the annual self-assessment of the collegiate bodies' activities	Guidelines of the implementation of the centralised internal audit in the Group	Corporate governance policy	Accounting policy	Policy for support granting
Employee remuneration policy		Project management policy	Treasury and financial risk management policy	Policy of non-audit services purchased from an audit company
Employee performance assessment policy		Risk management policy	Technological assets development and operation policy	Transparency and communication policy
Competence policy		Social responsibility policy	Transport policy	Sensitive information protection policy
		Code of conduct	ITT management politics	Policy of managing interests of members of collegial bodies and emplyees
		Procurement Policy		Personal data protection policy
		Transactions with related countries policy		
		Compliance Management politics		

EXPLANATORY NOTES

The policy changes mode and a new version of Group policy adopted in 2020

The new Group policy approved in 2020

EPSO-G relies on the good governance practices outlined in the recommendations of good governance published by the Organisation for Economic Cooperation and Development (OECD), the recommendations of the United Nations and Nasdaq Vilnius, other internationally recognised standards and the recommendations of good governance, the main objective of which is to ensure that the state-owned companies are managed in an efficient and transparent manner.

As a result of targeted actions taken to build trust in ongoing strategic projects and large attention devoted to operational transparency and accountability, the EPSO-G group of companies has been recognised for the most advanced governance of the subsidiaries, and the overall governance quality has been rated A+.

This was evidenced by the 2019/2020 Good Governance Index of State-owned Enterprises (SOE) published by the public institution Governance Coordination Centre (GCS). The Good Governance Index of this Centre 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 highest A+ rating with the areas for improvement identified when applying the sustainability practice in the future.

The highest possible rating A+ was also awarded for the work of the collegial bodies, the process of selection of their members, competence and involvement, and for the compliance of the functions of the collegial bodies with the good governance principles.

EPSO-G's strategic planning and implementation were rated with the A+ score. Financial sustainability received the rating A due to the Group's debt level that resulted from the financial obligation to pay to the company of the Ignitis group for the acquired shares of Litgrid.

In the preparation of the 2021 operational plan, the holding company EPSO-G continues to improve governance by taking into consideration recommendations presented by the GCS.

2. Structured table:

	PRINCIPLES/RECOMMENDATIONS	YES / NO / IRRELEVANT	COMMENTS
	Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights. **The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.**		
1.1.	All shareholders should be equally provided with access to the information and/or documents established in the legal acts on equal terms to participate in the decision-making process where significant corporate matters are discussed.	YES	The Company has the sole shareholder.
1.2.	It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to their holders.	YES	All shares of the Company are ordinary registered shares of EUR 0.29 per value.
1.3.	It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	IRRELEVANT	The Company has the sole shareholder. The company is not listed on the exchange.
1.4.	Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	YES	Article 43 of the Articles of Association of the Company specifies the cases when the approvals of the sole shareholder are required - these cases are established with regard to the fact that the underlying assets of the Company are the shares of the subsidiaries.
1.5.	Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	IRRELEVANT	The Company has the sole shareholder and it is not listed on the exchange.
1.6.	With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	IRRELEVANT	The Company has the sole shareholder and it is not listed on the exchange.

PRINCIPLES/RECOMMENDATIONS		YES / NO / IRRELEVANT	COMMENTS
1.7.	Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	YES	The shareholder has an option of voting in writing.
1.8.	With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases, the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	IRRELEVANT	The Company has the sole shareholder and it is not listed on the exchange.
1.9.	It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	IRRELEVANT	The Company has the sole shareholder and it is not listed on the exchange.
1.10.	Members of the company's collegial management body, heads of the administration[4] 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.	IRRELEVANT	The Company has the sole shareholder and it is not listed on the exchange.
Principle 2: Supervisory board			
2.1.	**Functions and liability of the supervisory board** The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company. The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.		
2.1.1.	Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	IRRELEVANT	The Supervisory Board is not formed in the Company.
2.1.2.	Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	IRRELEVANT	The Supervisory Board is not formed in the Company.

[4] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

PRINCIPLES/RECOMMENDATIONS		YES / NO / IRRELEVANT	COMMENTS
2.1.3.	The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	IRRELEVANT	The Supervisory Board is not formed in the Company.
2.1.4.	Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[5] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	IRRELEVANT	The Supervisory Board is not formed in the Company.
2.1.5.	The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	IRRELEVANT	The Supervisory Board is not formed in the Company.
2.1.6.	The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	IRRELEVANT	The Supervisory Board is not formed in the Company.
2.2.	**Formation of the supervisory board** The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.		
2.2.1.	The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	IRRELEVANT	The Supervisory Board is not formed in the Company.
2.2.2.	Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	IRRELEVANT	The Supervisory Board is not formed in the Company.
2.2.3.	Chair of the supervisory board should be a person, whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	IRRELEVANT	The Supervisory Board is not formed in the Company.

[5] For the purposes of this Code, the criteria of independence of members of the supervisory board 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.

	PRINCIPLES/RECOMMENDATIONS	YES / NO / IRRELEVANT	COMMENTS
2.2.4.	Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	IRRELEVANT	The Supervisory Board is not formed in the Company.
2.2.5.	When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be 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.	IRRELEVANT	The Supervisory Board is not formed in the Company.
2.2.6.	The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	IRRELEVANT	The Supervisory Board is not formed in the Company.
2.2.7.	Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organisation and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and operational procedures.	IRRELEVANT	The Supervisory Board is not formed in the Company.
Principle 3: Management board			
3.1.	**Functions and liability of the management board** The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.		
3.1.1.	The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	YES	Article 39 of the Articles of Association of the Company defines that the Board approves the Company's strategy, which also comprises a formulated joint mission and vision of the group of companies. In addition, the Board regularly reviews reports on the implementation of the strategy carrying out its supervisory function.
3.1.2.	As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	YES	Article 44 of the Articles of Association of the Company provides that the Board of the Company performs supervisory functions.

PRINCIPLES/RECOMMENDATIONS		YES / NO / IRRELEVANT	COMMENTS
3.1.3.	The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	YES	Articles 39 and 41 of the Articles of Association of the Company define that the Board approves the documents of the group of companies (e.g. guidelines, policies, procedures, etc.), forms the joint corporate governance policy of the group of companies and sets the basic principles of such corporate governance, guidelines, codes of conduct and other regulations of indicative nature applied for the companies of the group of companies. In addition, by separate decisions, the Board appoints the CEO to provide regular reports on the indicators followed by the Board (e.g. the Company's strategy, activity plan, budget etc.).
3.1.4.	Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[6] 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 a variety of documents to ensure the highest level of internal control, ethics and compliance management tools, such as: • internal audit is accountable to the Board which is formed from external members (3 members are independent); • the Audit Committee is composed of the majority of independent members, to whom internal audit is also accountable; • the Company applies the Code of Conduct and the Corruption Prevention Policy of EPSO-G UAB group of companies, the Sponsorship and Charity Policy of EPSO-G UAB group of companies, the policy for managing the conflict of interests of the members, executives and employees of collegiate management and supervision bodies of EPSO-G UAB group of companies, the Risk Management Policy of EPSO-G UAB group of companies, the Transparency and Communication Policy of EPSO-G UAB group of companies, etc.
3.1.5.	When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	YES	The Articles of Association of the Company defines that the Company's CEO is appointed by the Board taking into account the recommendations of the Remuneration and Appointment Committee. Article 81 of the Articles of Association of the Company defines that, in assessment of suitability of the candidate for the position of the CEO, the Board shall consider his/her compliance with requirements specified by these Articles of Association and regulations, and therefore may require that the candidate submitted documents supporting this compliance and/or contact competent authorities for obtaining necessary information about the candidate.

[6]Reference to OECD Good Practice Guidance on internal control, ethics and compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf

	PRINCIPLES/RECOMMENDATIONS	YES / NO / IRRELEVANT	COMMENTS
3.2.	**Formation of the management board**		
3.2.1.	The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	YES	The election of the members of the Board of the Company is carried out in compliance with the procedures set by the Government of the Republic of Lithuania. In the process of election it is ensured that the Board consists of at least 3 (three) independent members; their independence is established in accordance with the selection description of a list of candidates to the board of the state enterprise or municipal company and the candidates to the board of the state or municipal company for the selection of a collegial supervisory or management body elected by the General Meeting of Shareholders, approved by Resolution No 631 dated 17 June 2015 of the Government of the Republic of Lithuania and the Policy of Management of Interests of Members of Collegial Bodies, Executives and Employees of the EPSO-G group of companies as well as the requirements set forth by other applicable legal acts, also seeking for the Board members to have competences taking into account the areas of responsibility and functions of the Board; when possible, the employees of the Company shall not be appointed to the Board. The Board members have a yearly assessment of their performance. In addition, the Remuneration and Appointment Committee evaluates the performance of the Board on an annual basis with recommendations on performance improvement.
3.2.2.	Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	YES	Article 33 of the Company's Articles of Association stipulates that the meeting, when assessing the suitability of a candidate for the position of a member of the Board, assesses his / her compliance with the requirements established in the Articles of Association and applicable legal acts. According to Article 34 of the Company's Articles of Association, each candidate for the position of a member of the Board must submit the candidate's 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 This information is not repeated additionally in the Annual Report, however the Annual Report contains the information on the chairman of the Board, CEO and the chief accountant and the head of the Internal Audit
3.2.3.	All new members of the management board should be familiarised with their duties and the structure and operations of the company.	YES	The members of the Board are introduced to the structure and activities of the Company by sharing key corporate documents of the Company.
3.2.4.	Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	YES	Board members are elected for a term of 4 years. A member of the Board may continuously serve maximum 2 subsequent full terms of office, i.e. no longer than 8 years in a row.

PRINCIPLES/RECOMMENDATIONS		YES / NO / IRRELEVANT	COMMENTS
3.2.5.	Chair of the management board should be a person, whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	YES	The Articles of Association of the Company provides the criteria for which a person cannot be elected as a member of the Board. According to Article 52 of the Company's Articles of Association, the Chairman of the Board must be an independent member of the Board.
3.2.6.	Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof.	YES	The Company's taken minutes record the attendance of the Board members and voting in decision-making process. The Board's participation in the meetings is set out in the Annual Report. Each year, the Board members perform an assessment of his/her activities, the results of which are submitted to the shareholders and the Remuneration and Appointment Committee.
3.2.7.	In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent[7], it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company related circumstances.	YES	The Company's website and Annual Report contain information about the members of the Board of the Company, specifying the independent members.
3.2.8.	The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	YES	The Articles of Association of the Company provide that the general meeting of shareholders shall make decisions on the remuneration guidelines applicable to the determination of remuneration for activities in the boards of the Company and the group of companies.
3.2.9.	The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to non-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	YES	Taking into account the objective to monitor the absence of conflicts of interest of the members of the Board of the Company, each year the members of the Board renew their declarations of interests. The Company has the approved policy for managing the conflict of interests of the members, executives and employees of collegiate management and supervision bodies of EPSO-G UAB group of companies. In addition, the Articles of Association of the Company stipulates that the members of the Board may have another job or occupy another position compatible with their activities in the Board, including without limitation the managing positions occupied in other legal entities, a job in a state or statutory service, position in the Company and in other legal entities (within the limits set by the Articles of Association) only with prior notice to the Board. The Board members have signed commitments to protect confidential information. There are no non-compete agreements concluded with the members of the Board – the need for such agreements was not established.
3.2.10.	Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organisation and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its 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 assessment of its activities every year and prepares a performance improvement plan on its basis. The results of the assessment of the Board's performance are presented in the Company's Annual Report.

[7] Within the meaning of this Code, the criteria for the independence of the members of the Board are understood as the criteria for unrelated persons defined in Paragraph 7 of Article 33 of the Law on Companies of the Republic of Lithuania.

PRINCIPLES/RECOMMENDATIONS		YES / NO / IRRELEVANT	COMMENTS
Principle 4: Rules of procedure of the supervisory board and the management board of the company			
The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.			
4.1.	The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform the supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	IRRELEVANT	The Supervisory Board is not formed in the Company.
4.2.	It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	YES	The Articles of Association of the Company stipulate that the Board takes its decisions in the Board meetings that are usually convened as necessary for the Board to be able to properly perform its functions and take decisions attributed to its competence. At the beginning of each year, the Board of the Company approves the schedule and activity plan of the current year (preliminary questions for the respective Board meeting).
4.3.	Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	YES	According to the rules of procedures of the Board, the material shall be submitted to the Board 5 working days prior to the ordinary meeting.
4.4.	In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	IRRELEVANT	The Supervisory Board is not formed in the Company.

PRINCIPLES/RECOMMENDATIONS		YES / NO / IRRELEVANT	COMMENTS
Principle 5: Appointment, remuneration and audit committees			
5.1.	**Purpose and formation of committees** The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest. Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.		
5.1.1.	Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the appointment, remuneration and audit committees[8].	YES	The Company has the Remuneration and Appointment Committee and Innovation and Development Committees (the first meeting was held on 6 January 2020; more detailed information is available in the annual report) formed by the Board of EPSO-G UAB, which operate in accordance with the rules of procedures approved by the body that forms it, and the Audit Committee formed by the sole shareholder EPSO-G UAB operating at the Group level and acting in compliance with the rules of procedures approved by the body that forms it. Given that the issues of remuneration and appointment are closely related and experts with the same qualifications are required to deal with these issues, it was decided to form a single Remuneration and Appointment Committee.
5.1.2.	Companies may decide to set up less than three committees. In such case, companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.	YES	
5.1.3.	In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case, the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	IRRELEVANT	Please refer to Comment under Item 5.1.1.
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	Chapters 7.8 and 7.9 of the Articles of Association of the Company regulate the formation and competence of committees within the group. The aforementioned Articles of Association stipulate that the Remuneration and Appointment Committee and the Audit Committee shall consist of not less than 3 members. The Remuneration and Appointment Committee ensures that there is at least 1 independent member and at least 2 independent members in the Audit Committee in the group of 3 members. The Chairpersons of the Remuneration and Appointment and Audit Committees shall be independent members of the Committees, none of whom shall serve as Chairperson of the Board. Not all members of the Remuneration and Appointment Committee and the Audit Committee are appointed from 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.

[8]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).

PRINCIPLES/RECOMMENDATIONS		YES / NO / IRRELEVANT	COMMENTS
5.1.5.	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 inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.	YES / NO	Committees are formed in the Articles of Association of EPSO-G and under the decision of the body forming the Committee the Rules of Procedures of the Remuneration and Appointment Committee are approved by the decision of the Board of EPSO-G, while the Rules of Procedures of the Audit Committee are approved by the decision of the sole shareholder EPSO-G, as it is consented by the Requirements for Members of the Audit Committee approved by the Bank of Lithuania (Article 5). The Rules of Procedures of the Committees are published on the EPSO-G website. Information about the structure of committees, activities, etc. is presented in the Consolidated Group's Annual Report.
5.1.6.	With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	YES	The Rules of Procedures of the Committees provide for the right of the members of the Committees to invite, at their discretion, to their meetings the members of the bodies, employees, representatives, candidates for certain positions of EPSO-G group of companies, or other persons, and to obtain from them the necessary explanations within their competence as well as require for that purpose that necessary actions would be carried out needed for the performance of the functions of the Committees.
5.2.	**Appointment committee**		
5.2.1.	The key functions of the appointment committee should be the following: 1. to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The appointment committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2. assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3. devote the attention necessary to ensure succession planning.	YES	The Remuneration and Appointment Committee of EPSO-G serves as the advisory body to the Board acting on the Group level, the main functions of which are the following: • assists in the selection of candidates for members of the collegial bodies in all undertakings of the group of companies; • provides recommendations for the undertakings of the group of companies on the appointment of members of the collegial bodies, conclusion of contracts with them and determination of remuneration for them; • provides recommendations on the policies of the group of companies that govern the remuneration policy and employee performance assessment; • provides recommendations on the planning system of shifts of critical positions.

PRINCIPLES/RECOMMENDATIONS		YES / NO / IRRELEVANT	COMMENTS
5.2.2.	When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Appointment Committee.	YES	It is defined in the Rules of Procedures that that the right of initiative to convene the Remuneration and Appointment Committee is exercised by the Boards or managers of the group of companies, as well as to propose the agenda of the meeting by submitting issue related material and draft resolutions. Currently, this provision is not practically relevant, as there are no employees of the Company in the Board.
5.3.	**Remuneration committee**		
5.3.1.	The main functions of the remuneration committee should be as follows: 1. submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2. 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 refer to Comment under Item 5.2.1.
5.4.	**Audit committee**		
5.4.1.	The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[9].	YES	The Audit Committee of EPSO-G serves as an advisory body of the Company's Board on the Group level, the main functions of which are the following: • supervises the audit and financial reporting of the group of companies; • takes responsibility for ensuring compliance with the principles of independence and objectivity of the auditors of the Group's companies and audit firms; • takes responsibility for monitoring the internal control, risk management and internal audit systems, effectiveness of operational processes of the Group's companies; • takes responsibility for monitoring the provision of non-audit services by the auditor of the Group's companies and/or audit firm; • ensures the functioning of complaints system and complaints handling; • evaluates transactions with related parties.
5.4.2.	All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.		

[9]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.

PRINCIPLES/RECOMMENDATIONS		YES / NO / IRRELEVANT	COMMENTS
5.4.3.	The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	YES	The Rules of Procedures 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, employees, representatives, candidates for certain positions of the group of companies, 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.
5.4.4.	The audit committee should be informed about the internal auditor's work programme and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work programme of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	YES	The Audit Committee is periodically, at least quarterly, introduced to the internal audit reports and at least once every six months with the internal audit plan; it may make recommendations to the Boards of the group of companies. The Audit Committee organizes meetings with the external auditors to discuss the auditors' work program and the uncertainties arising during the audit, and following the external audit, their conclusions and recommendations are discussed with the external auditors. The audit firm before the start of annual audits submits its declaration of independence to the Audit Committee and to the companies at the beginning of each year.
5.4.5.	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 Rules of Procedures of the Audit Committee provide 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 Chairman of the Audit Committee is immediately informed about significant complaints received, as well as periodically reports to the Audit Committee on all complaints received by the Group companies, their investigation and decisions based on the findings of investigations.
5.4.6.	The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	YES	The Rules of Procedures of the Audit Committee stipulate that the Audit Committee shall submit quarterly activity report to the Board of EPSO-G. In addition, it shall submit an annual activity report to the Ordinary General Meeting and to the Board of EPSO-G.

PRINCIPLES/RECOMMENDATIONS		YES / NO / IRRELEVANT	COMMENTS
Principle 6: Prevention 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 framework should recognise the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.			
6.1.	Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	YES	Such an obligation is set out in the rules of procedures of the Board, an agreement signed with a Board member and the policy of managing the interests of members of the collegial bodies, managers and employees of EPSO-G UAB group of companies. Article 34 of the Company's Articles of Association stipulates that each candidate for a member of the Board must immediately inform the Board of any new circumstances that may give rise to a conflict of interest.
Principle 7: Remuneration policy of the company The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.			
7.1.	The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	YES	The Company applies the Guidelines on the establishment of remuneration for the activity at EPSO-G UAB and corporate bodies of EPSO-G UAB group of companies approved by the sole shareholder of EPSO-G UAB, which are publicly available. The Company applies the Remuneration Policy of EPSO-G UAB group of companies and Employee Performance Assessment Policy of EPSO-G UAB group of companies in full that are both publicly available.
7.2.	The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	YES	All the possible forms of remuneration of the collegial bodies and the personnel are established in the Guidelines on the establishment of remuneration for the activity at EPSO-G UAB and corporate bodies of EPSO-G UAB group of companies and the Remuneration Policy of EPSO-G UAB group of companies, which are both publicly available.
7.3.	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 remuneration for activities in the bodies of UAB EPSO-G and EPSO-G UAB group of companies regulating a fixed monthly remuneration for members of collegial bodies. The members of the Board are not remunerated depending on the results of the Company.

PRINCIPLES/RECOMMENDATIONS		YES / NO / IRRELEVANT	COMMENTS
7.4.	The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	YES / NO	The Remuneration Policy of EPSO-G UAB group of companies stipulates that the Group's companies do not conclude advance agreements on termination benefits (except for the CEOs 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 under labour law, excluding exceptional cases where there are objective reasons for the agreement on higher benefits. The relevant Board of the Group's company shall be informed of the disbursement of such benefits and the grounds for their payment at its forthcoming meeting.
7.5.	In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	IRRELEVANT	The financial incentive scheme is not applied in the Company.
7.6.	The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major 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 average salary levels of individual employee groups is publicly disclosed in the Company's Annual Report, on the Company's website. Public information on the remuneration of employees is provided on a quarterly basis on the Company's website.
7.7.	It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	YES	The remuneration of the members of the Board of the Company is determined by the General Meeting of Shareholders of the Company. Remuneration is subject to the Guidelines on the establishment of remuneration for the activity at EPSO-G UAB and corporate bodies of EPSO-G UAB group of companies, which are approved by the sole shareholder of EPSO-G UAB. Such schemes are not applied in the Company.

Principle 8: Role of stakeholders 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 companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.

8.1.	The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	YES	The Company applies the Transparency and Communication Policy of EPSO-G UAB group of companies, which establishes goals to increase awareness and understanding of stakeholders about the activities of EPSO-G UAB group of companies and individual group companies; to ensure employee engagement; to create and maintain sustainable relationship with stakeholders based on the mutual respect.

PRINCIPLES/RECOMMENDATIONS		YES / NO / IRRELEVANT	COMMENTS
8.2.	The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by 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, together with the representatives of the Company's employees, conducts consultations, negotiations and briefings on the optimisation processes implemented in the Company. Stakeholders can take part in the corporate governance to the extent permitted by law.
8.3.	Where stakeholders participate in the corporate governance process, they should have access to relevant information.	YES	Please refer to Comment under Items 8.1. and 8.2.
8.4.	Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	NO	The Corruption Prevention section of the Company's website contains the Trust Line contacts. In the prepared notification form, you are invited to report on the breaches of legislation and conduct, violations of ongoing economic transactions and accounting; bribery, bribery, corrupt practices, affectation of trade, abuse; conflicts of interest, nepotism and cronyism; breaches of transparency, equality, non-discrimination, proportionality and impartiality in procurement conducted by the executives and the employees of EPSO-G UAB and directly or indirectly controlled companies (LITGRID AB, Amber Grid AB, BALTPOOL UAB, TETAS UAB, Power Link Service UAB, GET Baltic UAB), The information is sent to this address only to an EPSO-G corruption prevention officer, who ensures the confidentiality of its sender. The Audit Committee acting EPSO-G UAB group of companies-wide ensures the functioning of the system of lodging complaints and their handling. It is expected that a system will be established in the near future to provide information to a group-wide Audit Committee.

	PRINCIPLES/RECOMMENDATIONS	YES / NO / IRRELEVANT	COMMENTS
	Principle 9: Disclosure of information The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.		
9.1.	In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:	YES	The Transparency and Communication Policy is established at EPSO-G UAB. This information is disclosed in the Company's Annual Report and on the Company's website.
	operating and financial results of the company;	YES	-
	objectives and non-financial information of the company;	YES	-
	persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	YES	-
	members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	YES	-
	reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	YES	-
	potential key risk factors, the company's risk management and supervision policy;	YES	-
	the company's transactions with related parties;	YES	-
	main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	YES	-
	structure and strategy of corporate governance;	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 exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	YES	-

PRINCIPLES/RECOMMENDATIONS		YES / NO / IRRELEVANT	COMMENTS
9.2.	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 UAB, as a parent company, discloses information on the financial results of the Group and the operations of the companies of the Group.
9.3.	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.
9.4.	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.	IRRELEVANT	The Company has the sole shareholder and it is not listed on the exchange.
Principle 10: Selection of the company's audit firm The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.			
10.1.	With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	YES	An independent audit firm is appointed by the General Meeting of Shareholders.
10.2.	It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	YES	The Audit Committee operating at the Group level is actively involved in the selection process of an auditor. The Audit Committee provides a recommendation to the Board on the auditor's nomination. The final decision shall be made by the General Meeting of Shareholders, convened by the Board, which also proposes draft decisions.
10.3.	In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	YES	The audit firm provides non-audit services in accordance with the policy approved by the Audit Committee of EPSO-G UAB on the procurement of non-audit services of EPSO-G UAB group of companies from an audit firm or other firm that is a part of the network of the audit firm. Remuneration received by the audit firm for non-audit services provided to the group of companies during the reporting period is published 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 Item 10.2, is actively involved in the selection process of an auditor. Thus, the Audit Committee, when submitting a recommendation to the Board on the auditor, has all the necessary information on auditors.